LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE Review of the Camden Medium Term Financial Strategy (CS/2024/18)	
REPORT OF Cabinet Member for Finance and Cost of Living	
FOR SUBMISSION TO Resources and Corporate Performance Scrutiny Committee Cabinet	**DATE** 9 December 2024 11 December 2024

STRATEGIC CONTEXT

Camden has a strong track record of delivering for residents and protecting services, despite over a decade of reductions in central government funding for local government. Like households in our Borough, and local authorities around the country, we are facing an unstable financial environment. A key component of our work to protect our services and support our residents is robust financial planning that is designed to ensure that we make the best use of our resources.

Camden is a financially resilient organisation because of our robust medium term planning for services and investment aligned with our resources. In January 2023, Cabinet agreed a new financial strategy, building on the work of previous financial strategies, which is aligned with our community vision for the borough outlined in We Make Camden and The Way We Work. Our financial planning process is a stimulant to long-term change in the direction we believe we need to move to deliver the best public services in a complex and challenging environment.

SUMMARY OF THE REPORT

This report provides an update on:

- The Council's current financial position and the risks, issues and uncertainties facing the Council over the medium term
- The latest outlook for the Council's funding and spending
- The economic outlook
- The Council's forecast outturn position for 2024/25 and commentary on areas with particular financial pressures
- The financial position of the Council's Housing Revenue Account
- The 2024 Autumn Budget, Spending Review and Provisional Local Government Financial Settlement

- Recommended Fees & Charges for 2025/26
- The Council's financial resilience and sustainability
- The Council's reserves position, including planned use

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

The Resources and Corporate Performance Scrutiny Committee is asked to consider the report and make any recommendations to Cabinet.

Cabinet is recommended to:

a) Note the continued challenging and uncertain funding and economic outlook for the Council as set out in Paragraphs 2.4 to 2.17 of the report, along with the Council's latest financial forecast for the year in Paragraphs 2.18 to 2.21.

b) Note the financial position of the Housing Revenue Account along with proposals to improve its financial sustainability, as detailed in Paragraphs 2.45 to 2.51.

c) In relation to fees and charges discussed in Paragraphs 2.60 to 2.61 and Appendix A:

    i. Delegate authority to the relevant Executive Director to agree increases to existing fees and charges up to a maximum of 7%, in consultation with the relevant portfolio holders.

    ii. Note the supporting information in Appendix A in respect of all new fees and charges and those fees and charges where the proposed increase is over 7%.

    iii. Agree the new fees and charges, and all proposed increases which exceed 7%, as shown in Appendix A, delegating authority to the relevant Executive Director to introduce those changes.

    iv. Delegate authority to the Executive Director Corporate Services to reduce specific fees and charges in exceptional cases, as outlined in Paragraph 2.61.

d) Agree the Council’s planned use of reserves, as summarised in Paragraphs 2.71 to 2.73 and Appendix B.

e) Note the summary of the Autumn Budget, Spending Review and Provisional Local Government Financial Settlement in Paragraphs 2.52 to 2.57.

f) Note the risks to the Council, as summarised in Section Four of the report.

Agreed by: Daniel Omisore

Date:29 November 2024

1. CONTEXT AND BACKGROUND

1.1. Like many other local authorities, Camden has faced significant financial headwinds over the last fifteen years. These have impacted the core services delivered through the General Fund, the social landlord function in the Housing Revenue Account (HRA) and the Council's programme of capital investment. During this period, there have also been regular reductions in central government grant funding, with CIPFA President Carol Culley recently describing the local government funding system as 'fundamentally broken'.[1]

1.2. High inflation has driven up the Council's costs over the last two years, whilst demand for the Council's services and the complexity of new homelessness and adults and children's social care services have increased the need to spend. These pressures have been compounded by austerity, with a considerable reduction in real terms funding compared with 2010, while the requirements for councils to deliver services has increased.

1.3. The Council also faces challenges within its Capital Programme, with the imperatives of ensuring safe, warm and dry stock, increasing access to social and affordable homes and meeting the challenges of the climate crisis threatened by limited capital funding and the increased cost of financing debt due to increased interest rates.

1.4. These pressures have impacted other local authorities to an even greater extent. In September 2024, London Councils calculated that local authorities in the city are facing more than £1bn of funding pressures annually as a direct result of being given new responsibilities without sufficient or sustained funding.[2] Seven local authorities have issued Section 114 notices (effective declarations of bankruptcy) since 2018 and many more are seeking government support for acute financial challenges.

1.5. 2024/25 is the second year of the Council's current 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 meet these challenges, helping it remaining financially resilient and continuing to support local residents and businesses through investing in vital services. The robustness of the Council's financial planning, across both its day-to-day revenue services and its capital investments, is a vital component in successfully delivering upon the aims of We Make Camden.

1.6. The Council has a history of being purpose-led in its financial planning and has strong track record of targeted investments to deliver outcomes. This includes our commitment to investing in prevention, which both improves

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[1] https://www.room151.co.uk/151-news/latif-2024-culley-travers-murison-naylor/

[2] See Autumn Budget representation at https://www.londoncouncils.gov.uk/news-and-press-releases/2024/london-councils-budget-representation-2024

outcomes for our residents and allows us to make the best use of our limited resources. This approach has helped us effectively manage the financial challenges which we have faced to date.

1.7. Nonetheless, the scale of the challenge across the local government sector in London and the rest of England is considerable. This has been driven by the cumulative impact of cost inflation, increases in demand and reductions in government funding through austerity. A number of London's local authorities are forecasting significant overspends for 2024/25, with some at more than £40m, largely caused by spiralling temporary accommodation and social care costs. Camden shares many of the challenges stemming from this difficult operating environment, in spite of the substantial work over the long term and more recently to mitigate against these risks and deliver a prevention-focused service model. The need for the Council to protect its financial stability in the face of extreme pressures means that there is much more limited capacity for major new investments during the current MTFS period.

