LONDON BOROUGH OF CAMDEN	**WARDS:** All
REPORT TITLE Review of the Council’s Financial Position	
REPORT OF Cabinet Member for Finance and Transformation	
FOR SUBMISSION TO - Resources and Corporate Performance Scrutiny Committee - Cabinet	**DATE** 1 July 2021 7 July 2021

STRATEGIC CONTEXT

The Council is facing an unprecedented and challenging outlook following the global pandemic. This report presents an updated overview of the Council’s financial position as it seeks to support our citizens, communities and businesses through the COVID-19 crisis. During the crisis the Council stepped in and mobilised staff, organisations and volunteers to ensure that the most vulnerable have homes, food, social contact and the financial support they need. At the same time, we have continued to provide those critical services that we know our communities rely on.

The report also provides an update on the impact COVID-19 is likely to have on the Council’s medium-term financial position and the financial risks and issues facing the Council over the medium term as a result of the pandemic.

In our response to these challenges, in the spirit of Camden 2025, we have developed an approach that continues to have social justice and tackling inequality at the heart of what we do.

SUMMARY OF REPORT

This report provides an update on:

- The updated estimates of the financial pressure caused by the COVID-19 crisis and this years’ budget position.
- The outlook for council funding and spending
- Progress on the Councils landmark Temporary Accommodation Purchase Programme (TAPP).
- 2020/21 provisional revenue outturn and allocations to reserves
- 2020/21 provisional capital outturn and the shape of the revised capital programme following a review of expenditure and income profiles

- Recommendations for urgent capital Investment.
- Key risks associated with the current and projected financial position and service provision

Local Government Act 1972 – Access to Information

The following resources have been used in the preparation of this report and are available online via the web address: www.camden.gov.uk/MTFS:

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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 continued challenging and uncertain funding outlook for the council set out in sections 2.3 to 2.15

(b) Note the 2020/21 General Fund & Housing Revenue Account revenue and capital outturn positions set out in section 2.16 – 2.35.

(c) Agree the allocations to and from earmarked reserves and the allocation of the final 2020/21 overspend as set out in sections 2.21 – 2.25 and Appendix B, for inclusion in the Statement of Accounts.

(d) Agree the revised Capital Programme, funding and capital receipts targets summarised and presented in sections 2.36 – 2.46 of the report, and Appendix C and note the impact of COVID-19 on the capital funding projections.

(e) Agree the urgent allocations listed in section 2.47 and Appendix C.

(f) Note the progress made to date on the councils landmark Temporary Accommodation Purchase Programme (TAPP) and;

(g) Subject to confirmation of the availability of RTB receipts held by the GLA, agree to increase the TAPP capital budget by a further £35m to purchase property previously sold under the Right to Buy as set out in sections 2.49 – 2.59.

(h) Note the risks associated with our financial position outlined in section four of the report.

Signed: **"Agreed, Jon Rowney Executive Director Corporate Services"**

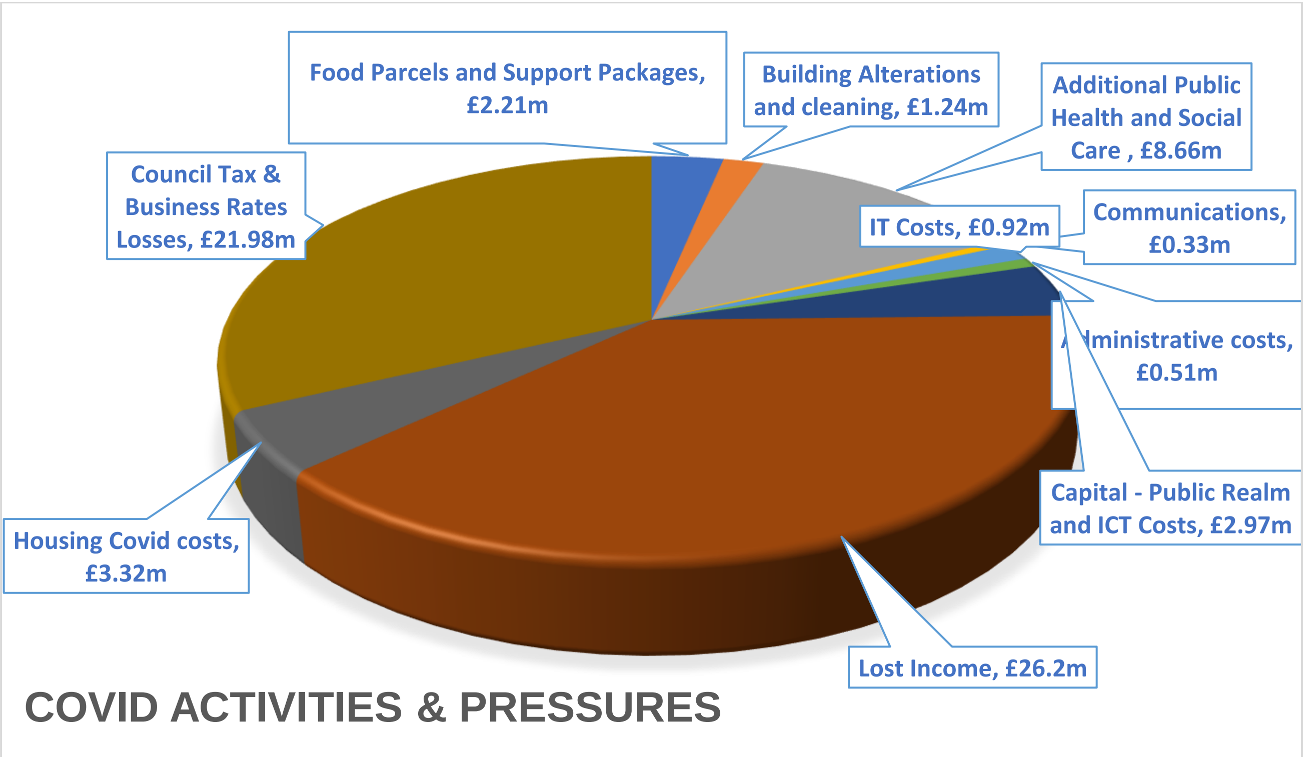
Date: 24 March 2021

1. CONTEXT AND BACKGROUND

1.1 The COVID-19 global pandemic has had a significant impact on the Council – one that will be felt for years to come. The impact on local residents, businesses and all of our community has been profound and will continue to be felt for the foreseeable future.

1.2 Our approach has been strongly rooted in the ambitions and themes of Camden 2025 and social justice. The Council's priority has been to ensure we are supporting everyone to get through the pandemic – by purchasing PPE for frontline workers, supporting COVID-19 testing and doing all we can to support local businesses to survive. We have also kept vital services operating, made sure nobody lost their council home due to COVID-19 and ensured everyone has access to food and other essentials. We know how hard things have been and more people than ever are turning to us for support. We remain committed to being there for everyone, but uncertainty around council funding has made this difficult.

1.3 As noted above, since the outbreak of the pandemic the Council has taken a leadership role and mobilised our resources to support our residents, businesses and communities. Further details on some of the steps taken are summarised below and further explained in paragraph 2.2.



1.4 In total there has been additional financial pressures of £68m on the Council's General Fund services during 2020/21 as a result of lost income as well as redeployed spending to enable us to deliver our wide-ranging pandemic response. The Council has also administered over £144m of support to local businesses both from Government grants to businesses forced to close due to Covid restrictions and from schemes to support care homes and the leisure industry.

1.5 The impact of the pandemic has also led to financial pressures for the Housing Revenue Account. Mainly driven by expected bad debts (i.e. income that we have billed but do not expect to receive) from our tenants, leaseholders and commercial tenants, all of whom have faced significant financial struggles as a result of the pandemic. This has been offset, in part, by applying some of the COVID grants received from central government to offset one-off related expenses in the HRA. However, unlike the GF no specific grants have been made available to alleviate the financial pressures in the HRA resulting from the pandemic.

1.6 Since the start of the pandemic, Government Departments have largely adopted a piecemeal approach in introducing a range of grants to relieve the financial pressures faced by local authorities, some of which have been ring-fenced. Throughout the pandemic, we've taken an outcomes-based approach to all of the money we've spent and services we've invested in with action taken to ensure our key aims have been met. This has often meant making spending decisions in advance of any funding announcements from the government to ensure that we can continue to support our communities, which has placed additional strain on our budgets.

1.7 There is still significant uncertainty regarding the local and national economy and combined with that, the pandemic is ongoing. This makes it very difficult to predict the full financial impact of COVID on our medium-term finances because so much depends on the speed and strength with which the local, national and global economy recovers, how the economy is altered by the pandemic and the future trajectory of the pandemic. What we do know is that the effects of COVID will continue to be felt over the medium term and that we will need to continue to invest in supporting our most vulnerable residents and to help support the renewal of the borough.

1.8 Whilst we welcome the COVID-19 funding received from the Government to date, this was only provided up until the end June 2021 – although we will set aside some of this funding to help us meet financial pressures in the years ahead. Aside from COVID-specific pots of money, we have received no information about funding beyond this financial year. It's also important to reflect on the wider context. Since 2010, the Government has cut our budget by over half, and has still not confirmed our long-term funding or future funding for adult social care services. We are also expecting the government to complete its 'fair funding' review, which will dictate how resources are allocated to individual local authorities, and the planned review of business rates. It is unclear what the impact on the Council will be of either of these reviews.

