

<b>LONDON BOROUGH OF CAMDEN</b>	<b>WARDS:</b> All
<b>REPORT TITLE</b> 2023/24 Update on the Council's Medium Term Financial Position (CS/2023/11)	
<b>REPORT OF</b> Cabinet Member for Finance and Cost of Living	
<b>FOR SUBMISSION TO</b>  Resources and Corporate Performance Scrutiny Committee  Cabinet	<b>DATE</b>  10 <sup>th</sup> July 2023  12 <sup>th</sup> July 2023
<b>STRATEGIC CONTEXT</b>  <p>We Make Camden is our communities' vision for Camden. Camden has a proud history of investment in supporting our residents and businesses. In January 2023, Cabinet agreed our medium term financial strategy, which seeks to ensure that our increasingly limited resources are focused on achieving the ambitions and aspirations set out in We Make Camden.</p> <p>The Council continues to face a number of significant challenges following the global pandemic and the current cost of living emergency. This report presents an updated overview of the Council's financial position as it seeks to support our citizens, communities and businesses. This report notes the Council's ongoing work to address the cost of living crisis including allocations of additional funding to support families, children and young people continuing to experience hardship.</p>	
<b>SUMMARY OF REPORT</b>  This report provides an update on: <ul style="list-style-type: none"> <li>• The Council's new Medium Term Financial Strategy and the Council's financial resilience.</li> <li>• Our response to the cost-of-living emergency including proposed allocations for the Family Crisis Fund.</li> <li>• Supporting the refugee crisis</li> <li>• An update on the Council's response to the climate emergency</li> <li>• 2022/23 Revenue outturn and allocation of reserves</li> <li>• 2022/23 Capital outturn and updated capital programme</li> <li>• An update on the Council's Capital Strategy</li> </ul>	

- The finances of the Housing Revenue Account including an update on actions being taken to manage the financial pressures on the account

### **Local Government Act 1972 – Access to Information**

No documents that require listing were used in the preparation of this report.

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### **RECOMMENDATIONS**

Resources and Corporate Performance Scrutiny Committee is asked to;

- (a) Consider the report and make any recommendations to the Cabinet

Cabinet is recommended to:

- (a) Note the update on the Council's Medium Term Financial Strategy and the Council's medium term financial position summarised in paragraphs 2.2 to 2.7.
- (b) Note the impact of inflation and the cost-of-living emergency on the borough and the steps being taken to help support residents detailed in paragraphs 2.16 to 2.23.
- (c) Note the 2022/23 General Fund & Housing Revenue Account revenue and capital outturn positions set out in paragraphs 2.39 to 2.46 and 2.69 to 2.76.
- (d) Agree the allocations to and from earmarked reserves as set out in sections 2.47 to 2.53 and Appendix A for inclusion in the Statement of Accounts.
- (e) Agree the revised Capital Programme, funding and capital receipts targets summarised and presented in paragraphs 2.77 to 2.81 of the report, and Appendix B.
- (f) Agree to the additions to the capital programme in paragraph 2.59 to 2.68.
- (g) Note the risks associated with our financial position outlined in section four of the report.



Signed by: Daniel Omisore, Director of Finance  
Date: 29<sup>th</sup> June 2023

## **1. CONTEXT AND BACKGROUND**

- 1.1 The impact of high inflation and the resulting cost of living emergency has placed considerable strain on the Council's finances across both the General Fund (universal services) and our Housing Revenue Account (social landlord function). High inflation is driving up our core costs, the level of need within our communities is rising and in response, we are increasing and enhancing our support to the most vulnerable in the borough, particularly in social care, welfare support and public health. At the same time, there remains reductions in income such as from rents, fees and charges. The current situation shows little sign of easing and the impact on local residents, businesses and all of our community will continue to be felt for the foreseeable future.
- 1.2 Inflation is expected to continue to have an impact on the cost of Council services over the medium term. Despite falling wholesale energy prices, inflation has remained higher than previously forecast by the Bank of England and Office for Budget Responsibility. CPI inflation was 10.2% in the first quarter of 2023, with higher than expected inflation concentrated in core goods and food prices. The latest Bank of England forecast is for inflation to continue to fall sharply over the remainder of 2023 and reach near 2% by the end of 2024<sup>1</sup>. There remain considerable uncertainties around the pace at which CPI inflation will return sustainably to the government's 2% target. In addition, uncertainty about future funding from the government and the need to support our most vulnerable in the face of the cost of living crisis means that the Council is facing a difficult financial environment over the medium term.
- 1.3 Residents and businesses will continue to feel the impact of the cost-of-living emergency. However, this will continue to be felt disproportionately by lower income households. The Institute for Fiscal Studies estimates that household energy bills are on average expected to be about £380, or 20%, higher in 2023-24 than in 2022-23, in addition the government's energy discount ended in March 2023. The lowest-income households are almost three times as exposed to energy costs as the highest-income households<sup>2</sup>. The cost of food has also increased 17% between January 2022 and January 2023.
- 1.4 2023/24 is the first year of the Council's new three-year Medium Term Financial Strategy (MTFS) agreed by Cabinet in January 2023. The delivery of the MTFS is vital if the Council is to remain financially resilient and able to continue to support local residents and businesses. The Council's planning across both its revenue budgets for delivering services to the borough and capital budgets for developing and maintaining the Council's assets are a vital component of the plans to deliver the aims of We Make Camden.