1.8. The July 2024 General Election saw a new government elected. There have been promising early signals on local government, including a manifesto commitment to 'give councils multi-year funding settlements and end wasteful competitive bidding', as well as providing 'capacity and support to councils'. The government has indicated that the shift to multi-year settlements will take place from 2026/27, which will give the Council greater certainty and stability, allowing for more effective long term resource planning. Further detail is awaited by the sector and Council Officers will continue to monitor the policy landscape and assess the implications of any emerging policy changes.

2. PROPOSAL AND REASONS

We Make Camden

2.1. We Make Camden sets out the Council's commitment to investing in our communities, our organisation and our staff to achieve our ambitions of a fairer, more equal and more sustainable Borough.

2.2. Camden continues to focus on becoming a more dynamic, relational organisation, based upon building strong relationships and partnerships whilst creating the conditions for community-driven approaches to solving complex problems. To this end, Camden has built capacity in vital areas, such as digital, data, insight, participation and design, to enable a missions-oriented approach. Together with residents, we have agreed four Missions, which are set out in our corporate strategy 'We Make Camden':

- By 2025, every young person has access to economic opportunity that enables them to be safe and secure.

- By 2030, Camden's estates and their neighbourhoods are healthy, sustainable, and unlock creativity.
- By 2030, everyone eats well every day with nutritious, affordable, sustainable food.
- By 2030, those holding positions of power in Camden are as diverse as its community – and the next generation are ready to follow.

2.3. Across the borough, community-led action is moving us closer to achieving these shared Missions. The Council's MTFS is driven by the need to ensure the Council uses the resources it has available to support the delivery of the We Make Camden Missions, while protecting the Council's financial resilience.

Medium Term Financial Strategy

2.4. The Council's current Medium Term Financial Strategy was agreed by Cabinet in January 2023. 2024/25 is the second year of the current strategy, and it is due to end in 2025/26. Table One below summarises the budget savings which were agreed as part of the MTFS, as well as the additional budget savings agreed for the HRA:

Table One: Summary of Budget Savings

	2023/24 £m	2024/25 £m	2025/26 £m
General Fund	13.71	3.7	3.05
Housing Revenue Account	2.93	3.1	1.48
Total MTFS Savings	**16.64**	**6.8**	**4.53**
Additional HRA Savings Agreed		3.9	
Total Agreed Budget Savings	**16.64**	**10.7**	**4.53**

2.5. Due to the decision to set a comprehensive MTFS, the Council was able to set a balanced budget for 2024/25 and is well placed to present a balanced budget for 2025/26, subject to council tax decisions and dependent on the delivery of the remaining MTFS savings noted above. However, in spite of the difficult decisions and savings which the Council has already made, a new deficit is expected to open up over the medium term, driven by national factors which are affecting local authorities across London and the rest of England and over which we have little direct control.

2.6. Furthermore, the level of any emerging deficit is uncertain. This will be affected by macroeconomic factors, future demographic pressures and local and national policy directions, many of which are not yet fully known. The legacy of COVID-19 and the cost-of-living crisis continue to impact the Council's finances, particularly in respect of those income streams derived from rents, fees and charges, due to permanent ‘scarring’ of the economy and behavioural changes. While some of these income streams, including business rates, may partially recover over the medium term, it is unclear to what extent or how quickly this will take place. In all, the Council’s operating environment is currently both challenging and uncertain. This is true for services delivered both through the General Fund and the Housing Revenue Account.

2.7. However, there have been positive early signs from the new government on the direction of local government finances. The government has committed to moving to a multi-year Local Government Finance Settlement from 2026/27, which would help give the Council greater certainty. It has also indicated that it recognises the scale of the financial challenges faced by local authorities both generally and in specific service areas such as homelessness and social care. Further details are expected later in the Parliament.

2.8. Whilst the specifics of changes in national policy are not yet known, we will continue to shape our financial strategy over the coming years in a way which seeks to meet the challenges we face and deliver on our We Make Camden ambitions. Given the depth of savings which the Council has had to make since 2010, this will unquestionably be difficult. However, it is important that our approach remains consistent with our history of purpose-driven, outcomes-led investments with a focus on prevention and our missions-based approach, ensuring that it is responsive to developments both nationally and here in Camden.

Impact of Inflation and Interest Rates on the Council

2.9. The rapid growth in inflation through 2021 and 2022 has had a major influence on the Council’s operating environment and financial position. Furthermore, the resulting cost of living crisis has had a deeply detrimental impact on our communities. It has therefore been a major dynamic in shaping the Council’s priorities and challenges in recent years.

2.10. The current economic position does show some improvement. Consumer Prices Index (CPI) inflation peaked at 9.6% in October 2022, before steadily returning towards the Bank of England’s 2% target rate. By October 2024, CPI inflation was at 2.3%, with core CPI at 3.3%, meaning the annual price increase of goods and services are still increasing but at a much lower rate.[3] Inflation levels at present are mostly driven by easing in the labour market and the cost of services.

[3] Consumer price inflation, UK - Office for National Statistics

Chart One: CPI inflation rate over time

2.11. The timing and impact of inflation are not felt equally and varies significantly across our communities, exacerbating existing structural inequalities highlighted by the pandemic. Over the three years from May 2021 to May 2024, UK consumer prices increased by 20.8%, while food prices rose by 30.6%, resulting in a significant increase in the demand for food banks.[4] We are also experiencing increased demand for many Council services, such as temporary accommodation and the use of the Council's Cost of Living Crisis Fund.