1.9 This all means the Council is facing significant financial disruption making planning over the medium term difficult and uncertain. In the absence of further long-term financial support from government the Council will need to realign its resources and will need to make further budget savings over the medium term to ensure it is financially resilient. At the same time, the global pandemic is having a seismic and negative impact on the economy and presents a series of major challenges for the economic health of the country and its public finances in both the short and medium term.

2. PROPOSAL AND REASONS

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

- The measures the Council has taken to support local people and the local economy.
- The financial pressures due to COVID-19 during 2020/21 and the financial support received from government over the year.
- The outlook for council funding and spending, which remains very uncertain in the medium term due in part to the ongoing impact of the COVID-19 crisis.
- 2020/21 revenue outturn and proposed allocations to reserves.
- 2020/21 capital outturn and urgent capital allocations.
- The council's successful Temporary Accommodation Purchase Programme and proposals for a second phase.
- Outlook for the MTFS and savings targets.
- Key risks associated with the current and projected financial position and the significant medium-term financial pressures caused by COVID-19.

MEASURES TO SUPPORT RESIDENTS AND THE LOCAL ECONOMY

2.2 The Council's priority has been to ensure we are supporting everyone to get through the pandemic – by purchasing PPE for frontline workers, supporting COVID-19 testing and doing all we can to support local businesses to survive. We have also kept vital services operating, made sure nobody lost their council home due to COVID-19 and ensured everyone has access to food and other essentials. We know how hard things have been and more people than ever are turning to us for support. We therefore remain committed to being there for everyone but uncertainty around council funding has made this difficult.

- **Supporting residents:** The council rapidly mobilised a COVID-19 Community Response team and a COVID-19 telephone line that all residents can access if they need any support on a wide range of issues including: those at-risk of or experiencing domestic abuse or violence, mental health support, housing advice, financial support, access to food and other essentials, support to self-isolate and guidance on staying safe.

- **The Care sector:** The Council has refocused its resources to support the care sector and has acted as the primary point of contact for care home providers since March 2020. The focus has been to ensure that providers receive the information, support and PPE they require throughout this emergency. We secured and dispatched over 2.3 million items of PPE including gloves, glasses, aprons and visors to support staff and care providers in the borough during the first lockdown.

- **Preventing homelessness and helping families to remain in their communities:** The council has continued to invest in temporary accommodation to help prevent homelessness and enable families to remain in their local communities. Over the last 18 months, as part of the Temporary Accommodation Purchase Programme, 47 council properties that had previously been sold to Leaseholders under the Government's Right to Buy Programme, have been repurchased by the Council. In addition, resources have been earmarked to fund the conversion of, a disused block of flats, the Greenwood Annex, Kentish Town to provide 24 studios and two further houses have been converted to provide 5 flats. The entire programme will deliver high quality, temporary accommodation in Camden for 75 households, plus a further 2 in Barnet.

- **Providing food for school children:** We provided 12,000 food hampers to children eligible for free school meals during the first lockdown. We issued food vouchers to 17,000 children at Christmas and February half term and supported 13,000 children during the October half term. In total the Council has spent £2.2m on providing and delivering food and essential items.

- **Supporting our communities to self-isolate and follow the 'stay at home' guidance safely:** We made 822 payments to support people who were self-isolating and provided accommodation for 433 rough sleepers during the first lockdown, including securing a 107 bed protect facility with wraparound support for people with additional support needs.

- **Redeploying staff to support our COVID response:** We redeployed over 150 staff to a range of services including: administering business grant payments; mobilising a Local Contact Tracing service in partnership with the National NHS Contact Tracing Service, which has proven effective in reaching Camden residents that the national service has been unable to contact.

- **Supporting the local rollout of the COVID-19 vaccination programme:** we continue to work closely with our local NHS and other local stakeholders to support our local vaccine rollout. We also launched a local communications campaign to support all of our communities to learn more about the vaccine to enable them to make an informed choice when it's their turn to have it and ultimately, drive up vaccine uptake in the borough.

- **Supporting Local Businesses**. The Council has administered over £144m of support to local businesses both from Government grants to businesses forced to close due to Covid restrictions, Restart Grants and from schemes to support care homes and the leisure industry**.** This has been in response to a number of different government schemes developed over the course of the past fifteen months with changing funding and rules often based on the different Tiers London was placed into at different points of the pandemic. The Council has invested in administering the schemes to ensure businesses are paid as quickly as possible while maintaining sound governance arrangements.

COVID FINANCIAL PRESSURES DURING 2020/21 AND GOVERNMENT FUNDING

2.3 Since the outbreak, the financial position has shifted significantly. The impact of the loss of income from fees and charges and the arrival of emergency costs have had an immediate effect on all local authorities, while in the longer term there is likely to be a further squeeze on public spending which could impact future funding settlement allocations. Overall, total gross pressures of £68.3m have been incurred during 2020/21 alone. After application of government support, this leaves a gap of £19m which, in the absence of further government support, has had to be met by council resources.

2.4 At this stage, it is not clear if further funding from government will be forthcoming, nor is it clear how long the current circumstances will last, making financial planning and management exceptionally challenging. Initial estimates set out in this report suggest that, in addition to the pressures already identified, there may be recurring pressures in 21/22 and 22/23 placing further pressures on budgets.

2.5 In the event that the Government fails to cover all of the Councils costs as promised, the Council has cautiously started scenario planning, as it is imperative that we meet our financial responsibilities. Should the Government funding fall short of the full costs of COVID-19, as a financially responsible council, consideration of options to mitigate these impacts, in both the short and medium term, will be necessary.

2.6 Given the extremely uncertain funding outlook, it is almost impossible to predict with confidence what the overall net impact will be however the crisis has resulted in significant additional pressures on the Council's resources. Based on a number of scenarios (high, medium and low), the overall net impact of Covid could end up anywhere between £15m and £50m.

2.7 The medium-case scenario is deemed to be the most likely. Broadly, it Assumes that:

- Whilst the possibility of local lockdowns and ongoing disruption remains this is likely to be fleeting and sporadic as the vaccination uptake increases.
- It anticipates a steady economic recovery, with employment levels not too far behind.
- Assumes that leisure and cultural services are able to adapt to social distancing, but income levels will take time to get back to normal levels.
- The demand for support packages will hold for the first half of 2020-21
- Additional deep cleaning will continue throughout the year

- Further IT investment will be required to support hybrid working and the remote delivery of some services
- Income levels will not return to normal levels until 2022/23
- £6m of MTFS savings will be delayed
- An ongoing need to need to continue to make alterations to the public realm to support the renewal efforts
- Business Rates and Council Tax income recovers by 2022/23
- There will be c.6 months of admin costs for restart grants and business helpline support

2.8 When looking at the Covid related pressures for 2020/21 and beyond it is also worth noting a number of points:

- Despite the government pledge to do 'whatever it takes' to ensure the council can meet the urgent needs faced in our communities arising from the pandemic, the funding received so far hasn't been sufficient. In order to redress the balance, the Council has had to utilise c£19m of its own resources to make up the difference. This has come from a mixture of redeployed officers and re-diverted resources from pre-Covid budgets, along with savings from activities that have ceased or been reduced due to the measures put into place to control the Covid pandemic. These are largely one-off in nature and as a result of the exceptional circumstances created by the impact of the Covid crisis on the Council's normal activities. Going forward, these resources will be required to deliver core services as the Covid crisis eases and residents begin to access services again.

- The Council has also taken action to reduce costs in year by introducing a staffing vacancy factor. This introduces slight delays to non-critical recruitment and in doing so, saves approximately £3.8m.

- The lost Income is an estimate based on the loss of income against the Council's pre-Covid budgeted position.

- The additional costs are **above** what was already budgeted for. As such the financial pressures from Covid are those that could not be contained within the Council's pre-Covid budgets.

- In addition to the additional financial pressures the Council has also redeployed significant resources from the usual tasks to support the Covid response.

- As a result of pressures associated with the Coronavirus pandemic, the Council is facing a larger-than-normal deficit on the 2020-21 Collection Fund (£21.98m) – i.e. income collected through business rates and council tax. Ordinarily, this would create a resource and budget pressure for 2021-22. However updated legislation now allows authorities to spread the estimated deficit on the 2020-21 Collection Fund over the three years 2021-22 to 2023-24. It is worth noting that where appropriate the Council will continue to attempt to collect due taxes. However, if a financial pressure remains, this will be captured within the development of our next medium-term financial strategy.

Government Funding

2.9 The Government's response to the financial pressures facing local government has been piecemeal over the year. To support service pressures, the Council has received 27 distinct service grants announced at different times through the year amounting to £58.07m. £49.25m has been utilised this year with £3.27m of grants with specific conditions attached transferred to reserves to be made available for the Covid response in 2021/22 and the balance set aside to support the ongoing Covid financial pressures.

2.10 Details of the grants received (and their purpose) are shown in **Appendix A.**

OUTLOOK FOR COUNCIL FUNDING AND SPENDING

2.11 It is fair to say that the Council currently has no certainty over government funding or Council Tax rules beyond this financial year. The government is planning a number of funding reforms to local government but as yet there are no details or clear indication of how these may affect the Council. The 'fair funding' review, a review of the methodology for distributing funding to individual Councils was originally expected to come into effect from 2020/21 but has been pushed back to 2022/23. However, it is not clear what the overall level of funding to local government will be or the details of how this will be distributed.