## **2. PROPOSAL AND REASONS**

- 2.1 This report provides an update on a number of financial matters:

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<sup>1</sup> [Monetary Policy Report - May 2023 | Bank of England](#)

<sup>2</sup> [The cost of living crisis: a pre-Budget briefing | Institute for Fiscal Studies \(ifs.org.uk\)](#)

- An update of the Council's new Medium Term Financial Strategy and the Council's financial resilience
- Our response to the cost-of-living emergency
- Supporting the refugee crisis
- An updated on the Council's response to the climate emergency.
- 2022/23 Revenue outturn and allocation of reserves
- 2022/23 Capital outturn and updated capital programme.
- An update on the Council's Capital Strategy
- The finances of the Housing Revenue Account including an update on action being taken to manage the financial pressures on the account

## **THE MEDIUM-TERM FINANCIAL STRATEGY**

- 2.2 The Council's Medium Term Financial Strategy (MTFS) is driven by the principles of We Make Camden and the Council seeks to allocate its resources to support the delivery of the Council's priorities. In January 2023 Cabinet agreed the Council's new Medium Term Financial Strategy including £27m of savings to help address the Council's medium term budget gap. At the time, we anticipated a budget gap of between £35-£40m on the General Fund. Based on our current assessment, it is estimated that the Council will need to identify a further £10m of savings for 2025/26 to ensure its financial resilience and be in a financial sustainable position to continue to deliver the goals of We Make Camden over the medium term.
- 2.3 Since 2010 the Council has successfully delivered over £200m of savings and has produced balanced budgets while at the same time remaining financially stable and resilient. The successful delivery of the new MTFS will be vital to ensure the Council remains in a strong financial position over the medium term. The savings programme is being delivered by officers across the Council and will be closely monitored to ensure it is successfully completed. Further updates to Cabinet will include an update on the development, delivery and implementation of the savings proposals.

### **Further Development of our Medium Term Financial Strategy**

- 2.4 Officers are pursuing a number of transformational programmes to deliver outcomes-based savings through transformation of how we work as an organisation and how we work with our communities to deliver relational, place-based services. The areas of transformation that the Council will focus on are;

### **Intervening Early and Delivering Relational Services**

#### Housing Transformation

Our Housing Transformation programme will improve the resident experience of housing services, so that they are relational, collaborative and joined up which means that residents have a more

seamless journey through housing and other council services

#### Adults Early Help

Adult Early Help refers to our collective offer of targeted services across the Council designed to reduce or prevent low-level needs from becoming entrenched and more difficult to address. It therefore aims to prevent and delay the need for specialist services and connects residents to the wider offer of universal support, often found in local communities.

### **Developing New Levers and Ways of Working**

#### Procurement and Social Value

Establishing a purpose-led approach to procurement that actively supports the delivery of the We Make Camden missions and challenges and enables the Council to extract the maximum possible social value from our spend

#### Community Wealth Fund

Taking an interventionist leadership role in the local economy and extracting greater benefit for Camden's communities from economic growth by establishing and capitalising an investment vehicle with a mandate to shape markets through purpose-led investment.

#### Assets

Maximising the financial and social value of the Council's property asset base which includes corporate and commercial buildings. Responding to new patterns of work behaviour and the changing demands on our buildings. A further exploration of asset management options will be needed once the latest housing stock condition survey has concluded to establish how demands such as retrofit and tackling disrepair can be balanced against available resources.

### **Developing an Organisation for the Future**

#### Spans and Layers/Organisational Design

Following through on the commitments set out in The Way We Work and responding to leadership changes in Supporting People, we will look deeply at how we organise ourselves and what that means in terms of spans of control and staffing layers

#### Digital and Data

Developing our organisational digital and data infrastructure is a key enabler for delivery of other MTFS savings.

#### Citizen Interaction

Enabling accessible, consistent, and joined-up interactions across all channels to support residents through high quality contact with Council services is a key factor in the organisation's long-term approach to management of demand and links to digitisation of our front door.

- 2.5 We would expect some of these areas to make contributions to the outstanding £10m MTFS budget gap – but others of these are preparatory for and enabling of savings outside of the timelines for our current MTFS. The above are broad areas of organisational development that we would expect to put us in a position to make future savings – or avoid the kind of acute need that generates high costs in services.

### **Medium Term Financial Strategy - Adult Social Care**

- 2.6 In January Cabinet approved £232,000 savings from the Adult Social Care Accommodation Strategy. These proposals were to be subject to further development and it was planned would come back to Cabinet for further decision making.
- 2.7 It is now recommended that £125,000 of savings be delivered through operational changes in Adult Social Care provider services. These changes do not have resident impacts or involve any workforce redundancies and so do not require a member or Cabinet decision. They are included for information in this report. The remaining £107,000 will be delivered by the Adult Social Care Accommodation Strategy and these proposals will be brought back to Cabinet at an appropriate point for approval, as previously planned.

### **Equality Impact Assessments**

- 2.8 The successful implementation of the new Medium Term Financial Strategy will inevitably involve changes to the way we deliver some services. For those changes to services that require consultation and/or equality impact assessments the final decisions on how or whether to implement those specific savings will be made through delegation to relevant Directors or through a further decision by Cabinet as appropriate as agreed by Cabinet in [January 2023](#)
- 2.9 Camden has developed an improved and revised approach to Equalities Impact Assessments (EqIAs), as part of wider efforts to embed equity, diversity and inclusion into the way we work as an organisation and in the borough. EqIAs are Camden's long-established way of working out the effect that our policies, practices or activities might have on different groups before we make decisions or take action. As well as helping us to improve services, EqIAs help us to ensure that we meet our responsibilities under the Equality Act and the Public Sector Equality Duty.
- 2.10 Our new approach to EQIAs is an important part of our MTFS work as an organisation because it is crucial that we ensure that we identify any negatively impact on those with protected characteristics or those who are most vulnerable. Throughout MTFS projects, we should be considering how they can be improved so that they positively impact those with protected characteristics and those who are most vulnerable.

- 2.11 We have developed a new screening tool which helps Council offers decide if an EqIA is required. The EqIAs now also include additional socio-economic considerations as standard to ensure additional characteristics are captured and impacts understood. This includes areas such as single parent households, refugee status etc.
- 2.12 The Equalities service are currently digitising the EqIA forms to enable data collection to be centrally stored and used to create a cumulative impact assessment narrative during the MTFs cycle. This will allow Camden for the first time, to understand the cumulative impact of multiple proposals on protected groups and communities and to respond to those risks aptly, with the correct data to hand. This will allow for the Council to take a more agile, systemised and innovative approach to solving some of the hardest issues around delivery of outcomes that fit the size and scale of need.