2.12. Financial inequality is not new to Camden and tackling it is a core priority central to our We Make Camden missions. The Council is working to support those most at risk this winter from cost of living pressures, as well as making long term interventions to reduce the number of people getting into financial crisis as far as possible.

Key interventions include:

- Continuing to invest in our generous Council Tax Reduction Scheme, ensuring that around 16,000 households (including pensioners) in Camden currently receive 100% support and do not pay any council tax. The table below shows the number of claimants supported through the scheme and the level of awards over the last three financial years.

[4] Rising cost of living in the UK - House of Commons Library (parliament.uk)

Table Two: Council Tax Reduction Scheme Awards by year

	Claimants	Awards £m
2021/22	22,649	29.31
2022/23	22,407	29.64
2023/24	22,115	31.28

- Continuing our holiday hunger voucher scheme to ensure children in receipt of free meals at school can eat during the holidays
- Investing £2m in our Cost of Living Crisis Fund and working with advice partners and community groups to get money to those who need it most.
- £4m a year to support our Voluntary and Community Sector partners.

2.13. Inflation is also a key consideration in the Council's budget setting processes and in its medium term financial modelling, which is designed to assess whether the Council remains able to fund the increased cost of services and continues to be financially resilient. The impact of inflation on the Council's budgets since 2022/23, including indicative figures for 2025/26, are illustrated in the table below:

Table Three: Inflationary growth in Council budgets over time

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Net budgeted cost for inflation	8.82	16.17	17.11	16.21

2.14. To form the estimated starting position in budget setting for 2025/26, an uplift of 3.5% was applied to budgets for contracts and third-party payments, given the wide range of contracts (most with their unique baskets of inflation indices) which the Council is engaged in. Given the latest pay offers to specific groups of public sector workers, the Council has decided to make provision for a 3% inflationary increase to salary budgets for 2025/26.

2.15. In addition, inflation adjustments are also due to be applied to budgets on a case by case basis and where service-specific evidence supports different inflation levels. Many of these exceptions are largely driven by the expected increases in the London Living Wage, driving contract price increases across adult social care and children's social care, as well as grounds maintenance and security.

2.16. For 2025/26, the financial impact of the exceptional uplifts is circa £7m. The Council has not felt the impact of the spike in inflation all at once, and this can take time to fully filter through the Council and its services. It is therefore expected that the annual inflationary uplifts will return to those levels seen prior to 2022/23, although there is still some uncertainty how quickly inflation will return to the government's target of 2%. For this reason, an additional contingency of £2m has been budgeted over the medium term, to ensure that the Council has sufficient flexibility to meet likely future inflationary pressures.

2.17. The rapid increase in interest rates since 2022 has impacted on the Council's Capital Programme. The Bank of England cut its interest rate to 5.00% in August 2024 from the previous 5.25%. This indicates that the Monetary Policy Committee, who set monetary policy to meet the 2% inflation target, feel that inflation is moving in the right direction. Whilst this is welcomed, the cost of any new borrowing will still have a significant impact for the Council. The continuing increase in the cost of materials and labour will also have a significant impact on the cost of the Council's Capital Programme and the associated borrowing requirement.

Financial Forecast – General Fund

2.18. The Council continues to operate in a highly challenging environment. At Quarter Two of 2024/25, the General Fund is reporting an expected overspend of £19.3m. The General Fund overspend is being driven by high inflation and demographic pressures. Like many across London, we face particular financial pressure in children's social care and homelessness services. In both cases, the cost of these services is largely demand led and while these services provide vital care and support to people in need, the increasing costs of these services which have not been matched by historic government funding. As such, they represent a significant financial challenge to the Council and to local government more widely.

2.19. In children's social care, the financial pressure is being caused by a combination of an increase in the complexity and cost of individual placement packages, high inflationary pressures and pressure within the supply market with a lack of choice in placements. This is leading to an overall pressure of £8.9m. Work is already in progress across Children's Services to reduce the overspend by reviewing care package purchasing and looking to develop more in-house provision. This includes work underway to grow and develop our in-house foster care and emergency foster care provision to reduce need for expensive emergency placements and to adapt our in-house residential provision to better meet changing needs. This should bring down the overspend position in year and continue to address and reduce the structural financial pressure over the medium term.

2.20. In Temporary Accommodation, there is an overall pressure of £12.4m. Councils across London are facing a similar scale of challenge, driven by three broad factors:

- Increased financial vulnerability and a lack of affordable housing is leading to more homelessness presentations.
- There has been a steady reduction in the availability of private rental accommodation.
- There has been an increase in cost of securing private rentals, forcing reliance on high-cost temporary accommodation.

2.21. To mitigate this financial pressure, the Council continues to increase its in-house provision through the Temporary Accommodation Purchase Programme and the development of hostels in the Community Investment Programme. Both of these measures will help to reduce the ongoing cost of temporary accommodation. The Council is also investing in more homelessness prevention officers to increase our support for families at risk of homelessness in order to reduce the need for temporary accommodation.

2.22. Detailed work is underway to address the in-year overspends and reduce them as much as possible, with a focus on service areas with particularly high budget pressures. A further update will be provided to Cabinet in the Budget and Council Tax Setting Report in 2025.