2.12 The government is also planning to 're-base' Non-Domestic Rates from 2023/24 which will see business premises revalued for the purpose of setting business rates liability. This has the potential to affect the level of funding available to the Council and it is unclear what other funding arrangements the Government will put into place to compensate local authorities for changes in the tax base.

2.13 The lack of clarity of funding in the medium term means that the Council is facing significant uncertainty and risk to its finances with an estimated budget gap of somewhere between £35 - £40m by 2025. However, given the level of uncertainty regarding future funding policies and the as yet unknown long-term impact from COVID-19, this figure could be higher.

2.14 The renewal of the borough will also mean that, in order to meet the needs of local residents and business the Council will need to invest in services and local infrastructure over the coming years. The Council will continue to lobby government to ensure that sufficient resources are available to support the renewal of the local area and will supplement our own resources with external funding as it becomes available such as the High Street Renewal and the Levelling Up Fund.

2.15 Finally, it is worth noting that the Council's income from sales, fees and charges was £26m lower than budgeted for in 2020/21. It is likely that this income will not fully recover in this financial year which will put further strain on the Council's finances. The Government have extended the compensation scheme for lost sales, fees and charges to the end of June 2021, but there is currently no funding support beyond that date.

2020/21 REVENUE OUTTURN AND RESERVES POSITION

General Fund

2.16 The Council has completed the closing of the financial year to 31 March 2021 and is finalising preparation of the draft accounts. Despite the unprecedented financial stresses that have occurred throughout the year along with the continuous funding uncertainty, the Council is expected to report a marginal overspend of £0.198m for the year.

2.17 This position has been achieved through careful budget management and control of expenditure whilst focusing resources on tackling the impact of the Covid crisis. Due to the significant impact of the pandemic the Council took the decision early to apply a vacancy factor to the budgets during 2020/21 with a corresponding tightening of recruitment guidelines to delay non-essential recruitment and help to further control costs. The Council also redeployed over 150 officers to the effort to tackle the Covid crisis. Officers have been redeployed to a number of roles including front line presence teams to support local residents and businesses to follow Covid rules and guidelines, to support test and trace, the vaccine rollout and to make food parcel deliveries to ensure vulnerable residents are supported through the crisis. Officers have also been redeployed to support the administration of business grants and to increase the capacity of the support lines for residents and businesses.

2.18 The impact of the Covid pandemic has meant it has been difficult to forecast with certainty the financial pressure facing the council through the year. This is partly due to the fact that the measures put in place to tackle the pandemic has fluctuated over the year and government grants have been allocated on an ad-hoc basis making it difficult to predict expenditure and income levels. Also, a number of new and emerging requirements have been placed on the Council to deliver new services and different types of support to local people and businesses over the course of the year.

2.19 In 2020/21, the final General Fund revenue outturn (after transfers to reserves) shows an overspend of £0.198m.

Table One: Revenue Outturn Position

	Full Year Budget	Outturn	Final Outturn Variance
	£m	£m	£m
Directorates:			
Supporting People	163.526	160.768	**-2.757**
Supporting Communities	113.165	125.085	**11.92**
Corporate Services	-13.338	-2.944	**10.394**
Public Health	23.042	23.372	**0.33**
Cross-Cutting Budgets:			
Housing Benefit Transfer Payments	-0.719	-1.566	**-0.847**
Financing and Interest	0.167	1.118	**0.951**
Insurance	1.057	-0.379	**-1.436**
Government Grants	-54.782	-94.538	**-39.756**
Pensions	15.471	15.054	**-0.417**
Other Items	2.036	23.852	**21.816**
Total: General Fund	**249.624**	**249.822**	**0.198**
Housing Revenue Account	-	2.66	2.66
Total: HRA	**0**	**0**	**2.66**

2.20 After taking into account transfers to reserves, which are set out by type and nature in **Appendix B**, there are a number of points worth noting:

- In 2020/21, the Council has made contributions to reserves of £211m. £131m of this is due to additional compensation payments made by the government for the granting of additional business rates relief and a further £21.9m of grants to compensate for the non-payment of due taxes. The balance is planned transfer to reserves and £19m of transfers for Covid related grants to support the Council's ongoing measures to tackle the effects of the Covid crisis. The compensation payments for rate relief and non-payment of taxes are held temporarily by the Council and paid into the Collection Fund one year after the year they relate to - and are therefore not available to fund Council Services.

- The Outturn position does not include the Council's share of the shortfall of Council Tax and Business Rates income estimated to be £21.98m (which in accordance with statute - will be accounted for in 2021/22). Between the years 2021/22 and 2023/24 the Council will be required to 'make good' its share of the Collection Fund deficit and in recognition of this, it is recommended that the Council transfers an equivalent amount into the Collection Fund deficit reserve to pay for this obligation in 2021/22.

- In recognition that the COVID-19 crisis is continuing and there is expected to be pent up' demand for services where accessing those services has been delayed, it is recommended that a sum of £4m is transferred to a Renewal Reserve to support the expected pressures over the medium term. The increase in reserves is part of the Council's strategy to ensure it remains financially resilient through the COVID-19 crisis and is able to withstand any future financial shocks.

- Throughout the year the Council has received a large number of different one-off government grants from different government departments and with different grant conditions attached. As such the accounting treatment for each type of government grant differs, with general non ring-fenced Covid grants shown under Non-Departmental Income and specific ring-fenced grants reflected as income under specific directorates.

Earmarked Reserve Balances

2.21 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 2020/21 opening balances on earmarked general fund reserves totalled £95.7m. This includes £9.058m received at the end of 2019/20 to support Covid pressures during 2020/21. With proposed transfers to reserves as set out in Appendix B, there will be a net movement into earmarked reserves of £183m during 2020/21 and a total balance of £279.7m as at 31 March 2021. As noted above, a significant percentage of this balance relates to s31 compensation payments that will be paid over to businesses during 2021/22 and cannot be used for other purposes.

2.22 As demonstrated in Appendix B there are a large number of reserves relating to specific Covid funding and the impact on the Council's Collection Fund. The Council's underlying earmarked reserve position is £101.2m. Pre-Covid, the Council was already following a strategy of low reserves. Our general fund balances stand at £14.8m or roughly 3.4% of our net budgeted expenditure and our earmarked reserves stand at £101.2m or 23% of our net expenditure.

2.23 This is at the lower end of the acceptable range, but this historic approach has been based on the Councils confidence in our ability to deliver MTFS savings and strong track record of living within our means. The COVID-19 crisis 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.

2.24 In addition, it is recommended that a general reserve is established to support the Council's financial resilience and fund, the financial pressures that are likely arise from the renewal of the borough.

2.25 Planned contributions to reserves include the setting aside of funding to meet future demands from the North London Waste Authority as part of the Council's medium-term financial planning.

Housing Revenue Account

2.26 The HRA has and continues to face financial challenges and in 2020/21 ended the year with an overspend of £2.6m. This will have to be met from HRA reserves, reducing them from £27.4m (as at 1 April 2020) to £24.8m (as at 1 April 2021).

2.27 Whilst Covid is certainly one of the main contributory drivers for this it is not the sole reason. This dates back to the years 2016/17 to 2019/20, when housing rents had to be reduced by 1% year on year, following a government mandated rent standard. This was at a time that the Council was facing rising costs from inflation, fire safety and repair pressures.

2.28 This rent reduction equated to a loss of rental income to the HRA of £69m during that time (compared to what could have been raised). Even though a savings programme was undertaken to bridge the shortfall; over that period HRA reserves fell from £39.2m (2015/16) to £27.4m (2019/20), largely due to costs relating to the evacuation of the Chalcots estate and essential fire safety works but also from cost pressures in demand-driven repairs.

2.29 2020/21 was the first year of rent increases (following the mandated rent reductions in previous years). Despite this, the impact of the pandemic has led to an overspend of £2.6m for 2020/21. This was mainly driven by expected bad debts (i.e. income that we have billed but do not expect to receive) from our tenants, leaseholders and commercial tenants, all of whom have faced significant financial struggles as a result of the pandemic.

2.30 In addition to this, looking forward to the 2021/22 financial year, there are a range of risks that must be managed within existing HRA budgets. These are:

- costs are expected to increase at a faster rate than income – this includes existing costs (for example rents increase by the CPI index but some materials and other costs are tied to industry standard contracts that increase at a faster rate) and new requirements (such as new regulations regarding fire safety that may lead to further cost pressures to comply with the latest recommendations, over and above those already incorporated; in addition the recent Social Housing White Paper sets out an intention to increase regulation on HRAs, the impact of which has yet to be included in budgets). Finally, it is hard to predict the impact that Brexit will have, alongside the pandemic, on inflation.

- Difficulties in raising additional income – the main source of income, dwelling rents, is limited to a maximum increase of CPI +1% (as mandated in the Social Housing Regulator's Rent Standard). The Council recognises that these increases are difficult for tenants in the current economic climate and the risk of non-payment can be seen in increased rental arrears over the last year, driven by a large increase in Universal Credit claimants among our tenants. For leaseholders, the Council is limited by law, and committed to ensuring, that charges are limited to the actual expenditure incurred delivering services. Finally, the HRA commercial property portfolio, while a valuable source of income, is facing challenges as many business tenants are struggling to pay their rent after more than a year of disruption.