### **Council Funding**

- 2.13 It should be noted that the Council continues to face a significant level of uncertainty relating to its financial position over the medium term. The latest Local Government Finance Settlement funding allocations for local authorities for 2023-24 only included funding allocations for one year. This was the fourth year running that local authorities have received a one-year settlement, making long term financial planning difficult. The government did also issue a policy statement that outlined their intentions for 2024/25 without providing details for individual local authorities. To date the Council has no information about the level of funding it will receive or the rules governing Council Tax or Business Rates beyond 2025.
- 2.14 It is expected that the government will issue further draft levels of local authority funding and Council Tax rules in the autumn of this year, with the final settlement around December 2023/January 2024.
- 2.15 While the Council is facing a significant level of uncertainty about its funding and about the future cost of services it is still vital that the Council continues to develop its Medium-Term Financial Strategy in order to ensure it continues to be financially resilient.

### **COUNCIL'S SUPPORT FOR THE COST OF LIVING EMERGENCY**

- 2.16 The Covid pandemic, Brexit, the war in Ukraine and other national and international factors have all contributed to the highest inflation rates for over 30 years<sup>3</sup>. Camden along with other local authorities is in the frontline of supporting households and businesses through what is now widely acknowledged as a cost-of-living emergency.
- 2.17 The pandemic demonstrated to central government that local government is able to provide fast and effective support to households in a crisis. Consequently,

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<sup>3</sup> [Consumer price inflation, UK - Office for National Statistics](#)



once again it has turned to the sector to deliver key elements of its response to the cost-of-living emergency.

2.18 The Government announced it will continue to fund the Household Support Fund for a further year, this will provide crucial financial support to vulnerable households. The Council will use its allocation of funding to deliver the following programme:

- Distribute supermarket vouchers to families with children eligible for free school meals and those in receipt of Housing Benefit or Council Tax Support to help with the cost of food and other essentials.
- Support with the cost of energy for those with increased costs, a specific hardship scheme for pensioners, disabled people and carers.
- Support with the cost of energy, targeted awards at those on benefits but missing out on the government's other forms of support.

2.19 In addition, the Council has invested £2m in a Cost-of-Living Crisis Fund. This aims to help residents in severe financial hardship who cannot afford the essentials of food, heating, water and electricity or to pay their rent. This is part of a wider package of support for Camden residents, which includes:

- Providing resettlement grants to help residents unable to afford basic living items when they move into a new home.
- Investing c.£29m in the Councils' Council Tax Support Scheme.
- Providing support and grants worth up to £2,000 via the Council's We Make Camden Kit to help groups of people or community organisations start projects or initiatives that will help their local community. This includes funding projects to help people eat nutritious, affordable and sustainable food.

2.20 In response to the cost-of-living crisis the Mayor of London announced one-off investment to ensure all primary school children in the capital can receive free school meals for the 2023/2024 academic year. In February of this year, the Council announced it will provide free school meals for all primary school aged children on a permanent basis from 2024-25. In addition, families with secondary school children who are financially struggling could get help to tackle child hunger and towards the cost of school uniforms.

2.21 At Council in March 2023 the Leader of the Council announced the creation of a one-off Cost of Living Family Crisis Fund utilising £1.3m of funding released as a result of the Mayor of London's commitment to fund universal primary free school meals for the academic year 2023/24. The Leader committed that universal primary free school meals would continue beyond the academic year 2023/24 and that Camden would fund this if required following the end of the Mayor's funding. The Leader said in this announcement that the time-limited Family Crisis Fund would focus its support on families continuing to experience hardship as a result of the cost of living crisis in areas not currently met by our existing cost of living crisis response offer, this includes:

- Supporting children and young people in secondary school entitled to free school meals or otherwise experiencing hunger and food poverty;
  - Help with school uniforms;
  - Other support to families continuing to experience financial hardship as a result of the cost of living crisis.
- 2.22 A further report on the agenda details the Council's response to the cost-of-living crisis in more detail and makes a number of recommendations for the allocation of funding for the Family Crisis Fund for the year:
- Funding to support a test and learn programme working with secondary schools to increase take up of free school meals for teenagers and young people;
  - Funding to support school uniform grants for children at points of transition with a focus on families in receipt of universal credit;
  - Funding to increase the reach of the Holiday Activities and Food programme for the summer, winter and spring period 2023/2024.
- 2.23 The implementation of this fund will be overseen by the Cabinet Member for Finance and Cost of Living.

### **SUPPORTING THE REFUGEE CRISIS**

- 2.24 The Council remains committed to welcoming and supporting people who are displaced from all around the world as they flee conflict, disaster, and persecution. We are here to support people when they are at their most desperate, providing them with safety, shelter, and the opportunity to rebuild their lives and find happiness. We share an ambition with our community to provide the help that Afghan and Ukrainian refugees deserve. Support needs to be ongoing and all-encompassing in order to ensure refugees settle and have what they need to thrive.
- 2.25 Refugees who have settled in Camden have become valued members of our community and have helped to make Camden the vibrant, creative, and diverse place that it is today.
- 2.26 The Homes for Ukraine scheme has resulted in 1,191 Ukrainian refugees matched with Camden residents who have signed up to the Homes for Ukraine scheme. The government has provided funding of £10,500 per person to cover all the checks required, initial cash payments to refugees, support in areas such as finding work, accessing benefits and learning English, rematching refugees with new hosts should the relationship break down and helping them move on to other suitable accommodation when the hosting comes to an end. The government reduced its funding to £5,900 per person arriving from the 1 January 2023.
- 2.27 The main financial risks of the scheme are that the government has so far only committed to funding the programme for a second year and there remains

potential for significant costs helping refugees find alternative accommodation if the host relationship breaks down and/or when the scheme comes to an end.

- 2.28 The Council has also provided significant support to refugees from Afghanistan following the takeover by the Taliban. 218 Afghan refugees are living in hotels in Camden supported by Camden staff while they await resettlement. The government is providing time limited funding, based on the number of Afghan refugees in the borough.
- 2.29 In March 2023, the Council announced that the Highgate Newtown housing development, originally planned for private sale, will be used as affordable housing for refugee families. The Council has successfully bid for £12.5m funding from the GLA's Refugee Housing Programme which when combined with rental income and other government grants, should mean that the housing will be at no net cost to the Council. The Council is also purchasing some larger properties for use as refugee housing which is also part-funded by GLA grant.

