

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE Review of the Council's Financial Position (CS/2020/12)	
REPORT OF Cabinet Member for Finance and Transformation	
FOR SUBMISSION TO Covid-19 Oversight Cross Party Panel Cabinet	DATE 29 June 2020 1 July 2020
STRATEGIC CONTEXT <p>The Council is facing a significant 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. The Council has moved quickly and mobilised our staff, our partners and our communities to provide a vital safety net, ensuring that people are able to safely remain at home and reduce the spread of Covid-19. During the crisis, we have tried to ensure that the most vulnerable have homes, food, social contact and the financial support they need. At the same time, we have continued those critical services that we know our communities rely on.</p> <p>The report also presents an update on the impact Covid-19 will 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 Covid-19 crisis.</p> <p>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.</p>	
SUMMARY OF REPORT This report provides an update on: <ul style="list-style-type: none"> • 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 • 2019/20 provisional revenue outturn and allocations to reserves • 2019/20 provisional capital outturn and the shape of the revised capital programme following a review of expenditure and income profiles 	

- 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:

- 2019/20 Outturn Report:
- Cabinet Report 13 May – Financial Impact of the Covid-19 Crisis

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RECOMMENDATIONS

The Covid-19 Oversight Cross Party Panel is asked to 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 2.2 to 2.26, including the financial pressures as a result of the Covid-19 crisis set out in section 2.4.
- (b) Agree the revised Capital Programme, funding and capital receipts targets summarised and presented from section 2.43 to 2.46 of the report, and Appendices A and B and note the impact of Covid-19 on the capital funding projections
- (c) Agree the new capital budgets to fund essential work in advance of the full General Fund Capital Strategy later in the year, as set out in sections 2.47 to 2.50 and Appendix D, and note the uncertainty around future capital funding as a result of the Covid-19 crisis.
- (d) Note the 2019/20 revenue and capital outturn positions set out in sections 2.31 to 2.34 and 2.36 to 2.39.
- (e) Agree the allocations to and movements in earmarked reserves and the allocation of the final 2019/20 underspend as set out in section 2.35 and Appendix C, for inclusion in the Statement of Accounts.

(f) Note the risks outlined in section four of the report.

Agreed by: Executive Director Corporate Services

Date: 19 June 2020

1. CONTEXT AND BACKGROUND

- 1.1 The Council is facing a significant financial challenge following the global pandemic – one that has the potential to severely undermine and threaten our financial sustainability and resilience. Without further government funding support, we face a net financial pressure of between £44m and £64m depending on the duration and depth of the crisis. Clearly, such a pressure will have a significant and long term financial impact on the Council and its medium term financial position.
- 1.2 This report gives an update on the financial impact of the measures taken by the Council to support our citizens, our communities and our businesses during the Covid-19 crisis. During what is a difficult time for our borough and our country, we have mobilised our staff and partners to continue to provide critical services for our community. Our approach has been strongly rooted in the ambitions and themes of Camden 2025 and social justice. The pandemic and subsequent lockdown has impacted on the nature of the services we deliver and how we deliver them. As would be expected in an emergency, we have responded at pace to protect those who have needed it. Such a response has required, in some cases, a fundamental reimagining of how we deliver services and has, inevitably, created a series of financial pressures and funding challenges.
- 1.3 At the same time, the global pandemic is having a fundamental and negative impact on the economy and presents a series of significant challenges for the economic health of the country and its public finances in both the short and medium term.
- 1.4 The Covid-19 crisis is having a significant impact on the Council's financial position with its effects being felt across the Council. We are facing additional cost through our direct interventions to support the borough such as expenditure on supporting the social care market, providing additional care and support to vulnerable people, providing food parcels and additional frontline staff. We have had to forego income from decisions to stop charging for some services such as rent to the Voluntary Sector, which we have traditionally re-invested back into our critical services. The 'lockdown' and social distancing measures put in place during April and May this year have meant that a number of council projects have had to be put on hold, meaning planned budgetary savings are delayed. Capital projects have also been delayed, increasing the cost of projects as sites need to be secured and project timelines increased. I
- 1.5 Significant uncertainty regarding the economic consequences for both the national and local economy means that it is very difficult to predict the full financial impact on the Council over the medium term as much will depend on the timing of any Covid-19 related restrictions being lifted and speed and strength with which the local and national economy recovers, and how the economy is altered by the Covid-19 crisis.
- 1.6 Camden, in conjunction with other London boroughs, London Councils and the Local Government Association is lobbying the government to ensure that they recognise the scale of the challenge facing councils as a result of the Covid-19

crisis. The Council is working directly with other London boroughs to discuss and share forecasts for financial impacts and to provide feedback to the government as a group on the challenges facing local government.

- 1.7 While government funding received so far has been welcome, the scale of the challenge means that this support will not fully compensate us and further support is critical. In the absence of any further support, the Council will face a significant threat to its financial sustainability and resilience and will have to fundamentally review its budget for this year as well as the current Medium Term Financial Strategy (MTFS).
- 1.8 As a Council we always consider whether proposed work will have a disproportionate impact on any groups, conducting equality impact assessments where necessary. Equality impact assessments were carried out for all relevant MTFS proposals. We know Covid is having a disproportionate impact on certain groups, and therefore the need to ensure our response and future renewal plans do not perpetuate this becomes even more important. The Council will be checking the equality impact of any revised plans in response to Covid, as well as conducting new impact assessments for any relevant new projects emerging through our renewal activity. In addition to assessing the potential impact of any changes, opportunities are being sought to identify areas where we can work to reduce inequality.

2. PROPOSAL AND REASONS

- 2.1 This report provides an update on a number of financial matters:
 - An update on the estimated impact of the Covid-19 crisis on the Council's finances
 - 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
 - 2019/20 revenue outturn and proposed allocations to reserves
 - 2019/20 capital outturn and the shape of the revised capital programme following a review of expenditure and income profiles.
 - A recommended allocation of new capital budgets for essential investment.
 - Key risks associated with the current and projected financial position and the significant medium term financial pressures caused by Covid-19.