- Wider economic impact on the HRA capital programme – the capital programme is funded in two ways: (1) Council's own resources and (2) external borrowing. If external borrowing is required, the interest costs on new loans are repaid out of HRA revenue budgets. Any increases in borrowing or change in interest rates on existing variable rate loans, will result in an increase in costs for the HRA. There are a range of development schemes that are ramping up over the next couple of years and will require significant resources during a time of uncertainty, particularly for future income from capital receipts (sales of land or private homes). The impact of the end of the stamp duty holiday for private homes (tapering down from end of June to end of September) will need to be carefully monitored. Delays in capital receipts could lead to additional borrowing and therefore additional interest costs for the HRA.

- The pressing need to decarbonise – it is vital that the Council seeks to reduce carbon emissions from HRA housing stock. However, the challenge is paying for extensive works to retrofit properties to achieve net zero emissions in the absence of significant investment from central government. Extensive research is underway at present as to which strategies and policies need to be put into place to achieve this as well as the approach to investment models that is required.

2.31 Overall, the medium-term outlook for the HRA is extremely challenging, but the financial strategy will remain focused on delivering efficiency improvements to protect front-line services and build in longer-term financial resilience by increasing reserves.

2020/21 CAPITAL OUTTURN POSITION

2.32 Overall, the Council's Capital Programme remains affordable and sustainable. However, as detailed later, there remain a number of risks and challenges which are under continuous review. The Capital Programme expenditure budget for 2020/21 was set at £158.9m. As shown in Table 2, actual spend for the year was £154m which represents 97% of the total budget. Detailed commentaries have been provided in Appendix C.

Table Two: Summary of 2020/21 Capital Outturn

Division	2020/21 Budget	2020/21 Outturn	2020/21 Outturn Variance
	£m	£m	£m
Development	51.859	51.841	**-0.018**
Community Services	5.264	3.768	**-1.496**
ICT Corporate Services	4.177	1.309	**-2.868**
Environment & Sustainability	27.622	25.247	**-2.375**
Property Management	70.016	71.921	**1.905**
Directorate Total	**158.938**	**154.086**	**-4.852**

Capital Receipts and Disposals Programme

2.33 The Council set a budget for 2020/21 capital receipts of £33.1m, which was exceeded by £4.9m, as shown in Table 3 below. There was slippage in the sales of Maiden Lane and Holly Lodge units which were offset by better than expected sales at Abbey and Kiln. As a consequence, remaining HRA receipts, including from the Community Investment Programme, came in slightly under target. Despite this Housing Revenue Account receipts exceeded targets by £2.8m (mainly due to an uptick in Right to Buy receipts in the final quarter of 2020/21 - being £3.3m more than planned).

2.34 While Right to Buy sales have seen a considerable increase in numbers and income demonstrating the unpredictability of this demand-led income. It is thought that the government's policy on stamp duty holiday along with low interest rates were the main drivers for this increase. However, we do expect a tailing off once the stamp duty holiday ends.

2.35 The General Fund capital receipt target was exceeded by £2.2m. This was caused by unexpected receipts of £2.4m following a series of overage payments and smaller disposals (including a £1.9m overage payment from the sale of the Mornington Sports Centre).

Table Three: 2020/21 Capital Receipts

Fund	2020/21 Total Receipts Target	2020/21 Final Receipts	2020/21 Variance in Receipts
	£m	£m	£m
General Fund	-17.600	-19.784	**-2.184**
Housing Revenue Account	-15.489	-18.255	**-2.766**
Total Capital Receipts	**-33.089**	**-38.039**	**-4.950**

Review of the Capital Programme

2.36 The review of the current Capital Programme is an opportunity to update future spending plans in the light of the outturn position of the previous year, schemes' progress, and revised cost estimates on major projects in the context of the latest economic projections. It also adds new projects to the programme where new funding has been secured. The effect of COVID-19 crisis has meant that many projects had been 'paused' or delayed during 2020/21 and a result some project timelines have been revised resulting in a re-profiling of planned expenditure into later years to reflect the extended timelines of some projects.

2.37 A summary of the programme and the annual changes is presented in Table 4 below. The proposed detailed capital expenditure budgets and funding sources are presented in Appendix C

Table Four: Summary of revisions to Capital Programme

SUMMARY OF REVISED BUDGET	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total Revised Budget	**154.083**	**229.490**	**250.929**	**122.031**	**132.158**	**85.466**	**57.583**	**49.613**	**1,081.352**
Last Approved Budget	158.943	326.323	204.609	115.689	113.444	33.257	19.251	21.372	992.888
CHANGE in £000	4.860	96.833	-46.320	-6.342	-18.714	-52.209	-38.332	-28.241	-88.464
Change in %	**-3%**	**-30%**	**23%**	**5%**	**16%**	**157%**	**199%**	**132%**	**9%**

2.38 Table 4 shows the changes in the capital programme by year for the next seven years. While the 2020/21 expenditure slipped by 3% and the 2021/22 budget shows a 30% decrease, there is a substantial increase forecasted for the following years (2 to 7) largely due to CIP and housing/Better Homes projects, along with the additional work to be carried out at Carlton and Rhyl schools and funding for allotments.

2.39 The funding sources for the proposed £88.5m increase in the programme come from capital receipts (£22.8m), offset in part by a reduction in capital receipts for Gower Street project, required reserves (£1.2m) new grants and contributions (£12m) and direct HRA funding from the Major Repairs Reserve (£62.47m).

The new grants and contributions include:

- Department for Education grant (£5.1m)
- TfL grant (£1.89m)
- increase in the Disabled Facilities Grant (£0.3m)
- HS2 funding towards green spaces/mitigation measures (£1.7m) - *although the contribution to the delivery of a new Construction and Skills Centre (£6.5m) has now been removed due to HS2 building this*
- S106 contributions (£2.4m) and other minor third-party contributions.

2.40 The use of General Fund reserves has increased by £1.2m to help fund the works identified by the Early Year Nursery Provision Review. The need for capital receipts to balance the programme has also increased by £22.8m, mainly to fund changes and additions to the CIP programme.

2.41 We continue to proactively managing the cash-flow challenges of a programme that includes large capital receipts by ensuring the programming of capital expenditure is periodically reviewed, and a level of contingency and flexibility is built into the programme to ensure it remains affordable. In addition, where market conditions for sales are unfavourable, the Council has developed plans for alternative uses of some assets in the medium term that are in line with Camden 2025 objectives and will create additional income streams to support the capital programme.

Capital Strategy update

General Fund

2.42 The capital strategy aims to ensure the Council's resources are invested in a way that meets the objectives of Camden 2025. Prior to the current COVID-19 crisis, the Council was in the process of developing a new capital strategy for investments. However, the impact of the Covid emergency has meant that the Council had to pause work on developing new capital investment priorities.

2.43 In order to ensure that the Council investment priorities can be met it is recommended that the Council does not fully commit the scarce capital resources at this time, but instead takes stock and uses the time to assess the needs of the borough and understand the full impacts of the pandemic and the scope for recovery.

2.44 This understanding will be crucial in ensuring that every £ invested derives maximum value for money for our residents and generates an ongoing benefit for future generations. This will include consideration of the Council's key capital investment priorities over the medium term and how this supports the overarching vision of Camden 2025. It will also consider how the council can use capital investment as a lever in creating a fairer, more just and inclusive economy.

2.45 Alongside this, the Council's ambitious Community Investment Programme is extensive with plans to deliver over 3,000 new homes over the life of the programme. The Council is also a major landlord, with a statutory duty to invest in its Housing Revenue Account stock condition and fire safety and is currently working up plans to identify the works and investment required to achieve Net Zero Carbon across its 33,000 council homes as part of a retrofit scheme.

2.46 These decisions are important and will have long standing implications for the Council and its finances. It is therefore proposed that sufficient time is taken to fully consider all capital investment options and their implications as well as monitoring the pace of the economic recovery before reporting back to Cabinet later in the year. For this reason, this report recommends an initial capital allocation of up to £15m is agreed in order to fund urgent schemes (those schemes that are required by statute, for health & safety reasons or previously agreed/contractually committed)

2.47 So far, urgent investment totalling £12m have been identified, with an additional £3m earmarked for other urgent work identified during the year. The urgent capital projects recommended for approval in this round includes:

- £5.8m for highways to ensure the Council continues to meet its statutory duty to maintain highway infrastructure in good condition, free of defects and avoiding costly future interventions.
- £1.1m on lighting Infrastructure and bridge management to meet the Council's statutory duties to maintain safe and properly managed street lighting and public highway bridges.
- £0.725m on Public Spaces to replace and update assets in parks, play areas and to memorials and public buildings.
- £4.1m for ITC infrastructure and security.
- £0.08m for CCTV assessment and privacy masking

2.48 The full recommended capital budget allocation and new urgent capital funding commitments are detailed in Appendix C.