### **UPDATE ON THE COUNCIL'S RESPONSE TO THE CLIMATE EMERGENCY**

- 2.30 The Council adopted its Climate Action Plan in 2020 in response to the climate emergency. The Council's organisational response to the climate emergency is focused on delivering the Citizens' Assembly recommendations for "all council properties to be fossil-fuel free", delivered through our buildings retrofit programme, and for the council to "green our operations".
- 2.31 To date £16.5m of external investment and grant funding has been secured by the Sustainability service to support the climate programmes since the 2019 Citizens' Assembly – this excludes funding secured to retrofit Council housing and improve sustainable travel infrastructure across Camden.
- 2.32 Our transport programme continues to focus on delivering safe and healthy streets whilst supporting the recommendations of the Citizens Assembly on tackling the Climate Emergency which included an increase in the number of segregated cycle lanes, car free zones/days and incentivisation of the use of electric vehicles. To deliver our ambitious programme we are consistently proactive in sourcing funding and have been awarded close to £4m so far from TfL this year alone. Our successful track record in gaining financial support has allowed us to respond to the Citizen's Assembly aims by tripling the length of segregated cycle lanes to over 25km, expanding our through traffic restrictions to include over 20% of Camden's streets and incentivising the use of electric vehicles through over 550 electric vehicle charging points and growth of our e-scooter and e-bike hire schemes.
- 2.33 Analysis of our Council housing stock concluded that investment of approximately £706m would be needed to achieve net zero. In response we have developed a retrofit programme supported by c.£7.1m of grant from the Government's Social Housing Decarbonisation Fund and the Mayor of London's Future Neighbourhood programme. The programme has commenced with a series of pilot projects to 167 homes with a further 280 retrofits in the pipeline.

- 2.34 A new 7-year Carbon Management programme has been developed for our corporate and schools' estate suggesting a total investment of £55-£69 million for our corporate estate and £115m for our schools' estate would be required by 2030 to make our stock zero carbon.
- 2.35 The current approach to investment across our corporate estate blends available national grant funding via the Public Sector Decarbonisation Scheme (PSDS) with the required match funding (typically around 60-70% of cost) from Council investment. This approach has been trialled to complete the £3.2m retrofit of Swiss Cottage Library using £1.4m of secured PSDS funding.
- 2.36 A further five projects secured c.£1m of PSDS of funding in March 2023 and £80,000 has been raised through community share offer with Power Up North London to install solar on Talacre Leisure Centre.
- 2.37 The council has also raised £1m through Camden Climate Investments, a type of climate bond which has been invested in a range of important local projects including electrical vehicle charging points, healthy streets programme, installation of solar panels and the investment in the greening of Camden's transport fleet.
- 2.38 The following community focused climate projects are also underway:
- **Somers Town Future Neighbourhood:** Camden and the Somers Town community has won £3 million from the Mayor of London's flagship Future Neighbourhood programme, with over £3m additional investment from local partners to deliver environmental projects in Somers Town.
  - **Social financing:** Camden is working with the community energy group Power Up North London to socially finance renewable energy installations through community share investment. Projects have been delivered on 80 homes, four schools and community buildings and four further schools and community buildings including Talacre Leisure Centre, in the pipeline for 2023/24.
  - **Sharing economy initiatives:** working with the Library of Things and Camden based We Are Possible; we have opened new facilities on Queen's Crescent and at Kentish Town and Kilburn libraries that target environmental improvements and respond to the cost-of-living crisis.
  - **Business climate action:** our Camden Climate Alliance (CCA) business network has 417 members, with organisations reporting average annual carbon reduction of 24%. The CCA has secured £670k from the GLA and UK Shared Prosperity Fund to provide free energy audits and retrofit plans to businesses across Camden.

## 2022/23 REVENUE OUTTURN

2.39 The Council has completed the closing of the financial year to 31 March 2023 and is finalising preparation of the draft accounts. Despite the continued financial stresses still felt through the impact of the pandemic along with the continuous funding uncertainty, the Council is expected to report a marginal underspend of £0.14m for the year in the General Fund and an overspend of £12.1m in the Housing Revenue Account.

2.40 Across the General Fund and HRA there have been a number of cost pressures that have impacted the Council's financial position from inflation across most areas of expenditure especially in utility costs, major contracts and staff costs. Where possible officers have taken action in year to lessen the impact of inflationary pressures and work within budget. Table One below summarises the council's revenue outturn position.

**Table One – Revenue Outturn 2022/23**

<b>General Fund</b>	<b>Full Year Budget</b>	<b>Outturn</b>	<b>Final Outturn Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Supporting People	175.4	171.2	-4.15
Supporting Communities	105.8	107.1	1.38
Corporate Services	41.9	42.5	0.6
Public Health	23.8	23.8	-0.02
Cross Cutting Budgets	-102.8	-100.7	2.1
<b>Total: General Fund</b>	<b>244.1</b>	<b>244</b>	<b>-0.14</b>
<b>Housing Revenue Account</b>	<b>Full Year Budget</b>	<b>Outturn</b>	<b>Final Outturn Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
HRA Service Budgets	-66.4	-54.0	-12.4
Cross Cutting Budgets	66.4	66.1	0.3
<b>Total: HRA</b>	<b>0.0</b>	<b>12.1</b>	<b>-12.1</b>

2.41 The outturn position in the General Fund for 2022/23 requires the planned one-off use of £5million of reserves and contingencies set aside as part of the Council's plans for the recovery from the impact of the Covid pandemic. The Council has seen permanent scarring from the pandemic including reductions in many rents, fees and charges as well as a need to provide ongoing support to many residents. In addition, the in-year impact of inflationary pressures has meant that officers have needed to carefully manage budgets through-out the year to help mitigate the impact of these pressures.

The main budget pressures across the Council are;

- In Supporting People there has been significant pressures in Children's Social Care with increased costs for support driven by salary costs and

budgetary pressures on contracts driven by the cost of living and high inflation.