Financial Forecast – Housing Revenue Account

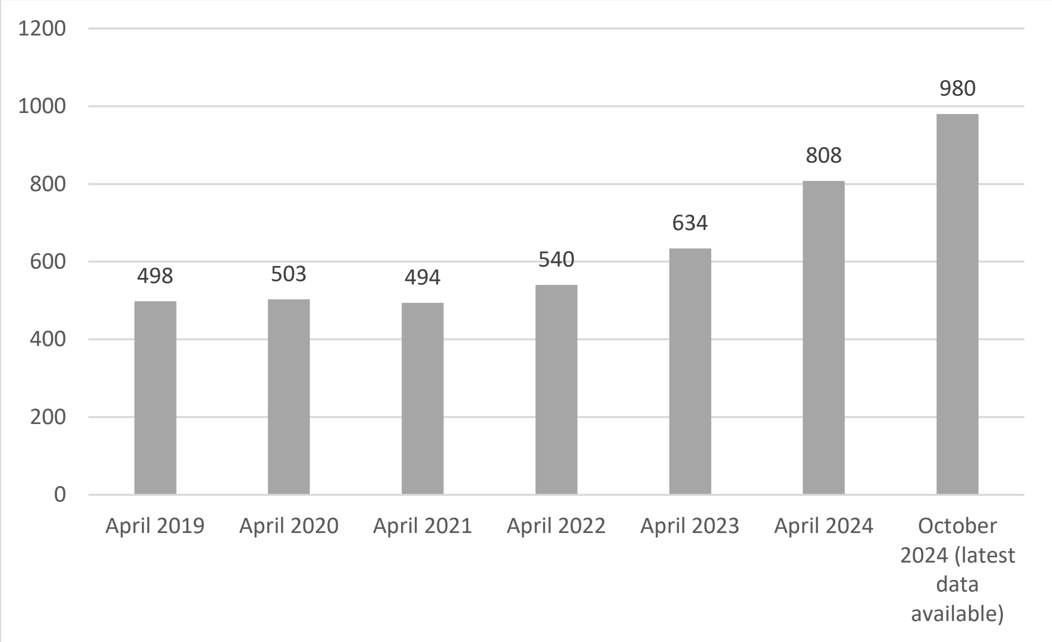
2.23. At Quarter Two, the Housing Revenue Account is forecasting an overspend of £3.5m. The forecast is driven largely by additional costs for interest payable given the current high interest rates. The overspend on interest payable is partially offset by favourable variances in Housing Services, which is forecasting a £1.7m underspend due mainly to forecast reductions in power costs across the housing stock. The broader pressures facing the HRA are covered elsewhere in this report.

Homelessness and Temporary Accommodation Financial Pressures

2.24. Along with the rest of London, Camden is facing a homelessness crisis. In April 2023, there were 634 households in temporary accommodation. Chart Two below shows that this increased to 980 in October 2024, representing approximately 50% growth within 18 months. Across London more than 175,000 Londoners are homeless and living in temporary accommodation – equivalent to 1 in 50 residents of the capital, including 1 in 23 children (at least one child per classroom on average).[5]

[5] £90m monthly spending on homeless accommodation ‘threatens to bankrupt boroughs’ | London Councils - Localgov Drupal

Chart Two: Households housed in temporary accommodation by Camden



2.25. Council Officers have been working hard to reduce the average nightly cost of temporary accommodation. This has included work to move single households from expensive hotels to more affordable ones, achieving cost reductions in the region of 50% per night.

2.26. However, the increase in homelessness acceptances means that new entrants to temporary accommodation keep rising while very few households are moving on to settled accommodation. This means that, despite the Council's extensive mitigations, it is forecasting an overspend of £12.4m on the temporary accommodation budget in 2024/25.

2.27. The Council has also taken steps to increase the supply of temporary accommodation, securing £25m grant funding from central government to deliver Round 3 of the Temporary Accommodation Purchase Programme (TAPP). This has allowed the Council to deliver 57 new units of temporary accommodation through new builds and acquisitions. This is in addition to 159 units purchased under previous phases of TAPP, as shown in the table below:

Table Four: Increase in Temporary Accommodation supply through TAPP

	Units
Phase 1	87
Phase 2	72
Phase 3	57
Total Units	**216**

2.28. Further work is also under way to increase the supply of cost effective and quality temporary accommodation, improve systems and processes within the homelessness service, and improving conditions and the support available for residents in temporary accommodation.

Adult Social Care Financial Pressures

2.29. Adult social care is experiencing significant cost pressures due to rising demand across various services. The need for more intensive care and support after hospital discharge has increased, while there is also a growing demand for homecare and residential placements from community referrals. This combination is putting a strain on resources. 81% of councils in England expect to overspend their adult social care budgets in the 2024/25 financial year, with an estimated overspend of £564m across the country. This has an inevitable financial impact, but also a real human impact.

2.30. More than a decade of austerity across the health and social care system has led to significant national issues, as identified through the Association of Directors of Adult Social Services (ADASS) Autumn Survey[6], which has highlighted the growing and urgent challenges facing councils as they work to provide access to vital care and support. The key messages from the Autumn Survey about the impact of health and the delivery of quality, cost-effective social care are:

- Adult social care financial pressures are intensifying, meaning that councils continue to face challenges in fully delivering on their legal obligations to people accessing care and support and to their carers.
- Financial pressures are the number one barrier to shifting to more preventative services. To achieve the Government's goal of shifting health and social care from 'sickness to prevention', investment is needed to ease council pressures that currently limit spending to only those with the highest needs.
- More councils are being required to make savings despite growing levels and complexity of need and escalating costs. Some 35% of councils are being asked to make in-year savings, up from 19% in 2022. This is on top of planned savings for 2024/25 estimated at £903m, the highest since 2016/17. For 2025/26, these planned savings are estimated to increase by 55% to £1.4bn. This severely constrains councils' ability to invest in essential areas such as workforce development, preventive services, and support for unpaid carers.
- The Better Care Fund is vital for sustaining adult social care and aligning it with local finance cycles. Earlier framework publication could enhance its effectiveness from 2026.