HRA

Temporary Accommodation Purchase Programme (TAPP)

2.49 The existing capital programme includes £27.6m allocated to the Temporary Accommodation Purchase Programme (TAPP), of which £20.9m has already been invested as at 31st March 2021. This strategy was agreed at Cabinet in July 2019 in order to purchase properties for housing temporary accommodation in Camden. This report proposes to add a further £35m to the budget to purchase an estimated 80 additional properties, building on the success of the programme to date.

2.50 The Council's approach set out in its Homelessness Accommodation Policy is to temporarily house homeless families in or as close to the borough as possible. However, as it is often not possible to source suitable accommodation in London at an affordable rent (i.e. at or below the Local Housing Allowance (LHA) rate), the Council pays an additional subsidy to the landlord, to offset the cost to them of letting the property at an affordable level. This results in a net cost to the Council of c. £0.7m per annum.

2.51 Against this background, the Council has sought to expand its supply of in-borough temporary accommodation to help prevent homelessness and enable families to remain in their local communities. Over the last 18 months, as part of TAPP, 47 council properties that had previously been sold to Leaseholders under the Government's Right to Buy Programme, have been repurchased by the Council. In addition, resources have been earmarked to fund the conversion of, a disused block of flats, the Greenwood Annex, Kentish Town to provide 24 studios and two further houses have been converted to provide 4 flats. The entire programme will deliver high quality, temporary accommodation in Camden for 75 households.

Table Five: TAPP Acquisitions by WARD

TAPP (WARD)	Properties
Belsize	4
Camden Town with Primrose Hill	2
Cantelowes	2
Fortune Green	2
Gospel Oak	6
Haverstock	5
Highgate	1
Kilburn	11
Kings Cross Ward	1
Regent's Park	5
St Pancras & Somers Town	4
Swiss Cottage	4
Total In borough acquisitions	**47**
Kentish Town	28
Total In borough conversions	**28**
Total TAPP phase I provision – TO DATE	**75**

2.52 The Council could continue to make savings in the cost of temporary accommodation in the medium term by purchasing properties in the borough at the lower end of the open market and renting them at rates that would be covered by Housing Benefit. The costs associated with purchasing and managing the properties and the income generated from renting would be more cost effective over the medium to long term for the Council than higher cost of temporary accommodation procured from the private rented sector. Ex-Right to Buy (RTB) properties in Camden blocks would continue to be targeted because they would be cheaper to purchase, manage and maintain as they are on existing estates.

2.53 It is proposed that £35m would be funded 30% (£10.5m) using Right to Buy receipts that are currently held by the GLA and 70% (£24.5m) through borrowing or use of internal resources. The retained RTB receipts must be fully utilised by 31st March 2023 otherwise there is risk they will be lost to the Council. The use of RTB receipts in this way is subject to confirmation from the GLA.

2.54 Cabinet is also asked to agree rent and service charges for the new properties. The rents charged will be determined by "formula social rent" set in accordance with the formula for supported housing set out in the government's Policy Statement on Social Rents, subject to a maximum capped level (see Appendix D). In addition, the properties will attract a weekly furniture service charge and any site-specific estate-based service charges such as caretaking. The rents and service charges will be reviewed and agreed in January each year by Cabinet as part of the Housing Revenue Account Budget and Rent Review. The proposed rents are lower than those currently charged in the Council's hostels for the homeless.

2.55 This report requests delegation for the programme to be implemented and managed under the direction of the Director of Housing Support Services, working with the nominated representatives of the Head of Asset Strategy and Valuations and the Borough Solicitor to include identifying suitable properties and authorising the purchase of the property.

2.56 The programme intends to mainly purchase ex-RTB properties for temporary accommodation but there may also be opportunities to purchase more sustainable larger units of social housing stock to replace obsolescent smaller units that have been vacant for extended periods of time. Therefore, it is proposed that some such purchases may be included in the Programme from time to time, provided that disposal receipts can be applied to part fund the purchase price to ensure that there is no net cost to the HRA.

2.57 While the purchased properties would represent a net cost to the Council, financial modelling shows that this net cost would be lower than existing provision in the private rented sector in the medium and long term. Homelessness costs are met from the General Fund and whilst there will be some ongoing floating support and other costs for the new units there would still be a net saving in the General Fund over time.

2.58 The investment would class as HRA capital spend as the Council holds accommodation in the HRA, increasing the capital financing requirement, which adds to the HRA's interest cost over time. In order to ensure the impact to the HRA is cost neutral, the general fund will be recharged to cover the total net cost of maintaining and funding the temporary accommodation homes. This is achievable for the general fund as there will be a saving made from using Council owned temporary accommodation versus the higher cost of using private sector annexes.

2.59 It is therefore recommended that (subject to confirmation from the GLA of availability of RTB receipts) that Cabinet approve an extension to the TAAP budget as a way of increasing housing stock alongside the main priority of building social housing. The Council is legally required to provide temporary accommodation but this is a way to do it sustainably, investing in assets with income streams for the long term benefit of vulnerable families and helping them remain in the borough whilst the Council supports them to move on to a settled, sustainable and affordable home. Table 4 above currently excludes the cost of the extension to TAAP as the use of retained RTB receipts is still pending conformation from the GLA.

Climate Change

2.60 The council is committed to do all it can to mitigate the impacts of climate change and monitors progress through the Carbon Management Plan (CMP) which defines how we measure, manage and reduce emissions across our estate and operations.

2.61 This has demonstrated that it is possible to achieve significant carbon reduction through robust target-setting and innovative schemes. Recent schemes undertaken include:

- Swiss Cottage Library: Two lighting refurbishment projects have achieved annual energy savings, while the installation of 184 solar panels on the library roof provides over 40,000 kWh of clean, renewably generated electricity. Together, these projects cut annual GHG emissions by 79 tonnes CO2-equivalent.

- Street lighting: The replacement of obsolete high-pressure sodium street lighting with more efficient LED alternatives has to date achieved a 1,050-tonne CO2e reduction in annual GHG emissions.

2.62 As part of the capital budget review outlined above it is hoped that several new innovative green projects will come forward, not least the proposed retrofit scheme spanning some 33,000 council homes. To achieve this the council will almost certainly need to consider alternative forms of finance such as sustainable green bonds for example.

OUTLOOK FOR MTFS AND SAVINGS TARGETS

2.63 2021/22 is the final year of the Council's current Medium-Term Financial Strategy. The latest three-year strategy included the delivery of savings of approximately £28m to the general fund. This followed a period of 8 years where the Council had been obliged to make an unprecedented £169m of savings and to reduce its workforce by 23% (1,140 full time equivalents).

2.64 The impact of the COVID-19 crisis means that the delivery of a number of savings projects agreed as part of the Council's Medium-Term Financial Strategy (MTFS) risks being delayed as the Council has had to focus on the emergency response to the crisis. While the crisis is continuing, it is difficult to assess the full impact on the deliverability of the current MTFS, but an early assessment is that £6m of savings is at risk of a delay in 2021/22. These largely relate to service redesign where the services are still involved in the Council's response to the Covid Crisis and expected increases in commercial income that have been impacted by the economic consequences of Covid.

2.65 The delay in achieving current MTFS savings will create a pressure on the Council's resources in 2021/22. Further work is required to explore how this pressure will be addressed, but it is likely that this will need to be met from reductions in expenditure and/or other cost control measures. It is expected that the savings can be delivered over a longer time scale but that this will be dependent on the ongoing impact of COVID-19.

3. OPTIONS APPRAISAL

3.1 This report proposes the allocation of 2020/21 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 would impact upon funding of the Council's strategic priorities.

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

Equalities

4.1 COVID-19 has had a disproportionate impact on our Black, Asian and other ethnic communities. Last Spring, we begun work focused on 8 key areas to learn more about this in collaboration with local stakeholders including faith leaders, VCS organisations and schools. This work informed two reports and a subsequent action plan to identify ongoing work to support these communities through the pandemic and to prevent inequalities widening further. We continue to work closely with these communities as part of our 'Black, Asian and Other Ethnic Inequalities and COVID-19 Working Group' and we use these insights to inform our ongoing COVID response.

Ongoing COVID-19 related financial costs

4.2 The country is currently in the final stages of its 'roadmap' out of Covid related social restrictions, however the impact of the pandemic is likely to be felt for a number of years. The Council will need to continue to provide additional support to vulnerable residents affected by the pandemic and will also need to invest in the renewal of the borough. In 2020/21 the Council's income from fees and charges was reduced by £26m against budget. There is a risk that this income will not recover entirely in 2021/22. The Council is setting aside money in 2021/22 to help address these risks.

Future Funding of Local Authorities

4.3 The 2020 Spending Review only allocated funding to local authorities for the financial year 2021/22, with no information about funding levels beyond April 2022. This uncertainty regarding future levels of funding mean it is difficult for the government to plan over the medium term. Since 2017 the government have also been consulting on and proposing a 'fair funding' review that would alter the formula for distributing funding between individual authorities. The review has been delayed a number of times and was again delayed in 2020 due to the impact of the Covid pandemic. To date the government have not confirmed when the ‘fair funding’ review will go ahead, but any change in the allocation formula for local authority funding carried the risk to Camden that funding will be reduced.

4.4 In addition to the ‘fair funding’ review the government have also indicated that they intend to ‘re-set’ the business rates system and to review the funding model for social care. At the time of writing there are no further details about the timing of when these changes may be implemented or what they will mean for the level of funding available to the Council. This means that we will need to continue to plan with little or no funding certainty over the medium term.