- Budgetary pressure across Supporting People has been reduced in part by additional funding that has been secured from the NHS to provide additional support for people being discharged from hospital.
- Supporting Communities services have seen permanent scarring across a number of services from reduced income from fees and charges as well as significant additional pressures across property costs due to in year inflation on utilities, repairs and staff costs.
- The Cross Cutting budgets have seen significant pressure from inflation with contingencies set for inflationary pressures across pay, utilities and major contracts all being over subscribed due to significant in year pressures. This has been offset in part by better than budgeted for interest on balances as a result on rising interest rates.

2.42 The HRA overspent by £12.1m (around 5.8% of total expenditure budgets). The main drivers of this large overspend were:

- £6.6m overspend on gas and power - due to the war in Ukraine and other global events, the price the Council paid for gas and electricity for the year to the end of September 2023 increased by 261% and 83% respectively. This overspend is after the planned drawdown from the heating pool reserve.
- £3.2m unbudgeted expenditure on tackling damp and mould. Full details of the Council's actions to tackle damp and mould can be found in the Cabinet Member for Better Homes' recent Annual Report in February 2023.
- £2.4m other repairs and voids overspends due to an increase in demand.
- £1.9m on unbudgeted staff pay award driven by higher than anticipated inflation during the year.

2.43 While the HRA was overspent by £12.1m the HRA reserve was increased by £22.1m mostly as a result of the £19m settlement in relation the Council's court case against the Chalcots Estate contractor, alongside a £3m planned contribution to reserves as part of the policy to increase the level of financial stability to the Housing Revenue Account.

2.44 The cost pressures that the Council experienced in 2022/23 are likely to remain over the medium term as inflation remains high. The expected inflationary impacts on budgets were factored into the Council's Medium Term Financial Strategy and help to inform the level of savings needed in both the General Fund and the Housing Revenue Account in order to close the expected medium term budget gap.

- 2.45 The ongoing cost pressures remain a risk to the Council's financial stability especially in the Housing Revenue Account with continuing pressures on the cost of demand led housing repairs along with additional planned investment in damp and mould and ongoing investment in fire safety work. Inflation relating to utility costs are being felt particularly keenly across housing services due to the HRA's large housing stock. In addition continuing high interest rates will put pressure on the HRA interest budgets over the medium term.
- 2.46 Officers are closely monitoring the significant pressures facing the Housing Revenue Account and the Council is committed to an ambitious programme of transformation that seeks to address issues around finance, performance, culture, staff empowerment and most importantly, resident experience. Details can be found in a recent report to the [Housing Scrutiny Committee](#)

## **RESERVE BALANCES**

### Reserve Balances

- 2.47 The Council sets aside specific resources in our reserves as part of our wider approach to prudent financial management. Reserves are treated like long-term savings held for specific purposes and the Council will use them only when strictly necessary. With the on-going financial pressures still being felt by the Council it has been increasingly difficult to transfer unspent income into our reserves. When money is drawn down from reserves and not replenished in equal or greater proportion reserves start to deplete increasing the risk to the Council's financial resilience.
- 2.48 In accordance with CIPFA guidance, we have a number of both general balances and earmarked reserves. General balances are held as a wider financial contingency against unexpected financial shocks while the latter are held for several specific purposes. This includes, but is not limited to, the support to the delivery of our key strategic outcomes within Our Camden Plan, to contribute to our Capital Programme, to mitigate future known financial risks (such as insurance liability or a decline in business rates) and to provide investment and pump prime initiatives that will deliver future financial benefit and longer-term savings as we head into the next round of our three-year savings plan. In managing our reserves over the medium term, we have recognised that they are a one-off resource and not a sustainable solution to the financial challenges that we face over the medium term.
- 2.49 The Council holds one-off balances in specific earmarked reserves (funds which are committed to finance known or predicted future costs, or to manage corporate and medium-term risks). The 2022/23 opening balances on earmarked general fund reserves totalled £188.6m. This includes funding received to support the long-term impacts of Covid. With proposed transfers to reserves set out in Appendix A, there will be a net movement from earmarked reserves of £1.98m during 2022/23 and a total closing balance of £186.6m as at 31 March 2023.

- 2.50 Pre-Covid, the Council was following a strategy of low reserves to allow for the maximum amount of resources to be allocated to achieving the aims of Camden 2025. Our General Fund balances currently stands at £15.9m or roughly 4.5% of our net budgeted expenditure and our earmarked reserves stand at £186.6m or 54% of net expenditure.
- 2.51 This is at the lower end of the acceptable range, but this historic approach has been based on the Council's confidence in our ability to deliver MTFS savings and strong track record of living within our means. The COVID-19 crisis along with the impact of the Cost-of-Living Emergency and uncertainty around government funding, means both of those things are now in doubt over the medium term and we will be operating with a substantial reduction in our financial flexibility. This position will need to be closely monitored moving forward to ensure that reserve levels remain at an appropriate level to provide a strong level of resilience and flexibility to respond to any emerging financial shocks.
- 2.52 In support of the Council's financial resilience Members agreed to increase the Council's general reserve balance by £1m a year over the medium term. This means that the general reserve balance is forecast to increase to £19.9m by 2027 which is estimated to be 5.5% of net service expenditure. The need to increase general reserve balances to support the Council's financial resilience has been driven by a number of compounding issues:
- As a sector, local government has seen significant cuts to its funding over the past decade. This leads to additional pressure and if the Council doesn't build up resilience this could impact its ability to serve its residents and communities.
  - The financial outlook also remains uncertain due to central government agreeing a one-year settlement for 2023/24 and the outcome of local government funding reforms still being unknown.
  - The long-term impact of Covid-19, Brexit and the war in Ukraine means the Council remain to experience an unprecedented level of uncertainty over the medium term.
- 2.53 Table Two below summarises the forecast position for the Council's reserves over the medium term. This is based on our best estimate of movements to and from reserves over the medium term. Some reserves are held to deal with unexpected events or to fund future projects whose timing is currently undecided the actual use of reserves and as such the actual timing of the use of some reserves are uncertain.