Current year Covid-19 financial impact

- 2.2 On 13 May 2020, Cabinet received an early estimates of the financial impact the Covid-19 crisis on the Council. That Cabinet report summarised the early estimates of additional expenditure and lost income as a result of the crisis based on scenarios of the crisis lasting three, six and nine months respectively. This report updates Members on the expected financial pressure facing the Council taking into account the latest estimates and forecasts.
- 2.3 It must be recognised that the situation remains ongoing and it is extremely difficult to make a full, definitive and comprehensive assessment of the financial

impact. As such, the figures in this report are based upon our best estimates and forecasts and remain subject to change. However, the significance of the financial challenge cannot be underestimated and over time, we will need to develop a response that continues to maintain our commitment to strong financial resilience and sustainability, medium term financial planning and an outcomes-focused approach.

- 2.4 The table below summarises the latest estimates of the financial pressure facing the Council that were first reported to Cabinet on 13 May 2020.

Table One: Summary of Estimated Costs Pressures

	6 months £000	9 Months £000
Loss of Income	44,624	59,656
Expenditure	11,784	16,484
'At risk' MTFS savings	6,779	6,779
Total	63,187	82,918

- 2.5 Given the level of uncertainty regarding both the length of time the current 'lockdown' measures will be in place and the nature and timing of any easing of those measures, it is extremely difficult to accurately estimate the level of financial stress that the Council will be under. In most cases when looking at the impact of additional expenditure and lost income, officers have taken the prudent assumption that the economic consequences of the Covid-19 crisis will continue at the same rate for six and nine months. In practice, the financial impact of the crisis on the Council may be subject to a level of tapering off as government measures to tackle the Covid-19 crisis are eased or altered, and the economic and social consequences of the crisis develop.
- 2.6 However, despite the uncertainty it is clear that the Council will face significant financial pressure this year that could result in a substantial overspend against the budget unless additional government funding is provided to support the Council in its response to the Covid-19 crisis.

Loss of Income due to the Crisis

- 2.7 Officers are closely monitoring the impact on the Council's income streams as a result of the Covid-19 crisis. Much of the loss of income is due to a reduction in economic activity or reductions in payment levels for council tax and business rates. These are pressures that are not caused by Council decisions but as a direct consequence of the lockdown measures put in place to help control the Covid-19 crisis and the economic consequences of those measures.
- 2.8 Financial pressure from the loss of income falls into four broad categories;
- Decisions to stop charging for certain activity. For example, as part of the Council's emergency arrangements, urgent decisions were taken to stop

paid for parking in order to provide free parking in the borough to key workers. Current estimates suggest that parking income will reduce by c£17m over the first six months of the crisis. By way of illustration, our initial estimates suggest a 92% reduction in Penalty Charge Notices totalling £6.4m and an 85% reduction in Paid for Parking totalling £6.9m against pre Covid-19 projections over a 6 month period. Parking income is ring-fenced to expenditure on transport related activities such as the funding of concessionary travel passes and the maintenance of highways. Significant reductions in parking income will require the Council to consider how it can either reduce expenditure in these areas and/or allocate alternative sources of funding.

- Payment 'holidays'. The Council has offered rent 'holidays' to some organisations during the crisis in its commercial property portfolio. In these cases, the Council has not forgone the rent just delayed the date that it is due. However this does mean that the Council will be carrying a higher level of debt with all the associated risks of non-payment in the future.
- Reduction in Economic activity. Some activities that the Council charges for such as commercial waste collection and licensing of events have ceased due to the lockdown resulting in reduced income to the Council.
- Bad Debt. Despite the range of support put in place for residents and businesses, it is inevitable that some people will face financial hardship and be unable to pay taxes, rents, fees and charges that are due. The Council is likely to see an increase in non-payment of council tax, business rates and rents amongst other things.

Support to our local economy: Business Rates and Business Grants

2.9 The Council remains committed to supporting businesses through this crisis. Funded by government, we have processed a range of business rates reliefs for various businesses across the retail, hospitality and other sectors. This has significantly reduced the amount of rates paid to the Council and provided estimated support of c£195m to the local economy.

2.10 In addition, the Council is administering direct grant payments to local businesses based on an initial government award of £73m. These are in the form of individual grants worth £10,000 - £25,000 depending on the size of the business. As at 18 June, the Council has made grant payments of £67.9m (96% of the original allocation) to 3,532 separate businesses. Such an undertaking cannot be underestimated and it is worth noting that:

- Camden paid out the grants to businesses eligible for the £25k grant on the day we received the funding.
- The government has been periodically publishing the returns received from local authorities indicating progress with grant payments. As at 8 June,

Camden is 4th in London on total grant paid and 8th in London when you look at percentage of grant paid.

- It is worth noting that Camden has a higher number of small businesses eligible than many other local authorities – 3rd highest number in the UK. Many of these businesses haven't had to pay business rates for many years so we are having to contact them individually to get their contact details, including how best to provide their funding support.
- We have now reached out to every business either through a physical visit, email and/or post. Following social distance protocols, we have visited businesses we think are eligible to encourage them to apply. Of course, some premises remain shut and it is unclear if they are still trading. Therefore we expect further contact as the lockdown eases.
- At present, there is no backlog of applications so as soon as we receive an application, we are reviewing it and putting it into payment.
- We are also undertaking a full review of the original list of businesses to understand precisely who has and hasn't applied so that we can make sure that anyone who is eligible gets the support they are entitled to.