4.5 The Council will continue to plan its medium-term financial position using prudent assumptions for future funding and pressures to ensure it remains financial resilient and is able to react to future financial pressures as they arise.

Public Sector Pay

4.6 The Trade Unions are currently still in negotiation over the 2021/22 national pay award for council workers, for which Camden budgeted a 1% inflationary increase. Any pay award over 1% will create an additional cost pressure on the Council. By way of illustration, an average pay award of 2% would create an additional pressure of £1.5m in 2021/22. The Employers current offer is for a 1.5% pay award for 2021/22.

Business Rates and Council Tax

4.7 In addition to the risks relating to the payment of business rates and council tax due to the COVID-19 crisis, there is also a significant risk to the Council’s medium-term financial position from potential changes to its tax base. It is too early to properly assess the impact the COVID-19 crisis may have on the Council’s tax base but early forecasts from joint work with London Councils show early forecasts of around 50% reductions in expected council tax growth and 75% reductions on business rates growth over the medium term. In addition, over the medium term, there is a risk that collection rates for both business rates and council tax are forecast to be affected resulting in reduced income to the Council.

4.8 In practice, it is very difficult to predict the impact the COVID-19 crisis will have on the Council’s tax base and collection rates as the impact on the economy will depend on the length of time various emergency measures are in place and the way in which the economy recovers. Any reductions in expected growth in tax bases and collection rates will affect the level of resources available to the Council over the medium term.

Impact of the Council’s Medium-Term Financial Strategy

4.9 The Council is in the final year of a new three-year MTFS to achieve the required savings and ensure resources are in place to deliver the ambitions of Our Camden Plan and Camden 2025.

4.10 The Council's response to the current COVID-19 crisis has meant that savings of £6m expected to be delivered in 2021/22 are now likely to be delayed for up to a year as the Council focuses on the emergency response to the crisis.

4.11 While the current MTFS will require the Council to deliver challenging savings, additional investment in assets and services will also be required to ensure the Council is in a strong position to deliver the ambitions of Our Camden Plan and Camden 2025 and to meet any new policy and regulatory challenges. The uncertainty around the level of resources from central government beyond 2021/22 and corresponding need to make budgetary savings will limit the level of resources the Council has available to invest. The Council has robust governance arrangements in place to ensure that its limited resources are targeted to meet key objectives.

Risks in Capital Strategy

4.12 The Council's capital funding strategy will be affected by the COVID-19 crisis as the capital programme is heavily funded from capital receipts with £409m expected to be utilised over the next ten years. The COVID-19 crisis is likely to result in a slowing property market and economic uncertainty means that the Council will need to review the expected timing and level of capital receipts that it can achieve. The Council has robust programme governance arrangements in place to monitor capital receipts and take mitigating action to ensure that the Council receives best consideration for the sale of any assets, such as delaying sales of some assets until market conditions are favourable. In the medium term, these assets are utilised to create additional income streams to support the capital programme and mitigate against the effect of a delay in capital receipts. The Council regularly reviews the assumptions included in the capital programme and takes external advice on expected property values.

4.13 The Council's capital programme also uses contributions from developers via section 106 and Community Investment Levy payments, agreed as part of planning permissions granted, to fund some of the Council's vital capital work. As the economy takes time to grow after the COVID-19 crisis, it is very likely that the level of development will take time to get back to the levels prior to the crisis resulting in reduced levels of funding for the capital programme.

4.14 Ongoing pressure on revenue budgets as a result of significant cuts in government funding means there are fewer resources available from annual revenue budgets to allocate to capital investment, while capital grants from government are also reducing. In addition, the Council's ability to fund investment from the sale of under-utilised assets will naturally diminish as many assets appropriate for sale have now been sold to fund reinvestment in the capital programme over the previous five years, while there has also been a significant change of internal emphasis towards retaining assets where appropriate as a mechanism to drive revenue generation as part of the Council's medium term financial strategy including the neighbourhoods approach. The likely need to deliver a programme of works that delivers ensures we deliver any enhanced safety requirements in line with legislation emanating from the Hackitt Review could add further pressures.

Risks in Adult Social Care and Health Integration

4.15 Adult Social Care operates in a challenging financial environment which has been exacerbated by the Covid-19 pandemic. We continue to await the Government's reform to the funding of adult social care.

4.16 The Covid-19 response has had a profound effect on the operating model of Adult Social Care. The requirement to "protect the NHS" necessitated the Council to focus much of its social care response on facilitating hospital discharges and preventing admissions. During 2020/21 the streamlining of processes, together with Government funding for care packages for those being discharged enabled very rapid discharges and improvements in integrated working with the health system. The service is now transitioning from this emergency response to a new operating model which will look to maintain the progress made on integrated working between the NHS system which is free at the point of use and a social care system which is means tested. As NHS funding discharges diminishes, and ceases from June 2021, ASC is assessing the ongoing financial impact of care decisions made during 2020/21 as well as the requirement for additional support to enable catch up with demand in the community. Additional resources were agreed during the 2021/22 budget process but there remains a risk that demand will exceed the available resources.

4.17 During 2020/21 the Council, in conjunction with North Central London provided a significant level of practical and financial support to social care providers, but there are ongoing financial viability concerns within the sector. Negotiations for fee uplifts are ongoing.

4.18 Prior to the pandemic, Adult Social Care was already facing demographic pressures from increasing numbers of older adults with multiple long-term conditions. Learning disability services are also experiencing significant demographic pressures from a combination of increasing numbers of young people with complex needs transitioning into the service and improvements in longevity. The impact of the pandemic is likely to lead to increases in numbers and frailty of those seeking adult social care support in the future.

4.19 The national funding arrangements for social care remain volatile as the Government continues its approach of one-off or short-term funding solutions. Although the Government has released a 10 year forward plan for the NHS, which includes some funding guarantees, the Adult Social Care Green paper continues to be delayed, which makes longer term financial planning difficult.

4.20 The Council has delivered significant savings programmes in Adult Social Care, the most recent of which was the £16.8m delivered between 2015/16 and 2018/19. A new three-year MTFS programme began in 2019/20 and was broadly delivered. However, work on this programme was paused whilst the service responded to the Covid-19 pandemic. The service is now undertaking a review of the adult social care transformation programme to incorporate lessons from the pandemic response. Delivery of the 2021/22 saving programme is uncertain.

4.21 Although the 10 year forward view for the NHS had some guarantees of funding for the NHS, the local NHS system is under increasing financial strain, which is being addressed locally through the North Central London Sustainability and Transformation Plan. The pressures in the health system will also be impacted by the pandemic. The Council continues to work with North Central London CCG in the development of integrated services and neighbourhood working, but there is a risk that financial pressures in both sectors could lead to tension in the relationship.

4.22 The financial pressures facing adult social care services are expected to be long term, ongoing pressures due to the above issues.

Risks in Children's Services and Special Educational Needs (SEN)

4.23 The Council's approach to transformation and investment in early intervention and prevention has enabled the management of the children's social care budget within the available resources. However, the Council is experiencing increasing numbers of unaccompanied asylum-seeking children (UASC) which are having a consequential impact on the availability of places in the young people's pathway. The Government announced an increase in the funding for UASC to £143 per night, an increase of 25% which will help to alleviate some of the financial pressure in the service.

4.24 In common with other education authorities, Camden is experiencing cost pressures on its Dedicated Schools Grant High Needs Block (DSG HNB). The DSG HNB pays for educational services for children and young people with special educational needs (SEN). The HNB is experiencing cost pressures from a combination of demographic and cost inflation. However, the most significant pressure has been caused by the implementation of the Children and Families Act 2014, which extended local authority responsibilities for SEN services to support young people to age 25, the government have committed to increasing the new burdens funding from £6m to £9m nationally in 2020/21, to help meet the cost of providing support to the age of 25, but this funding does not guarantee that all additional costs associated with the support will be met. The Council's careful management of its HNB had resulted in the creation of a HNB reserve within the DSG reserve. Additional funding within the Dedicated Schools Grant for the High Needs Block in 2020/21 and 2021/22 has mitigated the risk of the HNB falling into deficit in the short term. The longer-term risk of increasing demand and costs for children and young people with special educational needs remains. The SEN pressures are not unique to Camden and so we are working with London Councils as part of a national lobbying arrangement to put pressure on the Department for Education (DfE) to increase funding for SEN. We are seeking to mitigate SEN cost pressures by working with Camden schools to deliver additional resource provision for children with autism in the borough so that we can reduce expensive out-of-borough placements, as well as a review of external high cost placements.

Schools Funding Pressures

4.25 A recent report from the Institute for Fiscal Studies on the current and future national schools funding position indicated that the government has allocated an extra £4.3 billion to the schools budget in England for 2022–23 and that this represents 7.4% expected real-terms growth in spending per pupil between 2019–20 and 2022–23. However, whilst this is sufficient to almost completely reverse the cuts of 8% seen since 2009–10 if delivered, this will still only leave school spending per pupil in England at about the same level in 2022–23 as it was in 2009–10.