**Table Two: Forecast Reserve Balances**

Earmarked Reserves	Actual Reserves 31/03/22	Reserves 31/03/23	Reserves 31/03/24	Reserves 31/03/25	Reserves 31/03/26	Reserves 31/03/27
	£m	£m	£m	£m	£m	£m
Reserves to support key Council priorities	44.297	51.768	52.988	55.428	59.113	62.022
Reserves holding funds with conditions	28.188	43.097	43.097	43.097	43.097	43.097
Reserves supporting ongoing capital activity & asset management	28.716	34.327	38.581	41.558	44.828	49.386
Reserves to mitigate future corporate risk	74.816	56.075	52.598	55.921	59.244	62.567
<b>Total</b>	<b>176.018</b>	<b>185.267</b>	<b>187.264</b>	<b>196.004</b>	<b>206.282</b>	<b>217.072</b>
<b>Covid Related Reserves</b>						
Covid Reserves for Businesses	0.168	0.000	0.000	0.000	0.000	0.000
Ringfenced Covid Reserves	12.395	1.329	0.000	0.000	0.000	0.000
<b>Total</b>	<b>12.563</b>	<b>1.329</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Total Earmarked Reserves</b>	<b>188.581</b>	<b>186.596</b>	<b>187.264</b>	<b>196.004</b>	<b>206.282</b>	<b>217.072</b>
<b>General Balances</b>						
General Balances	14.858	15.858	16.858	17.858	18.858	19.858
Housing Revenue Account	17.269	22.967	25.267	29.406	32.779	37.779
Schools Balances	17.471	17.501	17.501	17.501	17.501	17.501
<b>Total General Balances</b>	<b>49.598</b>	<b>56.326</b>	<b>59.626</b>	<b>64.765</b>	<b>69.138</b>	<b>75.138</b>
<b>Total GF &amp; HRA Reserves</b>	<b>238.178</b>	<b>242.922</b>	<b>246.890</b>	<b>260.769</b>	<b>275.420</b>	<b>292.210</b>

## Capital Strategy

- 2.54 The Capital Strategy plays a key role in the Council meeting the objectives of We Make Camden and the wider renewal of the borough, as well as ensuring the Council can meet its legal and contractual obligations, conduct condition works to control maintenance costs and replace assets at the end of their useful lives.
- 2.55 Investment in the Council's assets is a key way in which the Council can impact on the lives of residents and businesses by maintaining and improving the public realm through investment in public buildings, public transport and green spaces, building new genuinely affordable homes and delivering the Better Homes programme to ensure Council homes are well maintained as well as investing in projects to help address the climate emergency.
- 2.56 The funding and delivery of the Council's key priorities for fire safety across our housing stock and corporate portfolio is a major component of the Council's capital strategy. There are a wide range of fire safety projects already on site and in progress. Officers are planning for the next phase of works which includes the development of individual packages of work which are currently at varying stages of progress. Some have already been delivered with others in the procurement process or, if more complex, in the design process.

- 2.57 The delivery of the capital strategy faces a number of challenges. High inflation and economic uncertainty is putting strain on a number of supply chains which in turn is having a significant impact on the Council's ability to procure contracts to deliver new capital projects within budget. This may require the Council to identify new capital resources or progress some capital priorities at a slower rate than originally planned to remain financially resilient.
- 2.58 The Council has pooled resources for the Capital Strategy in a prudent manner, which strikes an appropriate balance between the clear need to invest in local priorities and the need to maintain sufficient flexibility to respond to unexpected demands on capital resources. The development of a pipeline approach for allocating capital resources over the longer term further enhances this strategic focus and flexibility.

### New Capital Investments

- 2.59 A key element of the Council's Capital Strategy will be to retain a level of flexibility within the programme, to allow new capital investment to be added to the programme at regular intervals as new priorities emerge. As part of this strategy Cabinet Members agreed a 'pipeline' of future capital priorities that would be regularly updated to allow the Council to assess the full range of capital investment requirements and priorities over the coming years. The pipeline allows the Council to take a more iterative and strategic approach to bringing forward new capital projects to be included in the capital programme at the point that business cases are fully developed and projects are ready to proceed. The additional capital investment detailed below is designed to deliver key We Make Camden objectives and improve the infrastructure of the borough for residents and businesses.

### **Transport Strategy**

- 2.60 In December 2022 Cabinet agreed the Camden Transport Strategy Delivery Plan for 2023/24 and 2024/25. The delivery plan is driven by Camden Transport Strategy (CTS) for the period 2019-2041, which incorporates all the necessary elements of the Local Implementation Plan. The CTS vision is to transform mobility in Camden, enabling and encouraging people to travel, and goods to be transported, healthily and sustainably.
- 2.61 The Delivery Plan comprises a comprehensive package of measures that fully aligns with, and will help deliver, our CTS objectives. It builds on the Council's rapid response to the COVID-19 pandemic to make our streets safer and healthier, and helps to deliver our We Make Camden ambitions, particularly helping respond to the challenges of the climate crisis (as set out in the Climate Action Plan) to which motor vehicle traffic is an important contributor.

Additionally, the programme aims to address the significant health impacts of traffic such as poor air quality and road danger, and to create safe streets that support healthy lifestyles through enabling active travel (walking and cycling).

The Delivery Plan interventions are considered important to continue on our path towards zero road casualty KSIs by 2041. It is anticipated that the proposed Plan will play a key role in supporting the health and well-being of our communities and help to create sustainable and healthy estates and neighbourhoods in line with We Make Camden ambitions.

- 2.62 In order to deliver the Camden Transport Strategy officers continuously look to secure external funding from organisations such as Greater London Authority and Transport for London. In order to further support the programme agreed by Cabinet in December 2022 it is recommended that the Council commits a further £8m of Council resources over the next two years 2023/24 – 2024/25 to supplement the external resources and support the delivery of Camden Transport Strategy.

### **Priority Condition Works**

- 2.63 It is recommended to include £8.6m in urgent investment for priority works on highways and street lighting, designed to ensure that the Council meets its legal and contractual obligations, conducts condition works to control maintenance costs and replaces assets at the end of their lives. These essential works are driven by condition surveys of the Council's existing assets, which have identified the level of investment required. Over the medium term, the Council will be reviewing its asset base, ensuring that it reflects the needs of the borough, in line with the Council's Renewal work and the refreshing of Camden 2025.