[6] ADASS Autumn Survey 2024 - ADASS

- The workforce is key to making community-based health and social care a reality. Social care professionals working alongside health colleagues, workforce planning for Allied Health Professionals and providing enough physios and occupational therapists in hospitals were identified as key NHS investments that could have a positive impact on local care and health services.
- Access to better and more joined up health and social care data can transform our understanding of people’s needs and the support that suits them best. Client level data is part of this, though it is still on the journey to reaching its full potential. Continued government focus and collaboration are crucial to unlocking the potential of integrated data across health, housing, welfare, and social care - empowering people with more choice and control and informing sound policy and spending decisions.

2.31. The ADASS Autumn Survey also highlights the opportunities for NHS investment into social care, to support our local systems and improve outcomes for people drawing on health or care services.

2.32. In Camden, adult social care budgets have increased by 35% over the past five years, funded from external grants and the raising of the adult social care precept in the local council tax charge. This funding has been vital in supporting financial pressures across adult social care, but the service continues to face significant ongoing pressures over the medium term that will require further significant investment to maintain service delivery.

2.33. Adult social care has experienced considerable budget pressures due to rising inflationary demands from providers. We are dedicated to paying a living wage, which not only supports the local care market but also aligns with the principles of the Ethical Care Charter. However, this commitment has resulted in significant budget challenges, as the living wage has increased by over 10% in the past two years. The National Living Wage will be increasing to £12.21 in April 2025, which is a 6.7% increase. The 2024/25 London Living Wage is £13.85. The 2025/26 rate is not yet known. Despite these pressures, our strategy has proven effective, as evidenced by providers' willingness to continue their contracts with us.

2.34. Mental health services are facing ongoing pressures, mainly due to the increasing complexity of clients' needs and insufficient contributions from health services towards the costs of care. Additionally, services for individuals with learning disabilities are experiencing strain, partly due to the costs associated with transitioning children into adult social care, particularly those with high and complex needs. The transition of an increasing number of children with complex needs into adult services is also causing pressures.

2.35. Income from the NHS accounts for roughly 72% of total adult social care income, through pooled budget agreements between the Council and NHS. This funding supports services for people with physical frailty as well as those living with mental ill health and/or a learning disability. It is important that the Council continues to work with the Integrated Care Board (ICB) in order to maintain these arrangements. While the current financial agreements are fairly stable, annual negotiation processes can be challenging, impacting not just Camden but also having wider implications across North Central London.

2.36. Looking ahead, the Council will face significant financial risks if it is unable to reach funding agreements with the ICB. To mitigate against these potential risks, we are committed to enhancing our financial management processes and regularly reviewing our agreements with the NHS to ensure they continue to deliver the desired outcomes for both partners.

Children's Social Care Financial Pressures

2.37. Supporting vulnerable children and families continues to be a core priority for the Council and our investment focuses on early intervention and delivering compassionate, relational support.

2.38. Despite the significant work that the Council has undertaken on prevention work, the annual expenditure on children's services has risen significantly over the past four years. The Quarter Two forecast for 2024/25 is for an overspend of £8.9m across Children's Services. This is driven by a number of factors including:

- An increase in the number of looked after children - Camden has a proportionally higher rate of unaccompanied asylum-seeking looked after children compared to neighbouring boroughs. This attracts government funding for those under 18 years. However, funding reduces when they turn 18.
- There is growing complexity of need and a significant increase in the cost of individual residential care. Nationally between 2015/16 and 2021/22, the amount spent on children's residential care increased by 66.2% in real terms. The cost of placements in Camden can be up to circa £14,000 per week for complex support.
- The impact of the pandemic on the mental health of young people is putting additional pressure on children's services.
- Education 'catch-up' and evolving risks with increased use of the internet and social media.
- Placement sufficiency – the distribution of places does not match demand (e.g. foster placements and secure placements).
- Significant staff cost pressures because of staff shortages across the sector.

2.39. The increase in budget and significant overspends across Children's Services are a significant risk to the Council's financial resilience. The Council is committed to providing high quality services that ensure children and families are supported to overcome disadvantages, are resilient and living healthily and independently wherever possible. The Council faces a significant challenge to continue to provide these services within the resources available.

2.40. Children's social care will continue to be a significant source of financial pressure over the medium term. The children's social care budget in Camden is around 23.8% of our core spending power, compared to 21% for England and 23.2% for similar neighbouring London Boroughs. Ring-fenced grant funding makes up 27.6% of the Children's Services budget with a further £1.7m funded from NHS contributions. The balance of funding comes from the Council's general resources.

2.41. Camden is delivering children's social care services in an increasingly challenging national context. A recent report by the Association of Directors of Children's Services[7] highlighted that 'many of the reasons why children and families require early help or support from social care continue to be broadly the same, but with increased prevalence and complexity being seen'. The report also highlights the growing concerns being felt across the country relating to placement sufficiency, providers of placements, cost and profit. The instability of the care provider market leaving local authorities across the country facing significant challenges to provide the right care placements for children at affordable prices.

2.42. The report goes on to highlight the most common financial pressures facings children's social care services across the country as:

- Placement costs for children in care, specifically independent fostering agencies and private residential children's homes placements
- Agency social workers and the growth of managed project teams
- An increase in demand for services and complexity of presenting needs
- SEND and high needs block funding, including home to school transport. Whilst SEND is not central to safeguarding pressures research, this continues to be a significant and growing pressure for children's services

Schools Financial Pressures

2.43. Like other local authorities, Camden is experiencing increasing challenges in meeting the needs and aspirations of children with Special Educational Needs and Disabilities (SEND). The National Audit Office reported national demand

[7] ADCS_Safeguarding_Pressures_Phase_8_Executive_Summary

for support for children with Special Education Needs (SEN) has increased by 140% since 2015 and it is estimated that local authority Dedicated School Grant (DSG) deficits could reach £4.6bn by March 2026. Camden's DSG High Needs Block (HNB), which funds educational services for children and young people with SEN, is similarly experiencing cost pressures from a combination of demographic and cost inflation. However, the most significant pressure continues to be that caused by the implementation of the Children and Families Act 2014, which extended local authority responsibilities for SEN services to support young people up to the age of 25.