The Council has also launched a new discretionary grant fund for businesses not eligible for the existing grant schemes following a funding announcement of £3.6m. Based on our engagement and knowledge of local businesses, it is likely that demand for this support will exceed the available grants and so, we have had to introduce an application process with a set of funding criteria with the following focus:

- Small and micro businesses
- Businesses in shared/serviced premises and market traders
- Businesses with relatively high ongoing fixed property-related costs and/or
- Businesses which can demonstrate that they have suffered a significant fall in income due to the COVID-19 crisis

Business Rates

- 2.11 The Council collects significantly more business rates than it retains through the business rates retention system with any income paid over to a regional and national pot for redistribution across local government. Under the government's business rates retention scheme, local authorities are able to retain a proportion of their locally retained business rates income. In doing so, we are able to benefit and retain more should we see an increase in local income. Likewise, our income will reduce should there be a fall in local business rates income.

Despite the range of support, it is inevitable that some businesses will be unable to pay their business rates during the Covid-19 crisis leading to an increase in bad debt for business rates and a loss of income collected. Initial estimates based on the experience of the first two months of business rates collection suggest that non-payment of levels are likely to be approximately 10% or £51m over the course of the year. It should be noted that it is very difficult to predict the financial pressures on local businesses over the course of the whole year due to the uncertainties facing the economy as a result of the

Covid-19 crisis. The current situation suggests that under the business rates retention system, we will see a reduction in local business rates income and with it, a consequential reduction in our funding levels. In the scenario where income falls by £51m, we would likely enter the government's 'safety net' scheme, which limits our maximum loss in funding. For Camden this safety net means that the maximum loss against budget for the Council is £9.1m (7.5%). This would create a further financial pressure for the Council.

- 2.12 Linked to our local business rates arrangements, the Council has been participating in a pooling arrangement with all other local authorities in London as part of a pilot scheme for increased rates retention since 2018/19. The pilot scheme was not extended by Government for 2020/21, however all London councils agreed to continue pooling business rates across London for 2020/21.
- 2.13 The pool operates with an aggregated income against which any growth or decline is measured. As a pool member, the Council shares any financial benefit as well as any financial loss up to 7.5%. We continue to work with councils across London to monitor the position of the pool and the consequential financial impact. It should be noted that due to our prudent approach to budgeting, we have made no budgetary assumption for 2020/21 in terms of anticipated benefit from the pool.
- 2.14 Should there be a financial loss within the pool from a decline in business rates income, Camden will have a proportion of any loss. That said, due to the accounting arrangements for business rates and council tax, any loss in income will not impact on this financial year. Regulations state that we have to make up any deficit over the following two financial years.

Council Tax

- 2.15 The Council has received £3.1m from the government hardship fund to help support Camden residents during the Covid-19 crisis. Due to the Council's ongoing commitment to continue to invest £27m in its Council Tax Support Scheme and provide 100% council tax support for those residents most in need, we have been able to use the funding to go further than the Government's commitment to support hardship. The Council has invested £1.3m of the funding to increase support, giving everyone on the scheme with something left to pay a three month holiday from council tax. In addition, anyone with less than £150 to pay will not have to pay anything at all this year. The Council Tax Support Scheme already provides over 15,000 households with council tax exemption. Under these new arrangements, over 6,600 households on the scheme will receive an additional discount, averaging £183.28.
- 2.16 Despite the extended help offered to council tax payers, the number of council tax claimants is expected to rise as residents face new financial challenges. Between March and April, the number of council tax support claimants increased by over 200 households – with all new claimants being working age households.

- 2.17 In addition to the extended Council Tax Support Scheme, the Council has invested £1.8m in its local welfare assistance fund to give residents in an immediate financial crisis access to a one-off payment to help pay their bills or buy shopping. To the 12th June over 13,000 food deliveries have been made to local households and hostels funded from the £1.8m set aside as part of the local welfare assistance scheme.
- 2.18 In recognising the financial hardship faced by our residents, this will impact on the Council's ability to collect the council tax upon which the budget has been developed. We anticipate that there is a significant risk that people will be unable to pay their council tax or will delay making payment. It is difficult to predict the full extent of the loss of income as the medium term economic consequences of the Covid-19 crisis are not yet known. Early indications are that none payment of around 10% of council tax can be expected, equating to a financial loss of £15m. We will continue to closely monitor the payment of council tax.

Cost Pressures

- 2.19 The Council expects to have additional costs of c£11.8m over the first six months of the crisis.
- 2.20 The Council's response to the Covid-19 crisis includes expected expenditure of c£2m on direct support for shielded residents, including grants to the voluntary sector; c£4.8m on additional adult social care costs to protect the social care market and to provide additional care for people leaving hospital and c£1.6m to provide accommodation and support for homeless and overcrowded households in temporary accommodation.
- 2.21 As both the Covid-19 crisis and the Council's response to the crisis develop, the Council may face additional cost pressure to ensure that support continues to be provided to vulnerable residents.

Progress of the Medium Term Financial Strategy (MTFS)

- 2.22 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) may be delayed as the Council focuses on the emergency response to the crisis. Following an early assessment of the current projects, it is forecast that we face an additional budget pressure of £6.8m. It is worth noting that this will also create pressures in the subsequent financial years until the savings are delivered.

Government Support to Date

- 2.23 The Government have provided some funding to local authorities in response to the unprecedented financial pressures caused by the Covid-19 crisis. To date Camden has received £16.4m to support expenditure on services with a further £3.1m for Camden's share of the £500m hardship fund to support additional welfare payments. The Council has also received £2.4m to help fund a new

local Test and Trace service and £0.7m to support local Care Homes. The government have also announced £63m in funding for local authorities across England to help tackle food poverty but the allocations to individual authorities has not yet been announced. Table Two summarises the funding received from the government to date.