### **Low Carbon Refit of Corporate Buildings**

- 2.64 Camden has successfully bid for funding to the Public Sector Decarbonisation Scheme (PSDS), which offers grants towards energy efficiency projects for public sector buildings. The Council has successfully bid for funds to support work on four corporate buildings to deliver a range of improvements. Energy efficiency works proposed include LED lighting, double glazing, loft/wall insulation, building energy management controls, Solar PV, and the installation of heat pumps to replace existing end-of-life boilers.
- 2.65 The low carbon retrofits which will be delivered at Netherwood Youth Centre, West Hampstead Library, Waterlow Park Visitor Centre, and York Way Depot. Each of the properties are within the Council's corporate portfolio

Once delivered the projects will offer the following benefits:

- The retrofits will deliver upon the council's commitment to do everything it can to achieve Net Zero emissions in Camden by 2030.
- The retrofits also deliver against the council's newly agreed Carbon Management Plan. 90% of emissions from the council's own estate and emissions are derived from energy use in buildings and the projects will significantly reduce emissions across the council's estate.
- Annual carbon emission savings of 90 tonnes CO<sub>2</sub>e projected – which is an 80% reduction on the existing carbon emissions from the 4 buildings.

- Across all sites, existing end of life gas-boilers will be replaced with new low carbon heat pump technology. The annual carbon savings from the heat pumps will continue to improve over the lifetime of their operation as the national grid continues to decarbonise.
- A reduction in repair and maintenance costs for the buildings.

2.66 The full cost of the projects is estimated to be £3.1m. The Council has successfully bid for funding from PSDS of £0.595m. In order to secure the funding the Council will need to show that it can provide funding to complete the projects. In order to do this it is recommended that the Council allocate £1.45m of new Capital resources to these projects. The balance of the cost will be met from existing capital resources.

### **Community Investment Programme – Liddell Road**

2.67 In December 2013, Cabinet approved a proposal for the redevelopment of the former industrial site at Liddell Road, to support the expansion of Kingsgate primary school and to provide residential and employment benefits. In 2018, it was decided to sell the housing land only and procure the construction of the new employment space for the Council to own and lease to a workspace operator for rental income. The construction programme for the development of the 3,700 sq.m workspace is currently forecast to complete in March 2024. However, the market for the provision of flexible workspace has changed with operators now seeking a profit share agreement with building owners through delivery of an occupancy management agreement. To be able to optimise use of the workspace and the income generated requires the building owner to fit out the premises to a 'CAT B' standard (which would fall outside the scope of the development agreement). This would require additional capital expenditure, though the exact requirements are expected to vary across prospective operators.

2.68 It is therefore recommended to delegate authority to the Executive Director of Corporate Services to agree a capital budget in order to fit out the premises in line with a business case that allows the Council to optimise the workspace and maximise the benefit to the Council.

### **2022/23 CAPITAL OUTTURN**

2.69 The expenditure budget for the Capital Programme was set at £328.1m for 2022/23. As shown in Table Three below, actual expenditure came to £224m, representing a 32% underspend, with all five divisions and a large majority of work areas spending considerably less than budget.

2.70 There were a number of reasons for the underachievement of the capital budget in 2022/23;

- The Community Investment Programme (CIP) has underachieved due to slippage in a number of schemes including West Kentish Town where the process of buying back leasehold properties as part of the scheme has taken longer than programmed. Supply chain issues at schemes

including Agar Grove Phase One. The schemes at Camden Road and Chester Road Hostels have had to be retendered to ensure value for money, delaying the implementation of the projects. The capital scheme at Highgate Newtown Centre has suffered delays caused by discoveries of objects in foundations and hazardous material having to be removed.

- The Better Homes Programme and Schools capital works within the Property Services division were delayed due to a range of issues with tendering for work which has taken longer than originally expected.
- Community Services capital underspends were largely across Green Spaces projects where there were a number of delays to projects due to extended community engagement, adverse weather and technical issues.
- During the year there were a number of time limited funding opportunities for grants from Transport for London (TfL) of which the Council was able to take advantage. This meant that resources for delivering a number of the existing capital schemes within the Environmental and Sustainability division were delayed while the Council prioritised schemes to be funded from TfL grants.

2.71 Financial Standing orders requires that capital projects which are forecast to overspend by 25% or more to be reported to Cabinet. Two projects currently meet these criteria.

2.72 The Chalcots major works project to replace the cladding, curtain wall and windows to the highest standard of safety is currently forecast to overspend by £36.1m on a budget of £104.4m, an overspend of 34%. This is largely due to a decision to change the window system from a “stacked window” system to a “punched window” system taken to mitigate and reduce the risk of future delays and to improve on the quality of the firestopping. The Council has taken steps to offset this increase by reducing expenditure in other areas of the project and some of this additional expenditure should be covered by GLA grant. The recommended additional capital budget is detailed in paragraph 2.76.

2.73 The North Villas capital project to refurbish a leased hostel building as Move on Accommodation for former rough sleepers is forecast to overspend by £1.576m on a budget of £2.699m. Following a strip out to fully assess the works, issues were found with the levelling and structure of the floors and it has become necessary to replace rather than repair the M&E services and replace all partitions rather than only some of them to ensure fire safety.

**Table Three:** Summary of 2022/23 Capital Outturn

	2022/23	2022/23	2022/23	%
	Budget	Outturn	Variance	of Budget
Division	£m	£m	£m	
Development (CIP & Major Projects)	112.9	75.5	-37.4	33%
Community Services	8.1	4.3	-3.8	47%

ICT & Corporate Services	5.4	2.7	-2.8	51%
Environment & Sustainability	29.1	21.3	-7.8	27%
Property Management	172.6	120.3	-52.3	30%
<b>Total</b>	<b>328.1</b>	<b>224.0</b>	<b>-104.1</b>	<b>32%</b>

## Capital Receipts and Disposals Programme

2.74 The Council set a capital receipts budget of £34.9m for 2022/23. As shown in Table Four below, this was exceeded by just over £30m.