4.26 Camden schools continue to experience cost pressures arising from increasing costs coupled with historical below inflation funding increases and falling rolls. Camden schools received a funding increase of 2.16% for 2020/21 from which they were required to meet the full effect of the Teachers 3% pay award from September 2020. In 2021/22 schools received a funding increase of 2% from which they will also be required to meet the full cost of any pay award. Camden schools will continue to receive the minimum below inflation funding level of funding increase until all schools are levelled up by the NFF. More information is expected after the next major government spending review.

4.27 Following the COVID-19 emergency the main impact on schools' finances going forward is expected to be in the areas around the loss of lettings income additional staffing, cleaning and premises cost. There will also be additional pupil catch-up costs for which the ESFA has planned some provision to support schools but the sufficiency of this is this is currently being disputed by schools nationally.

4.28 The Education and Skills Funding Agency (ESFA) stated at the beginning of the emergency that it will continue to fund schools on agreed funding levels and expect schools to meet any additional costs within their currently funded resources. Any additional free school meal costs are recoverable by the schools by claims to the ESFA portal, but only to the extent that schools' balances have not increased during this period. The ESFA has outlined their detailed claim process to schools directly with agreed claims to date totalling approximately £2m. The ESFA determine the level and eligibility of schools claims for COVID-19 grants and once decided pass funds to the Council for dispatch to schools.

4.29 Pupil intake numbers into Camden primary schools have fallen by nearly 9% from 2015 and are projected to continue to fall in the near future. Over the last 3 years, the Council has taken a range of actions that have removed two forms of entry permanently via the closure of St Aloysius Primary School, and a further two via the closure of Carlton primary school in September 2021.The Council is continuing to work closely with schools to explore different options for future school places. The Council is continuing to evaluate these options, which will aim to reduce the overall number of primary school places available and will bring forward any final proposals for public consultation the appropriate Cabinet meeting. Additionally, the Council, with Camden Learning, is continuing to develop an education strategy in response to the issues raised in the Education debate at Council on 20 January 2020. This will include setting out a vision for education in the borough that captures the unique collaborative and inclusive model in Camden, including Special Educational Needs and Early Years and the Council's response to alternative governance, leadership or administrative arrangements that enable sharing of resources that will enable our education system to continue to be high performing and sustainable whatever the external challenges.

5. LINKS TO OUR CAMDEN PLAN

5.1 The vision and ambition set out in Camden 2025 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. TIMETABLE FOR IMPLEMENTATION

9.1 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.

10. APPENDICES

10.1 Further information is provided in the attached appendices:

A – Covid grants received
B – Reserves movements
C – Capital details

REPORT ENDS

Appendix A

Covid Related Service Grants	Received	Carried Forward to 2021/22
	£'000	£'000
General Service Grants		
Covid-19 LA Support Grant (1st Tranche)	9,058	6,348
Covid-19 LA Support Grant (2nd Tranche)	7,366	-
Covid-19 LA Support Grant (3rd Tranche)	2,882	-
Covid-19 LA Support Grant (4th Tranche)	7,219	-
Sales, Fees and Charges Compensation Support	14,137	-
Sub-Total General Service Grants	**40,662**	**6,348**
Specific Targeted Grants		
Local authority Emergency Assistance Grant for Food and Essential Supplies	290	-
Local Authority Discretionary Grant Admin	170	-
Homelessness Self Isolation Support	49	-
Containing Outbreak Management Fund	6,519	1,459
Additional Funding for the Clinically Extremely Vulnerable	254	-
New Burdens Payments for Council Tax Hardship Fund and Business Rate Reliefs	48	-
Local Authority Discretionary Grant (new Burdens)	77	-
LA Practical Support Payment (support food parcels)	75	-
Re-opening of the high Street Safety Fund	240	-
Track and Trace	2,461	1,806
DFE Wellbeing for Education Return Grant	30	-
DFT Covid-19 Emergency Active Travel Grant (Revenue)	27	-
Test and Trace Support Payments - nationally £10m administration cost	85	-
Community Testing Lateral Flow Testing Programme	129	-
Covid-19 Secure Marshals Grant	174	-
Unaccompanied Asylum-Seeking Children (UASC) COVID-19 Fund	152	-
Substance Misuse Fund	253	-
Suspension of Derogation	138	-
Protect Programme (£15m nationally) Protect Funding (£223k) and Protect Plus Funding (£56k)	279	-
Next Step Accommodation programme (Further Funding Rough Sleeping)	1,139	-
Workforce Capacity Fund	643	-
ASC Rapid Testing Fund	174	-
Collection Fund Irrecoverable Loss	4,200	
Sub-Total Specific ring-fenced grants	**17,606**	**3,265**
Grand Total	**58,268**	**9,613**

Appendix B

Allocation of Reserves
In 2020/21 than has been significant additional movement to reserves as a result of the Covid Funding received. This is shown separately in the table below. The Additional Restrictions Business Grants funding was held by the Council at 31 March but have now been fully allocated to local businesses. The Council Tax Reduction Funds were used to further reduce the Council Tax liability of households in receipt of Council Tax Reductions. The balance is planned to be used in 2021/22 to provide further Council Tax relief.

Public Health Funding is expected to be used to fund the Council's continued response to the Covid crisis during 2021/22. This is an amount of grant received through-out the year that is planned to be used to support the Council's public health response to Covid. The Recovery and Renewal Fund is set aside to support the ongoing Covid pressures. There is expected to be a delay of a year in delivering £6m of savings due to Covid, creating a budget pressure in 2021/22 along with expected continued reduction in fees and charges. In addition, the fund can be used to support additional expenditure to support the renewal of the borough including ongoing capital costs.

Transfers to the Collection Fund are £131m of grants to compensate the Collection fund for additional business rates relief granted during the year and £21.9m to cover the Council's share of non-collected taxes that the Council will need to pay into the Collection Fund in 2021/22 to make good the loss.

Earmarked Reserves	Actual Reserves 31/03/20	Movement Out of Reserves	Transfer into Reserves	Reserves 31/03/21
	£m	£m	£m	£m
Earmarked Reserves				
Reserves to support key Council priorities	37.043	(5.397)	12.611	44.256
Reserves holding funds with conditions	10.384	(0.373)	8.292	18.303
Reserves relating to capital & asset management	32.486	(17.417)	12.894	27.963
Reserves to mitigate future corporate risk	6.770	(1.000)	4.945	10.715
Total	**86.682**	**(24.187)**	**38.741**	**101.236**
General Balances				
General Balances	13.992	(0.198)	1.000	**14.794**
Housing Revenue Account	27.395	(2.597)	0.000	**24.798**
Schools Balances	13.518	0.000	2.236	**15.753**
Total	**54.904**	**(2.795)**	**3.236**	**55.345**
Covid Related Reserves				
Additional Restrictions Grant	0	0	7.578	7.578
Council Tax Reduction Funding	0	0	1.281	1.281
Public Health Grants	0	0	3.336	3.336
Recovery and Renewal	9.058	(2.710)	6.966	13.314
Collection Fund - Cost of Business Rates Reliefs	0	0	131.055	131.055
Collection Fund - Deficit	0	0	21.920	21.920
Total Covid Related Reserves	**9.058**	**(2.710)**	**172.136**	**178.484**
Total Earmarked Reserves	**150.644**	**(29.692)**	**214.113**	**335.065**

Appendix C

Capital Outturn Position

Summary of 2020/21 Capital Outturn

Division	2020/21 Budget	2020/21 Outturn	2020/21 Outturn Variance
	£m	£m	£m
Development	51.859	51.841	**-0.018**
Community Services	5.264	3.768	**-1.496**
ICT Corporate Services	4.177	1.309	**-2.868**
Environment & Sustainability	27.622	25.247	**-2.375**
Property Management	70.016	71.921	**1.905**
Directorate Total	**158.938**	**154.086**	**-4.852**

Overall, the Council's Capital Programme remains affordable and, in a sound, financial position. However, as detailed later, there remain a number of risks and challenges which are under review. The Capital Programme expenditure budget for 2020/21 was set at £158.9m. As shown in Table Five, this was underspent by a relatively small £4.9m (representing 3.1% of total budget), significantly less than the £69.6m underspend (27.9% of total budget) reported for 2019/20.

ICT & Corporate Services generated the largest underspend (£2.9m) of any division, with expenditure 68.7% short of the £4.2m budget. Almost all of this underspend was in respect of the Council's Core ICT Investment Portfolio. As part of the emergency Capital Strategy allocations in July 2020, £3.2m was allocated for the ICT asset refresh. The expenditure was not profiled in detail at the time as tenders and timetables for delivery were not agreed. The finalisation of these details and the ongoing difficulties caused by the COVID-19 pandemic have pushed implementation back, meaning that £2.9m of spend across the division has been rolled forward into 2021/22.

Community Services also underspent by £1.5m in 2020/21, a significant amount relative to its £5.3m budget. This is explained by a £2m underspend for those Green Spaces works funded by HS2, with the slippage attributed to the ongoing impact of COVID-19.

The newly created Environment & Sustainability division also underspent by £2.4m against its £27.6m budget, due to a series of relatively small service underspends. The most notable of these was a £1.1m underspend in the introduction of new LED lighting, the budget for which was agreed as part of the emergency Capital Strategy allocations in July 2020. The mid-year budget allocation and the resurgence of COVID-19 in autumn and winter 2020 meant that expenditure could not be incurred as anticipated and it has therefore slipped to 2021/22.