2.44. The Council's careful management of its HNB had resulted in the creation of a HNB reserve within the DSG reserve, which is at £10.1m as of March 2024. Additional funding within the DSG for the HNB since 2020/21 has mitigated the risk of the HNB falling into deficit. However, the Council reported a projected deficit on the HNB for 2024/25 of £1.8m to Schools Forum in September 2024. This is a significant risk to the DSG reserve over the medium term if rising demand and costs for children and young people with SEN remain. The Council will need to consider what mitigations it will need to take in the medium term to ensure that it can set a balanced budget in this area if the reserves funding is exhausted.

Pressures & Risks within the Housing Revenue Account

2.45. As set out in detail in the January 2024 rent-setting report to Cabinet, the Council's HRA is facing a range of longer term and newly emerging financial challenges. The need to make revenue contributions to the capital works on existing stock, continued high interest rates on short term borrowing for regeneration schemes, the cost of legal disrepair cases, tackling damp and mould and the need to meet new regulatory requirements are all creating budget pressures.

2.46. The HRA's financial position has been greatly damaged by a range of austerity-driven policies over the past ten years. These include the bedroom tax, rent increase guidelines being changed from the Retail Price Index (RPI) measure of inflation to the Consumer Prices Index (CPI) as a base, the removal of rent convergence, government-increased Right to Buy discounts, the roll-out of Universal Credit and the enforced rent reductions in the period 2016-2020. Government policies are estimated to have resulted in a cumulative loss in rental income by 2024/25 of £168m.

2.47. The Council's Medium Term Financial Strategy for the HRA includes an annual contribution to the HRA's reserves to increase the HRA's financial stability and resilience, which had been depleted following overspends over a number of years.

2.48. The Council’s Housing Revenue Account continues to operate in an extremely challenging environment with significant cost pressures across a range of services. In order for the Housing Revenue Account to remain financially stable, the Council will need to continue to take difficult decisions. This will include the delivery of savings already agreed as part of the current MTFS and will require further budget savings to allow the Council to set a balanced HRA budget over the medium term.

2.49. A key element of the Council’s financial strategy for the HRA is ensuring that there are sufficient resources to fund capital investment in the stock through the Asset Management Strategy (AMS) and to deliver estate regeneration and the delivery of much needed new homes through the Community Investment Programme (CIP).

2.50. Investment in building new homes is largely funded through grants and capital receipts from private sales. Borrowing is required to fund the initial cost of building new homes until the private units are sold and the capital receipts used to repay the borrowing. Financial planning frameworks must ensure that the levels of borrowing required are financially sustainable for the HRA and that it can manage fluctuations in interest rates, such as those seen in recent years. The Council has already taken steps to manage the HRA’s borrowing costs through its mixed delivery model strategy for CIP, agreed by Cabinet in September 2022.

2.51. In order to address a number of the issues facing the HRA, the Council has begun a Housing and Repairs Transformation Programme to improve the services which tenants and leaseholders receive and to ensure it meets the new consumer standards introduced by the Regulator for Social Housing. The programme’s aims are to ensure that housing is appropriate, affordable, safe and warm. It focuses on:

- ensuring the Council’s systems and processes are fit for purpose
- testing and embedding a neighbourhood working approach
- more focus on financial awareness and management
- supporting staff well-being and professional development to help them better meet the needs of residents

Autumn Budget, Spending Review & Provisional Financial Settlement

2.52. The Council’s budget planning and financial management frameworks are shaped to a large extent by central government fiscal policy and funding decisions. The new Labour government held its first Autumn Budget on 30 October, setting out its taxation and spending proposals for the 2024/25 financial year. This was accompanied by ‘Phase 1’ of the Spending Review, which set budgets for government departments and local government as a sector for 2025/26.

2.53. The Autumn Budget included some promising signs from the government on short term funding for local government, with detail on longer term reforms still to come. Key proposals included:

- A 3.2% real terms increase in local authority ‘core spending power’ (a measure of the resources available to fund service delivery including council tax, business rates and several central government grants) in 2025/26
- £1.3bn of new core grant funding, with £600m earmarked for social care and £700m for general services
- £233m of funding for homelessness prevention, £250m to test innovative approaches to support children and £1bn of additional funding for SEND and alternative provision
- £1bn of funding to extend the Household Support Fund and Discretionary Housing Payments
- An increase in capital funding, including £500m for the Affordable Homes Programme, £500m for roads maintenance and a significant uplift in schools capital funding
- Reforms to several taxes, including national insurance and business rates

2.54. Future announcements are also anticipated from the government which will shape the policy landscape in local government. The Autumn Budget is due to be followed by a policy statement on local government finance later this year.

2.55. The specific impact of the Autumn Budget proposals on Camden will become clearer when the Provisional Local Government Finance Settlement for 2025/26 is issued. This is expected to take place later in this financial year and will set out the government’s plans for allocating funding to individual local authorities.

2.56. The Provisional Settlement will be followed by a Final Settlement confirming the funding position for local authorities ahead of the 2025/26 financial year.