Table Two: Government Grants to Camden

GRANT	Confirmed Camden Allocation £000	Notes
Covid-19 Fund for care workers & Homelessness (£1.6bn nationally)	9,058	£1.6 billion will go to local authorities to help them respond to other coronavirus (Covid-19) pressures across all the services they deliver. This includes increasing support for the adult social care workforce and for services helping the most vulnerable, including homeless people.
Second tranche of £1.6b funding for Covid-19	7,366	Second tranche of £1.6b for local governments announced 18 April.
Hardship Fund (£500m nationally)	3,120	The government expects most of this funding to be used to provide more council tax relief, either through existing Local Council Tax Support schemes, or through complementary reliefs.
Test and Trace local funding	2,461	Funding to support a local Test and Trace system. The grant is to support additional expenditure associated with the Test and Trace system that the Council will need to put into place. The additional expenditure is not yet included in the summary of financial pressures outlined in this paper.
Infection Control Grant	705	Funding to support Care Homes in the borough. The funding will be allocated to care homes based on the number of Care Quality Commission (CQC) registered beds and to support wider workforce resilience.
Homelessness Self Isolation Support (£3.2m nationally)	49	£3.2m of initial emergency funding will be available to all local authorities in England to reimburse them for the cost of providing accommodation and services to those sleeping on the streets to help them successfully self-isolate.

Total Grants to Camden Confirmed	22,759	

2.24 In addition the government have stated that they will provide ‘new burdens’ funding to compensate for the cost of councils administering the additional business rate reliefs and business grants as part of the Government’s response to the Covid-19 crisis.

2.25 As set out above, we face a financial pressure of close to £60m should the crisis last for six months. The Council has received £19m to date to offset against these estimated costs. While there may be further government support, this has not been confirmed and it would be prudent to assume that not all of our costs will be compensated. This means that while not fully quantified, the Council faces a significant financial challenge.

2.26 The funding received by Camden to date will not be enough to cover the financial burden placed on the Council by the Covid-19 crisis. At the beginning of the crisis the government announced that they would do ‘whatever is necessary’ to support local government through the crisis. The message from government has recently changed to one of Local Government ‘sharing the burden’ of the crisis – though, it remains unclear what a sharing arrangement would look like.

Economic Environment & Medium Term Financial Outlook

2.27 The Covid-19 crisis will almost certainly have a long term impact on the Council’s financial position and require the Council to review its medium term financial strategy to ensure that the Council is still able to deliver the outcomes of Camden 2025, support the renewal of the borough, and maintain the financial resilience of the Council. Though, the precise impact remains difficult to predict at this early stage. Officers will continue to report the Council’s financial position to Cabinet at regular intervals in line with the existing governance arrangements.

2.28 The Covid-19 crisis has led to an unprecedented level of uncertainty in the economy. In its medium term projections the Council anticipated inflation would need to be provided at 2.5% for contracts and 2% for all other expenditure and income for the coming 3 years. This assumption will need to be reviewed as the information from the current crisis becomes clearer, to inform the Council’s medium term financial position.

2.29 At present many institutions are holding back on making projections for inflation due to the level of uncertainty and are discussing a series of scenarios instead. The Bank of England is currently predicting that a combination of spare capacity in the economy and low oil prices will mean CPI inflation will be close to zero by the end of 2020, before rising to around 0.7% in 2021 and 2% by

2022. The Office of Budget Responsibility (OBR) are expecting inflation to return to 2.2% by 2021, however they acknowledge that the level of uncertainty is such that they are only outlining one 'scenario' rather than making projection of inflation.

2.30 Prior to the Covid-19 crisis the Council was already operating in a challenging financial environment. Between 2010/11 and 2018/19, central government funding to local authorities halved. Camden's like-for-like funding has reduced by £118m, whilst overall costs such as those arising from supporting an ageing population and inflationary impacts have increased. However, despite already saving £169m since 2010/11 through two successful Medium Term Financial Strategy (MTFS) savings programmes, the Council has had to agree a further MTFS savings programme to 2021/22 in order to help reduce an expected budget gap. Subject to the ongoing refinement of these forecasts as well as any potential further funding from government, the Council will need to review the MTFS to ensure that it continues to provide a sustainable and resilience financial position.

2019/20 Revenue Outturn

- 2.31 The Council has completed the closing of the financial year to 31 March 2020. The deadline for publication of audited accounts has moved from 31 July to 30 November 2020 on account of the Covid-19 pandemic. Despite the extension to the reporting period, the Council has been able to prepare its accounts in line with the original timetable and as such the following draft outturn position can be reported.
- 2.32 In 2019/20, the final General Fund revenue outturn (after recommended transfers to reserves) shows an underspend of £0.027m as presented in Table Three below, which is less than 0.1% of the final budget.

Table Three – 2019/20 General Fund Revenue Outturn [DRAFT]

	Full Year Budget	Outturn	Final Outturn Variance
	£m	£m	£m
Directorates:			
Supporting People	219.304	218.337	(0.966)
Supporting Communities	56.550	60.244	3.694
Corporate Services	(6.088)	(7.219)	(1.132)
Public Health	22.525	22.525	0.000
Cross-Cutting Budgets:			
Housing Benefit Transfer Payments	(1.335)	2.401	3.736
Financing and Interest	0.167	(1.830)	(1.997)
Insurance	1.710	0.388	(1.322)
Government Grants	(60.263)	(60.661)	(0.398)
Pensions	15.316	15.089	(0.227)
Other Items	(13.390)	(14.804)	(1.414)
	234.497	234.470	(0.027)

2.33 The small underspend on the Council's overall revenue position has been achieved through careful budget management throughout the year and by services taking steps to tackle overspends. After taking into account transfers to reserves, which are set out by type and nature in **Appendix C**, there are a number of points worth noting:

- In 2019/20, the Council has made significant contributions to bad debt provisions of £7.6m. This is £6.3m above that budgeted, partly in recognition that the Covid-19 crisis and this reflects the greater level of uncertainty relating to income being collected during 2020/21. The increased provisions are part of the Council's strategy to ensure it remains financially resilient through the Covid-19 crisis.
- Linked to the above point, the Supporting Communities overspend of £3.69m is driven by a one-off transfer of £2.6m to increase provisions and reserves within the directorate to support financial resilience in the face of the financial pressures created by the Covid-19 crisis and to ensure resources are in place in 2020/21 to meet key outcomes. In addition, Supporting Communities invested additional resources in a number of regulatory services to manage temporary additional workloads. This financial pressures was limited to 2019/20 and should not occur again in 2020/21.
- In our cross-cutting budgets, there is a significant overspend in Housing Benefit transfer payments as a result of increasing the bad debt provision, which is off-set by a number of other cross-cutting budget underspends. This includes a one-off benefit from business rates growth across the London business rates pool. This income is difficult to predict due to being based on the performance of business rates growth across all London boroughs and as such, is not assumed within the base budget.