**Table Four:** Summary of 2022/23 Capital Receipts

	Target Receipts	Actual Receipts	Variance
	£m	£m	£m
General Fund	8.614	19.977	11.363
Housing Revenue Account	26.296	45.614	19.318
<b>Total</b>	<b>34.91</b>	<b>65.591</b>	<b>30.681</b>

2.75 General Fund capital receipts are £11.3m higher than programmed mainly due to the sale of James Town Road which has completed earlier than budgeted for. This has been offset in part by slower than anticipated sales of properties at Highgate Newtown and Central Somers Town.

2.76 Receipts from the sale of properties under the compulsory Right To Buy legislation remained relatively high, at £11.6m for the entire 2022/23 financial year. Whilst the demand-led nature of these receipts makes them difficult to accurately predict, it is possible that cost of living pressures and anticipated future increases in interest rates will curb the pattern of high recent sales.

## REVIEW OF THE CAPITAL PROGRAMME FROM 2023/24

2.77 The annual review of the Council's Capital Programme provides an opportunity to re-examine and update spending plans for the capital programme in light of the previous year's outturn, the availability of new external resources and current projections of the cost and delivery timetables for individual schemes. Where new funding has been secured, additional projects are also added to the programme. Given the significant underspend recorded in 2022/23 and the wider climate of economic uncertainty, the capital review has offered an opportunity to reprofile planned expenditure to reflect adjustments to delivery of the programme and the extended timelines of some schemes.

2.78 A summary of the capital programme and the changes made following the review of existing capital schemes are shown in table Five below and in Appendix B. The majority of the additional budget is the extension of the Better Homes Programme into future years, funded by direct revenue contributions from the

Housing Revenue Account in those years. In addition there is an increase in funding from government grants including education capital grants and funding for transport sustainability work from Transport for London.

2.79 Included in the capital review is an update of the budget for capital work on the Chalcots major works. It is proposed that the budget for the Chalcots major works project to replace the cladding, curtain wall and windows to the highest standard of safety is adjusted to reflect the tender prices received, the detailed method of work for the window installation and the inclusion of associated works that would be required elsewhere in the capital programme (such as boiler replacements, internal wiring). The finalised window installation method allows the Council to programme works when it most suits each resident and install new windows to each flat independently of those above and below. The budget set for the four large towers in 2022/23 was £81.8m, the proposed revised budget reflecting all changes is £104.4m. The budget for the fifth tower, Blashford, was £19.8m in 2022/23, and the proposed revised budget is £30.2m, this reflecting the final tender price for the work.

**Table Five:** Summary of Revisions to the Capital Programme - 2023/24 & Future Years

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29+	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Approved Budget	328.082	259.012	222.850	162.086	156.590	69.719	34.957	1,233.297
Revised Budget	224.011	248.214	289.966	200.175	174.954	150.897	100.596	1,388.812
<b>Total</b>	<b>-104.071</b>	<b>-10.798</b>	<b>67.115</b>	<b>38.089</b>	<b>18.364</b>	<b>81.178</b>	<b>65.639</b>	<b>155.516</b>

2.80 The Capital Programme is frequently monitored and emerging risks are proactively managed throughout the year. A degree of flexibility and contingency is built into the programme to ensure that it remains affordable and to reduce the cashflow challenges of a programme that relies to a significant extent upon capital receipts. Where the market conditions for disposal are unfavourable, alternative funding sources will be explored and plans enacted for making alternative use of these assets over the medium term, generating additional income or supporting the Council in meeting its We Make Camden objectives.

2.81 The Council's Capital Programme remains affordable, sustainable and based on prudent expenditure and funding assumptions. Nonetheless, our wide-ranging programme faces a number of risks and challenges, exacerbated by emerging economic trends. This includes the impact of inflation driving rising costs in supplies, labour and materials, responding to new regulation such as social housing reforms and the prospect of rising interest rates and its impact on the cost of borrowing. This is mainly managed through the use of contingencies and regular updating of estimates as part of the capital review.

### 3 OPTIONS APPRAISAL

3.1 The report proposes the allocation of 2022/23 year end revenue balances to reserves. Cabinet could make allocations to other reserves to finance alternative

future spend, however, if different allocations were made, this could impact upon funding of the Council's strategic priorities.

#### **4 WHAT ARE THE KEY IMPACTS / RISKS? HOW WILL THEY BE ADDRESSED?**

- 4.1 The current economic situation is a major risk to the Council's ability to control its costs and collect income from local taxes and fees & charges. The report on the Council's Medium Term Financial Strategy to the Council's Cabinet on 18 January 2023 set out in detail the economic and service risks most of which remain or have been exacerbated.

#### **5 LINKS TO OUR CAMDEN PLAN**

- 5.1 The vision and ambition set out in We Make Camden sit at the heart of our medium-term financial strategy. Through our outcomes-based budgeting approach, we have aligned our financial resources in support of the outcomes detailed in Our Camden Plan. We will maintain this approach and commitment as we develop our response to the Covid-19 crisis.

#### **6 CONSULTATION/ENGAGEMENT**

- 6.1 There has been no formal public consultation. The Council has undertaken extensive engagement with residents and businesses throughout the Covid-19 crisis to date.

#### **7 LEGAL IMPLICATIONS**

- 7.1 The Borough Solicitor has been consulted and has no comments to add.

#### **8 RESOURCE IMPLICATIONS**

- 8.1 Comments of the Executive Director Corporate Services are included within this report.

#### **9 ENVIRONMENTAL IMPLICATIONS**

- 9.1 The Council recognises the climate emergency as the most serious threat faced by the borough's residents. The budget provides financial resources for all the Council's services. The Council's [Climate Action Plan](#) published in June 2020 sets out how those services will contribute to tackling the climate emergency with the aim of achieving a zero carbon Camden by 2030.

#### **10 TIMETABLE FOR IMPLEMENTATION**

- 10.1 Implementation of proposals will occur as outlined in the body of the report, with reserve allocations being agreed in line with timescales for the Statement of Accounts.



## **11 APPENDICES**

11.1 Further information is provided in the attached appendices:

Appendix A – A Summary of the Council's Reserves

Appendix B – Summary of the Council's Capital Programme

**REPORT ENDS**