2.57. The government has also outlined that it will hold ‘Phase 2’ of the Spending Review in Spring 2025, working with the envelope set at the Autumn Budget. It has indicated that this will be ‘mission-led’ and ‘technology enabled’, and build on a number of priority areas for reform. These include local government and devolution, children’s social care, SEND and homelessness.

Council Tax and Adult Social Care Precept

2.58. The government’s funding strategy for local authorities is based on an assessment of a local authority’s ‘core spending power’. The estimate of core spending power includes an assumption that local authorities will increase council tax by the maximum amount allowable, as set out in the Local Government Financial Settlement. Each 1% of council tax increase raises circa £1.4m for the Council to invest in the delivery of services (based on the 2024/25 council tax base).

2.59. As noted elsewhere in this report, increasing demand for adult social care is one of the major pressures on the Council's budgets over the medium term. Since 2016, local authorities with social care responsibilities have had the power to raise an additional council tax levy to help meet demographic pressures on social care budgets. At the time of writing the government had not yet confirmed the council tax thresholds for 2025/26.

Recommended Fees & Charges for 2025/26

2.60. Fees and charges are proposed by Officers and approved by Cabinet (and where required by Council) on an annual basis. Reporting to Cabinet is on an exceptions basis, with new fees or those with proposed increases above the threshold of 7% listed individually and requiring specific approval. These are listed in Appendix A, together with detail on the reasons for the charges. Cabinet is recommended to agree the fees as presented and to delegate authority to the relevant Executive Director to increase existing fees and charges by up to 7%.

2.61. It is also recommended to delegate authority to the Executive Director Corporate Services to reduce individual fees and charges in exceptional circumstances to support the financial well-being of individual residents.

Legal & Property Charges for Commercial Disposals

2.62. Officers in Property Services, as well as in Legal Services, in line with common practice across the sector, continue to charge 1% per service on commercial property transactions with the Council, amounting to a total of 2% of the purchase price per transaction to cover internal and external costs associated with the transaction. From time to time, the Borough Solicitor continues to reduce fees where (i) there is a corporate imperative to do so (such as when fees are being charged to a small community-based charity) and (ii) this has been agreed with the Head of Property Services.

The Council's Financial Resilience

2.63. As outlined throughout this report, the operating environment for local government across much of the country is difficult. The immediate outlook for the sector is uncertain, with requests for exceptional government support becoming increasingly normalised and local authorities more generally acknowledging that further acute financial challenges are likely without significant additional funding.

2.64. Given this context, it is important that the Council continues to regularly review the robustness of its financial position. This allows it to confirm that it can continue to sustainably deliver services, as well the extent to which it has the financial resilience to respond to uncertainties and emerging challenges.

2.65. A number of benchmarking services have been developed over the last decade, allowing for the comparison of key metrics with other similar local authorities. The Council uses these indices as one part of its review of financial resilience. The most established of these is CIPFA's Financial Resilience Index, which compares how local authorities perform across a number of key indicators of financial health in comparison with their nearest neighbours.

2.66. In all, the most recent data (for 2022/23) shows that Camden scores as being more resilient than the majority of its 15 nearest neighbours, with higher than average resilience across 11 of the 16 metrics measured by CIPFA.

2.67. A review of individual metrics reveals that, while the Council scores well on its social care resilience when compared to its neighbours, it does have relatively lower levels of reserves. As a well administered authority which has been able to keep within its budgets and successfully deliver upon savings targets, the Council has historically been comfortable holding relatively lower levels of reserves. Nonetheless, the Council is seeking to reinforce its reserve position through contributing £1.5m per year to its general reserve balance in the General Fund and £4m per year (increased from £3m in previous years) in the HRA as part of its MTFS.

2.68. It is important to recognise that comparative indices are only one part of an assessment of financial resilience. They cannot capture every relevant financial metric for local authorities, may be based on slightly different reporting methodologies or organisational circumstances, and compare how one council is performing relative to the wider sector (which, as discussed elsewhere, is facing acute financial challenge throughout). Nonetheless, they do have an important role in highlighting opportunities to further strength financial resilience. The range of benchmarking metrics and analytical resources is constantly evolving, and the Council will continue to review these as part of its ongoing assessment of its financial resilience.

2.69. It is also important that Officers conduct their own independent reviews of the Council's financial resilience. As part of this, Officers consider the principles contained within CIPFA's Financial Management Code, which are designed to assess local authority financial sustainability, as part of the Council's financial planning and reporting processes.

2.70. Financial resilience also forms an important part of the Council's processes when developing individual business cases and organisational budgets. This includes the use of prudent contingencies for inflation and other unknowns in business cases, as well as frequent, challenge-based reviews of both forecasts and the MTFS. These processes give the Council sufficient financial resilience to respond to a range of uncertainties, whilst also flagging upcoming challenges so appropriate mitigations can be developed.

Planned Use of Reserves

2.71. 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 ongoing 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.

2.72. 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 earmarked reserves are held for several specific purposes. This includes, but is not limited to, the support to the delivery of our key strategic outcomes within We Make Camden, 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. 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.

2.73. As part of our prudent financial management, all reserves are regularly reviewed to ensure that they remain at appropriate levels and are relevant. If they are no longer required for the purposes originally intended, they are reallocated to best support our strategic priorities. A summary of the current and forecast balances of reserves is presented in Appendix B. The Council has started to adopt a strategy of increasing reserve levels historically held at a low level where possible. Our General Fund balances stand at £17m or roughly 5% of our core spending power and our General Fund earmarked reserves stand at £159m or 47% of our core spending power.

The Council's Capital Strategy

2.74. The Council has an agreed Capital Programme of more than £1bn over the next six years. A robust Capital Programme which meets the Council's needs is a key element of the Council's financial strategy, whilst also forming a central pillar of the delivery of high quality, efficient public services which are value for money. This means ensuring that the Council can invest in both new assets to enhance its capabilities, whilst continuing to support and upgrade existing assets to ensure that they are still fit for purpose in a changing operating environment.