2.34 It is proposed that the final year-end surplus of £0.027m is allocated to the Council's Workforce Remodelling & Cost of Change reserve which supports delivery of its MTFs.

Earmarked Reserve Balances

2.35 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 2019/20 opening balances on earmarked reserves totalled £84.1m. With proposed transfers to reserves as set out in Table four below, there will be a net movement into earmarked reserves of £11.66m during 2019/20 and a total balance of £95.7m as at 31 March 2020. It should be noted that the vast majority of proposed transfers into reserve stem from receiving grants from government in advance of costs incurred, including the £9.058m grant to support Covid-19 costs. Further detail regarding reserve balances and movement is provided in **Appendix C**.

Table Four - Summary of 2019/20 changes to earmarked reserves

Earmarked Reserves	Actual Reserves 31/03/19	Movement Out of Reserves	Transfer Into Reserves	2019/20 Outturn Adjustments	Reserves 31/03/20
	£m	£m	£m	£m	£m
To Support Key Revenue Outcomes	32.550	(7.697)	8.413	16.199	49.465
To Support the Council's Remodelling Programmes	13.715	(8.840)	2.104	0.027	7.006
Ongoing Capital Activity and Asset Management	28.047	(5.769)	8.938	1.269	32.485
Mitigation of Future Corporate Risk	9.741	(6.294)	3.323	-	6.770
Support the Mayors Charity	0.021	(0.022)	0.013	-	0.012
Total Earmarked Reserves	84.074	(28.622)	22.791	17.495	95.738

2019/20 Capital Outturn

2.36 Overall, the Capital Programme remains affordable and in a sound financial position – though as detailed later, there remains a number of risks and challenges that remain under review. In 2019/20, the capital programme expenditure budget was set at £249.2m and this was underspent by £69.6m due to a range of issues. This is not necessarily a cause of concern and would, to a large extent, be expected within a capital programme of this size. The following sections set out, in headline form, some of the principal reasons for the underspend.

2.37 Property Management received the largest budget (£115.8m) and generated the largest underspend of £33.7m. The main significant areas of underspend in Property Management were;

- Better Homes – a range of schemes encountered consultation and procurement delays (£4.5m underspend)
- Schools – a small number of schemes encountered delays, e.g. to fit in with school timescales or Network Rail permissions (£4.3m underspend);
- Corporate Buildings – some schemes have been re-profiled (£5m underspend)
- Chalcots – a £10.5m underspend as works delayed due to the contract not being finalised in year as a result of a longer period of due diligence. The Council has now decided to not finalise the contract with the existing contractor and instead retender the works.
- Temporary Accommodation Purchase programme – an £8.5m underspend due to longer than anticipated timescales for completing purchases, limited supply of suitable properties due to market conditions.

2.38 Development also incurred a significant underspend of £21.6m, against a total budget of £86.2m. This can mainly be attributed to the following;

- A delay in expenditure on the Town Hall project as a result of extra time taken on contract clarifications resulting in an underspend of £4.1m.
- Agar Grove lower than expected cost of buy-backs and delays to main works.
- Regent's Park (HS2 site) where a reduced contract value was agreed offset by reduced capital receipts resulting in an underspend of £3.4m.
- The revision of the Highgate Newtown business case and slippage in several developments, exacerbated by the early stages of the Covid-19 pandemic.

Table Five – Summary of 2019/20 Capital Outturn

	2019/20 Budget	2019/20 Outturn	2019/20 Outturn Variance
	£m	£m	£m
Community Services	3,053	1,043	-2,010
Development	86,243	64,626	-21,617
ICT Corporate Services	1,468	1,684	216
Place Management	14,420	11,622	-2,798
Property Management	115,806	82,127	-33,679
Regeneration & Planning	28,236	18,535	-9,701
Directorate Total	249,226	179,637	-69,589

Capital Receipts and Disposals Programme

2.39 The Council set a budget for 2019/20 capital receipts of £73.1m. Whilst Housing Revenue Account receipts exceeded the target set by £3.4m, General Fund receipts slipped by £16m, generating a total shortfall of £12.6m. This is primarily due to the planned Liddell Road sale not completing in 2019/20. The sale of Liddell Road is currently expected to be concluded in 2020/21.

Table Six– 2019/20 Capital Receipts

Fund	2019/20 Target Receipts	2019/20 Final Receipts	2019/20 Variance in Receipts
	£m	£m	£m
General Fund	(39.841)	(23.686)	16.155
Housing Revenue Account	(33.253)	(36.628)	(3.375)
Total Capital Receipts	(73.094)	(60.314)	12.780

Review of the Capital Programme

2.40 The Council's investment plans consist of maintaining and enhancing its assets, including schools, roads and council housing, as well as a number of large self-contained programmes such as the Fire Assessment works, the Better Homes programme, the Homes for Older People Strategy and the Community and investments to help deliver MTFS savings.