These underspends were offset by a slight overspend of £1.9m in the Property Management Division, against a budget of £70.0m (the largest of any division). This figure is the result of a number of overspends and underspends across its constituent services, most notably:

- The Temporary Accommodation Purchase Programme overspent by £9.1m. This reflects stronger than expected progress in purchasing suitable accommodation, with 42 completions in 2020/21.
- As a whole, the Council's Housing projects (including the Better Homes Programme, Fire Safety and Energy Efficiency works) broadly spent in line with budget, with a total underspend of £0.8m against a budget of £49.9m.
- Schools and Education capital projects underspent by £2.9m, largely due to delays in projects caused by the pandemic and issues with contractor availability. The majority of these delayed projects are now underway.
- Corporate Property projects underspent by £1.2m. This was driven by delays in projects caused by both the impact of the pandemic in halting much of the construction industry and internal staffing shortages and restructures.
- Adult Social Care recorded an £0.8m underspend, though this includes a £0.5m underspend of Disabled Facilities Grant instead applied to appropriate projects in Development, and an underspend of the Housing and Technology grant, which will be spent in future years, once the strict conditions around the use of the grant are met.

Capital Receipts and Disposals Programme

The Council set a budget for 2020/21 capital receipts of £33.1m, which was exceeded by £4.9m, as shown in Table Six below. Housing Revenue Account receipts exceeded targets by £2.8m, though this was due to Right to Buy receipts in the final quarter of 2020/21 being £3.3m larger than expected, believed to be a consequence of the temporary reduction in Stamp Duty rates. The remaining sources of HRA receipts, including from the Community Investment Programme, came in slightly under target.

The General Fund capital receipt target was exceeded by just under £2.2m. This was caused by unexpected receipts of £2.4m for a series of overage payments and smaller disposals, including a £1.9m overage payment from the sale of the Mornington Sports Centre.

2020/21 Capital Receipts

Fund	2020/21 Total Receipts Target	2020/21 Final Receipts	2020/21 Variance in Receipts
	£m	£m	£m
General Fund	-17.600	-19.784	**-2.184**
Housing Revenue Account	-15.489	-18.255	**-2.766**
Total Capital Receipts	**-33.089**	**-38.039**	**-4.950**

Capital Funding Details

The Capital receipts targets for 2020/21 were realistic although it was assumed that some of the previous year's slippage would result in higher receipts in the year. The actual receipts generated were £38.04m or £4.9m above target, of which £19.7m were within the general fund. There was a slippage in the sales of Maiden Lane and Holly Lodge units offset by better than expected sales at Abbey and Kiln. The Right to Buy sales have also seen a considerable increase in numbers and income demonstrating the unpredictability of this demand-led income. It is thought that the government's policy on stamp duty holiday along with low interest rates were the main drivers for this increase. However, we do expect the tailing off of this resource once stamp duty holiday comes to an end while house prices increase as predicted by market specialists.

SUMMARY:	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	TOTAL £000
General Fund										
Current Approved Targets:	17,600	46,450	18,360	11,670	14,972	0	0	0	0	109,052
Capital Review 2021:	**19,783**	**31,750**	**25,949**	**10,577**	**22,131**	**1,675**	**0**	**0**	**0**	**111,865**
Change	*2,183*	*-14,700*	*7,589*	*-1,093*	*7,159*	*1,675*	*0*	*0*	*0*	***2,813***
Housing Revenue Account										
Current Approved Targets:	15,489	51,211	13,982	73,508	92,077	44,390	15,968	43,252	135,136	485,014
Capital Review 2021:	**18,254**	**40,269**	**18,789**	**19,068**	**35,033**	**75,531**	**85,998**	**44,563**	**153,152**	**490,657**
Change	*2,765*	*-10,942*	*4,807*	*-54,440*	*-57,044*	*31,141*	*70,030*	*1,311*	*18,016*	***5,643***
Total										
TOTAL TARGETS:	33,089	97,661	32,342	85,178	107,049	44,390	15,968	43,252	135,136	594,066
TOTAL Review 2021:	**38,037**	**72,019**	**44,738**	**29,645**	**57,164**	**77,206**	**85,998**	**44,563**	**153,152**	**602,522**
Change/(slippage)	*4,948*	*-25,642*	*12,396*	*-55,533*	*-49,885*	*32,816*	*70,030*	*1,311*	*18,016*	***8,456***

For the years from 2020/21 to 2028/29 capital receipts forecasts total £602.5m - £8.5m above the previously approved target. The increase is the result of revised sales price estimates for future years' sales.

It is proposed that £432.8m be utilised through that period to fund capital expenditure. This represent 40% of the total capital programme up to 2028. This shows how dependent the current programme is on capital receipts funding hence highlights the risk that should receipts slip this will present immediate funding pressure and alternative resources, or borrowing may need to be considered.

FUNDING PLANS	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	202526 £000	2026/27 £000	2027/28 £000	Total
Total Revised Capital Expenditure:	154,083	229,490	250,929	122,031	132,158	85,466	57,583	49,613	1,260,989
Need for Capital receipts funding	**27,800**	**63,883**	**79,994**	**35,968**	**81,908**	**45,290**	**52,638**	**45,318**	**508,166**
% of cap programme funded from capital receipts	**18.0%**	**27.8%**	**31.9%**	**29.5%**	**62.0%**	**53.0%**	**91.4%**	**91.3%**	**40.3%**

When considering the use of capital receipts, we need to apply HRA and GF receipts to relevant expenditure in line with regulation and local policy. The slippage in receipts combined with high spend forecasts in the next three years culminates in the need for additional HRA borrowing in the five years from 2023/24 to 2027/28 with a pinch point in 2024/25 when the capital financing requirement will be £78m higher than the assumed prudent level of £525m. The table below demonstrates the shortfall of HRA capital receipts required to meet the spending needs taking due account of the constrained application of 1-4-1 RTB retained receipts:

HRA Capital Receipts	**2020/21 £000**	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**	**2025/26 £000**	**2026/27 £000**	**2027/28 £001**	**2028/29 £002**
Opening balance brought forward:	**71,823**	**58,602**	**46,615**	**4,566**	**0**	**0**	**0**	**0**	**0**
Received in Year (net of costs):	15,375	39,269	18,789	16,068	35,033	75,531	85,998	44,563	153,152
Used to fund Capital Expenditure	-18,596	-42,756	-55,838	-24,266	-68,546	-40,670	-51,927	-45,028	0
Used to Repay HRA Debt:	-10,000	-8,500	-5,000	-31,868	-18,274	-58,274	-51,787	-23,413	-17,716
Closing Balance CFWD 31 March	58,602	46,615	4,566	-35,500	-51,787	-23,413	-17,716	-23,878	135,436
NEED FOR BORROWING:	0	0	0	35,500	51,787	23,413	17,716	23,878	0
BALANCE Capital Receipts CRWD	**58,602**	**46,615**	**4,566**	**0**	**0**	**0**	**0**	**0**	**135,436**

Overall Capital Funding

Overall funding has changed in line with expenditure budget to ensure balanced and fully funded programme notwithstanding the risk exposure due to the level of capital receipts assumed in the funding plans. The table below shows the changes in the funding plans:

ANALYSIS OF CHANGES IN FUNDING	Approved Total Funding:	Revised Funding	Change
	£000	£000	£000
Government grants:			
- Dept. for Education grants	6,010	11,124	**5,114**
- National Health Service grants & Public Health	3,476	3,773	**297**
- other government grants	140	431	**291**
GLA - housing grants	110,694	110,912	**218**
GLA -Transport for London grants	5,058	6,945	**1,887**
Lottery grants	0	0	**0**
Other Grants (remove GLL grant – project cancelled)	1,747	642	**(1,105)**
Community Infrastructure Levy	5,669	6,776	**1,107**
Section 106 contributions	77,943	80,327	**2,384**
Schools contributions	0	12	**12**
Other contributions (remove HS2 contribution to CSC now to be constructed by HS2)	11,024	6,877	**(4,147)**
Sub-total External Funding	221,761	227,819	**6,058**
HRA:			
- Major Repairs Reserve	135,022	197,495	**62,473**
- Leaseholders' capital contributions	17,000	17,000	**0**
- Revenue contribution (HRA)	0	0	**0**
Sub-total HRA	152,022	214,495	**62,473**
Corporate Resources			
Revenue contributions - General Fund	28,620	29,850	**1,230**
Prudential Borrowing - HRA	109,716	109,248	**(468)**
Prudential Borrowing - GF	67,140	67,140	**0**
HRA Capital Receipts	337,718	360,548	**22,830**
GF Capital Receipts (due to North Gower St. reduction in costs)	75,911	72,251	**(3,660)**
Sub-total Corporate Resources	619,105	639,037	**19,932**
TOTAL RESOURCES	**992,888**	**1,081,351**	**88,463**

The table above assumes that any additional HRA borrowing will be repaid by the end of 2028 from future excess capital receipts hence no overall increase in borrowing is forecast for the reported period of the programme.

Capital Programme – Temporary Accommodation Purchase Programme

<u>Proposed Rents and Service Charges for new Properties</u>

Bed Size	Maximum weekly rent (capped formula rent)	Temporary accommodation furniture service charge
Studio or 1 bedroom	£148.88	£20.85
2 beds	£157.62	£25.72
3 beds	£166.38	£29.17