2.75. Effective capital investment can also help the Council deliver on many of its wider strategic priorities, including the Missions set out in We Make Camden. These include ensuring that our assets help contribute to healthy, sustainable neighbourhoods (including through reducing carbon emissions and air pollution) and that our housing stock is warm, safe and dry. Investing in capital assets can also optimise service delivery and reduce costs, supporting the delivery of our wider financial plans.

3. OPTIONS APPRAISAL

3.1. The report asks the Cabinet to agree the introduction of new fees and charges, along with those fees and charges where the proposed increase is greater than 7%. The Cabinet could decide not to agree these fees and charges for 2025/26. However, this could impact on the ability for services to recover costs or result in additional budget pressures.

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

4.1. Many of the major financial risks, including those affecting a number of key services, are detailed in the body of the report, alongside commentary on the Council's responses to these challenges.

Risks to the Capital Strategy

4.2. Many of the risks set out elsewhere in the report also face the Council as it seeks to deliver its Capital Strategy. There is a risk that the Council faces continued inflationary pressures across its capital schemes over and above the inflation assumptions built into project budgets and business cases. There is also a risk that assets fail to deliver the desired outcomes, including financial benefits such as additional income or expenditure savings.

4.3. However, there are also risks specific to the Capital Programme. Inflationary pressures on projects may be heightened if projects face significant delays, whilst regulatory changes may mean significant design changes are required for existing or planned assets.

4.4. The Capital Programme is partly funded by capital receipts from the sale of surplus assets or private sale units sold under the Council's Community Investment Programme. There is also a risk that sale prices stall, or do not increase as quickly as costs, leaving a funding gap for the programme.

4.5. The Council can also borrow to finance aspects of its Capital Programme, which it cannot do for revenue spending. Borrowing does bring revenue costs, both from interest payments on debt and an annual provision to repay debt principal (a statutory requirement known as Minimum Revenue Provision in the General Fund). Funding gaps in the programme can increase borrowing requirements, and changes to interest rates can increase annual revenue costs. The most significant risk is that these pressures combine with revenue shortfalls elsewhere to put the Council's reserves under strain.

4.6. The Council mitigates against these risks through the development of prudent business cases with allowances for inflation and significant contingency (especially at the early stages of projects which face greater uncertainty). Projects are also subject to regular reviews and risk-based governance overseen by senior Officers. Finally, Officers also consider the revenue implications of capital schemes more generally as part of the Council's wider financial planning and management frameworks.

5. LINKS TO WE MAKE CAMDEN

5.1. Ensuring that the Council remains financially resilient is central to achieving the four missions of We Make Camden. Doing so allows the Council to more readily utilise its resources and invest in key elements of the four missions.

6. CONSULTATION/ENGAGEMENT

6.1. There has been no formal public consultation.

7. LEGAL IMPLICATIONS

7.1. Section 93 of the Local Government Act 2003 contains powers to relevant authorities to levy charges for discretionary services. Discretionary services are those services authorised by statute that a local authority is not required to provide but may do so voluntarily. The section 93 power works on the basis that, if it wishes, a local authority can charge for a discretionary service but individuals cannot be required to pay for a service they do not wish to receive or use and must agree to its provision. Anyone who requires the service agrees to take it up on those terms. The power does not apply where there is a power to charge for a particular service elsewhere in other legislation. It also cannot be used to charge for a service if other legislation expressly excludes an authority from charging. Local authorities are under a general duty to secure that, from one financial year to the next, the income from charges for services does not exceed the costs of provision.

7.2. The Localism Act 2011 introduced a general power of competence for local authorities. Section 3 of the LA 2011 sets out the limits on charging when exercising the general power (for example, the power does not provide a new power to raise tax or precepts, to borrow or to set charges for mandatory services). The general power of competence confers a power on local authorities to charge the individual for providing the service only if:

- The service is not one that a local authority is required to provide under an existing statute
- The individual has agreed to the service being provided
- Ignoring sub-section 2 of section 3 and section 93 of the LGA 2003, a local authority does not have the power to charge for providing the service. This provision ensures that there will be no conflict between charging in exercise of the general power to charge and charging that is permitted under section 93 of the LGA 2003.

8. RESOURCE IMPLICATIONS

8.1. The comments of the Executive Director Corporate Services are incorporated in 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 Council's Climate Action Plan published in June 2020 sets out how our services will contribute to tackling the climate emergency with the aim of achieving a zero carbon Camden by 2030. To support this aim, the Council is developing its second Climate Budget, to show how much of the Council's resources is allocated to our carbon reduction programme and inform our medium term financial planning to help meet our ambitious 2030 decarbonisation target.

9.2. The March 2025 council tax setting report to Full Council will set out the full Climate Budget in more detail, outlining the cost of moving our corporate and schools estate to net zero by 2030.

10. TIMETABLE FOR IMPLEMENTATION

10.1. The proposals set out in this report will, if agreed, be implemented as outlined in the body of the report. In particular, fees and charges agreed in this report will be implemented and come into force at the beginning of the 2025/26 financial year.

10.2. This report is also closely linked to several major upcoming reports. Council and Cabinet will receive a report on setting General Fund budgets and council tax for the 2025/26 financial year, with Council receiving the report on 3 March 2025. Cabinet will also receive a report on setting HRA budgets and rents for 2025/26 on 15 January 2025.

11. APPENDICES

11.1. Further information is provided in the attached appendices:

A. 2025/26 Fees & Charges
B. Council Reserves

REPORT ENDS