- 2.41 The review of the 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 resources are available or new funding has been secured. The effect of Covid-19 crisis has meant that many projects are currently 'paused' and a result project timelines have been revised resulting in some planned expenditure moving into later years to reflect the extended timelines of some projects.
- 2.42 The revised Capital Programme stands at £1,133.6m for the years to 2027/28 – an increase of £34m on the current approved programme. This is primarily due to the further investment in our civic and democratic functions and wider investment to support local businesses within the Town Hall project (£22m), which was reported in January 2020. The revised capital programme also includes new expenditure on schools buildings priority needs of £2m funded from a new Department of Education grant.
- 2.43 A summary of the programme and the annual changes is presented in Table seven below. The proposed capital expenditure budgets and funding are presented in **Appendix A**.

Table Seven: Summary of revision to Capital Programme

	2019/20	2020/21	2021/22	2022/23	20/23/24	2024/25 to 27/28	Total
	Actual	Budget	Budget	Budget	Budget		
	£000	£000	£000	£000	£000	£000	£000
Total Revised Budget	179,637	144,838	293,057	213,139	115,655	73,880	1,133,582
Last Approved Budget	249,226	301,411	200,695	143,726	77,918	57,370	1,099,262
CHANGE in £000	(69,589)	(156,573)	92,362	69,413	37,737	16,510	34,320
Change in %	-28%	-52%	46%	48%	48%	29%	3%

Revised Capital Receipts Estimates

- 2.44 The Covid-19 crisis has led to significant economic uncertainty in the medium term and may have an adverse effect on capital asset values or lead to delays in the Council's ability to sell some of the properties it has built as part of the Community Investment Programme. The Office of Budget Responsibility is predicting that the economy will return to pre-Covid levels by 2022, and the Council is forecasting that over the medium term, the level of capital receipts achievable should not alter from its previous assumptions, although the timing of the sale of some assets and the realisation of capital receipts may be delayed as the economy recovers. The latest recommended capital receipts targets take into account the impact of Covid-19. However, the level of uncertainty in the economy is such that the assumptions of capital receipts will

need to be closely monitored and adjusted in response to the way in which the economy performs.

2.45 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.

2.46 The table below presents the revised capital receipts targets highlighting the changes between years and in total forecast.

Capital Receipts	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28+	Total £000
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revised Targets	60,314	33,089	97,661	32,342	85,178	107,049	44,390	15,968	178,388	654,379
Last Approved Targets	73,094	79,230	62,770	59,923	78,329	84,506	84,206	29,086	109,444	660,588
Change:	-12,780	-46,141	34,891	-27,581	6,849	22,543	-39,816	-13,118	68,944	-6,209

Capital Strategy 2020-25 update

2.47 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 General Fund capital strategy for general fund investments from 2020-2025.

2.48 Due to ongoing austerity measures, our funding was already much reduced compared to the previous programme. In our response to the Covid-19 outbreak, the Council, like all councils is facing an unprecedented financial challenge which will further reduce the level of capital resources available to the Council over the medium term. Where we have previously made robust assumptions on income and funding for the Programme, we are now having to revisit those assumptions to determine the size of the funding envelope going forward. This will impact on the projects we are able to fund and when we can take those projects forward.

2.49 In order to ensure that the Council is able to fund both essential health and safety work and the initial capital work needed to support the renewal of the borough, it is recommended that an initial capital budget allocation of £14.3m is agreed prior to a full financial strategy being recommended to Cabinet later this year. The urgent capital funding recommended include;

- £2m to support match funding bids to Transport for London's Town Centre Renewal Fund to help create Low Traffic Neighbourhoods, new Cycle Routes and to widen footways to support social distancing.

- £7.9m to ensure the Council is able to meet its statutory obligations to maintain its highways and bridges.
- £3.3m to support vital work to the Council's digital architecture and renewal of outdated digital hardware.

2.50 The full recommended capital budget allocation and new urgent capital funding commitments are detailed in Appendix D

3. OPTIONS APPRAISAL

3.1 The report proposes the allocation of 2019/20 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.

3.2 The report also presents information on the capital outturn position and provides an update on spending profiles following the capital review. Cabinet could choose to make adjustments to spending profiles or choose alternative priorities for capital expenditure.

3.3 The report presents recommendations on new capital budgets to fund essential work during 2020/21. Cabinet could choose to not agree the new budgets.

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

Future Funding of Local Authorities

4.1 On 24th March, the government announced that the Comprehensive Spending Review (CSR) would be delayed from July 2020 to enable the government to remain focused on responding to the public health and economic emergency. The intention was that the CSR would have set future public spending plans for the next 3-5 years and with it, an outline for total local government funding.

4.2 At the same time, there had been an intention to introduce local government funding reforms from 2021/22, including the outcome of the 'Fair Funding Review'. On 28th April, the Government confirmed that the review of relative needs and resources and the move to 75% business rates retention will no longer be implemented in April 2021. At this stage, it is not clear when these reforms will be introduced.

4.3 At the time of writing, it remains unclear when the CSR will take place. It is doubtful that the government will be in a position in the near future to commit to public spending levels over the medium term given the current uncertainty and flux in the economy. This means that we will need to continue to plan with little or no funding certainty over the medium term.

Public Sector Pay

- 4.4 The Trade Unions are currently still in negotiation over the 2020/21 national pay award for council workers, for which Camden budgeted a 2% inflationary increase. Any pay award over 2% will create an additional cost pressure on the Council. By way of illustration, an average pay award of 3% would create an additional pressure of £1.5m in 2020/21.

Brexit

- 4.5 The United Kingdom is currently in a 'transition phase' of the process of leaving the European Union with the final exit from the transition period due to end on 31 December 2020. The final relationship between the United Kingdom and the European Union has not yet been settled and given the current economic climate, there is a risk that we see increased costs, particularly if we experience increasing import costs. For us locally, should we see an increase in our contract costs by an additional 1% in each year of 2020/21 and 2021/22, above the 2.5% planned for each year, it would result in an increase in the deficit for 2021/22 of £2.3m.

Business Rates and Council Tax

- 4.6 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, collection rates for both business rates and council tax are forecast to be affected resulting in reduced income to the Council
- 4.7 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

- 4.8 The Council is in the second 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.
- 4.9 The Council's response to the current Covid-19 crisis has meant the majority of savings expected to be delivered in 2020/21 are now likely to be delayed for up to a year as the Council focuses on the emergency response to the crisis.

4.10 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 ongoing reduction in resources from central government 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

- 4.11 The Covid-19 crisis will have a significant financial impact on the Council's capital programme. A number of capital build projects have been put on hold due to social distancing restrictions meaning new project timelines will need to be developed and costs reassessed in light of the need to provide site security and the potential for cost inflation when the current 'lockdown' begins to lift.
- 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.
- 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.

Impact of Welfare Changes

- 4.15 Universal Credit full service was introduced across Camden on 5 December 2018 for all new claims and it is anticipated that 100 people a week will make a claim. Whilst pensioners and those in temporary/supported housing will remain on legacy benefits for the foreseeable future, it is anticipated that over 18,500 residents will transfer to Universal Credit over the next 4-5 years through either making a new claim or through the government's 'managed migration' of existing claimants, expected to take place between 2020 and 2023.
- 4.16 Our analysis has identified that over 4,450 households may be worse off under the UC calculation and new claimants need to wait for the first payment, potentially leading to increased hardship and risk of homelessness. There is also a risk for the Council as a landlord as 9,500 council tenants are expected to transfer to the new benefit, 2,600 of which may be worse off. A support model has been set up to support residents make and sustain their claim with early intervention taking place for key, high risk households. Camden is committed to ensuring that no council tenant is evicted if they get into rent arrears as a result of government delays in UC payments.

Risks in Adult Social Care and Health Integration

- 4.17 Adult Social Care operates in a challenging financial environment which has been exacerbated by the Covid-19 pandemic.
- 4.18 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. A 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 planning the transition 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.
- 4.19 The Council, in conjunction with North Central London has provided a significant level of practical and financial support to social care providers, but there are ongoing financial viability concerns within the sector.
- 4.20 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.
- 4.21 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. The latest Spending Round allocated additional funding to Social Care with Camden to receiving an additional £5.6m in funding for 2020/21 to help meet increasing adult social care costs. As the government have only issued a one-year settlement, this funding is not guaranteed beyond 2020/21. While the government has indicated that the additional national funding for Social Care will remain in place beyond 2020/21, there is a risk that the allocation to individual local authorities may be altered from 2021 onwards meaning that Camden could see its share of the national funding pot reduced in future years. The pandemic has increased the level of uncertainty for care funding.

- 4.22 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 2020/21 saving programme is uncertain.
- 4.23 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.
- 4.24 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)

- 4.25 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.
- 4.26 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. However current forecasts indicate that the HNB reserve will be extinguished during 2019/20 and the HNB will fall into deficit. 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. In September 2019 the DfE announced an additional £700m for HNB. Camden is expected to receive additional funds of circa £3.1m which will alleviate much of the in-year pressure, but the rate of increase in numbers of children with an EHCP and cost increases are anticipated to increase the deficit on the HNB DSG reserve. 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

- 4.27 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.
- 4.28 Camden schools continue to experience cost pressures arising from increasing costs coupled with below inflation funding increases. Camden schools received a funding increase of 2.16% for 2020/21 from which may will need to meet the full effect of the Department of Education proposed 3% pay award from September 2020 (not yet finalised). Schools will also have to absorb the £6,000 increase in Teacher's starting salaries. Funding levels beyond 2020/21 have not yet been announced and so with no indication to the contrary it is expected that 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.
- 4.29 Following the Covid-19 emergency the main impact on schools finances is expected to be the cost of distributing term time free school meals (recoverable from ESFA portal), loss of paid school meals income and loss of lettings income and loss of paid school meals income.
- 4.30 The Education and Skills Funding Agency (ESFA) has stated 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 will outline their detailed claim process to schools in June.

Any agreed claims by the ESFA will be passed to the Council for dispatch to schools.

4.31 Pupil intake numbers into Camden primary schools have fallen by 9% from 2015 and are projected to continue to fall throughout the decade. 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 temporarily capped the admission number at three other schools. The Council is working closely with schools to explore different options for future school places. In October, Camden officers met to discuss early draft proposals for school reorganisation with head teachers and chairs. 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 proposals for public consultation at the next 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. 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.

Housing Revenue Account

4.32 The Housing Revenue Account's (HRA) primary income is from its dwelling rents. 2019/20 was the last year of four years of government mandated annual 1% reductions. This loss of income has been a significant challenge at a time of increasing cost pressures from inflation and necessary fire safety works, which had to be managed through a combination of savings and use of reserves. In 2020/21, dwelling rents have been increased by CPI + 1% (maximum permitted under new rent standard) along with some increases in tenant service charges which will be used to fund inflationary and other pressures known at the time of rent setting.

4.33 The Council remains committed as a Landlord to the highest standards of resident safety across the housing stock. Over the medium term, it is likely that the HRA will need further investment as we respond to the fire safety and building safety regulatory changes as well as ensuring that we continue to tackle the climate crisis.

4.34 Covid-19 will bring unforeseen and additional financial pressures for the HRA in 2020/21. We expect these pressures will mainly be felt in our levels of income, as early indications show that our tenants and leaseholders are likely to be in financial difficulty as many jobs are currently at risk. In addition, significant falls in consumer activity and the enforced closure of many businesses will impact rental income from our commercial property portfolio. The Council will need to maintain regular dialogue with our tenants and leaseholders to help balance individual financial circumstances alongside the need for the Council to continue to provide a good range of vital services across our estates.

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:

Appendix A: Further Detail on Capital Programme
Appendix B: Changes to the Capital Programme and Funding
Appendix C: Reserve Allocations.
Appendix D: New Urgent Capital Allocations

REPORT ENDS

APPENDIX A – FURTHER DETAIL ON CAPITAL PROGRAMME

The table below shows the proposed departmental budgets and total capital funding for each year.

Revised Capital Expenditure Plans 2019/20 to 2027/28 per Department

REVISED CAPITAL PROGRAMME	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Community Services	1,043	1,254	1,720	1,369	0	0	0	0	0	5,386
Development	64,626	54,254	115,036	89,456	61,231	68,365	27,359	18,393	21,067	519,787
Digital and Data	1,684	748	0	0	0	0	0	0	0	2,432
Place Management	11,622	6,262	5,306	2,168	2,252	2,713	2,835	458	0	33,616
Property Management	82,127	69,790	165,443	119,946	51,972	42,098	3,016	400	305	535,097
Regen & Planning	18,535	12,530	5,552	200	200	200	47	0	0	37,264
Total Capital Expenditure	179,637	144,838	293,057	213,139	115,655	113,376	33,257	19,251	21,372	1,133,582

Changed from Last Approved Budget	(69,589)	(156,573)	92,362	69,413	37,737	44,460	(1,858)	7,474	10,894	34,320
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Revised Capital Funding Plans 2019/20 to 2027/28

FUNDING PLANS	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Total Revised Capital Expenditure:	179,637	144,838	293,057	213,139	115,655	113,376	33,257	19,251	21,372	1,133,582
Funded from:										
Government Grants	17,768	20,311	66,043	34,318	1,500	106	0	0	0	140,046
Developers and other external contributions	30,857	22,003	21,056	17,005	12,286	12,467	5,082	1,522	0	122,278
Councils Reserves:	36,024	44,476	51,125	37,240	24,080	9,958	247	200	305	203,655
Prudential borrowing:	19,621	30,973	69,843	41,562	12,966	7,712	0	0	0	182,677
Capital receipts	75,367	27,075	84,990	83,014	64,823	83,133	27,928	17,529	21,067	484,926

APPENDIX B – CHANGES TO THE CAPITAL PROGRAMME AND FUNDING

The following table presents a breakdown of the changes to Total Capital Funding

Analysis of Changes in Capital Funding

ANALYSIS OF CHANGES IN FUNDING	Approved Total Funding:	Revised Funding	Change
	£000	£000	£000
Government grants:			
- Dept. for Education grants	7,237	9,639	2,402
- National Health Service grants & Public Health	4,455	4,628	173
- other government grants	0	0	0
GLA - housing grants	112,631	112,631	0
GLA -Transport for London grants	13,148	13,148	0
Lottery grants	238	250	12
Other Grants	9,823	8,039	(1,784)
Community Infrastructure Levy	8,208	8,327	119
Section 106 contributions	98,188	98,372	184
Schools contributions	0	0	0
Other contributions	5,372	7,290	1,918
Sub-total External Funding	259,300	262,324	3,024
HRA:			
- Major Repairs Reserve	161,648	161,648	0
- Leaseholders' capital contributions	20,990	20,990	0
- Revenue contribution (HRA)	0	0	0
Sub-total HRA	182,638	182,638	0
Corporate Resources			
Revenue contributions - General Fund	19,100	21,017	1,917
Prudential Borrowing - HRA	119,172	119,172	0
Prudential Borrowing - GF	41,684	63,505	21,821
HRA Capital Receipts	365,745	381,267	15,522
GF Capital Receipts	111,623	103,659	(7,964)
Sub-total Corporate Resources	657,324	688,620	31,296
TOTAL RESOURCES	1,099,262	1,133,582	34,320
1-4-1 RTB Retained Receipts:	18,044	15,977	(2,067)

APPENDIX C – RESERVES ALLOCATIONS

There have been a number of requests for transfers to earmarked reserves from the year-end underspend that are recommended for approval. The vast majority are as a result of receiving grants in advance of planned service expenditure.

Requests were made on the basis that the transfer made effective use of the financial resources and supported delivery of the Council's priorities.

The following table presents the proposed reserve allocations by Directorate and type.

Year End Requested Allocations to Reserves 2019/20

	Funds held on behalf of other organisations	Grants Unspent / Received in Advance	On-going Projects	Total Allocations
	£000	£000	£000	£000
Supporting People	-	4,851	55	4,906
Supporting Communities	9	-	1,320	1,329
Corporate Services	-	-	-	0
Public Health	-	-	-	0
Cross-Cutting Budgets	-	9,313	-	9,313
Council Funding	-	1,920	-	1,920
	9	16,085	1,375	17,468

£4.85m of grant income relating to Supporting People remains unspent at the end of 2019/20. This was expected to be required to address demographic pressures in the coming year before the coronavirus outbreak.

Supporting Communities requested allocations primarily relate to the funding of the existing Accommodation Strategy and the smoothing of future year Schools PFI funding requirements.

Cross-cutting budgets include government grants, financing & interest costs, pensions and other items. The Council received £9.058m of grant funding to support costs related to the Covid-19 pandemic on the 28th March. This grant is proposed to be transferred to reserve, to be drawn down in 2020/21 to support those services where costs have been incurred.

The proposed transfer to reserve within Council Funding is due to additional income over that budgeted, derived from the 2019/20 London business rates pilot.

The remaining year-end surplus of £(0.027)m will be allocated to the Workforce Remodelling / Cost of Change Reserve, making the total proposed movement to reserve £17.495m

Proposed Allocation of 2019/20 Surplus Resources

The impact of these adjustments to individual reserve balances is detailed in the following table alongside the net in year movements for each reserve.

Reserves	Actual Reserve 31/03/19	Total Planned Usage	Forecast Reserves 31/03/20	Proposed Movement to Reserve	Proposed Reserve Balance 31/03/20
	£000	£000	£000	£000	£000
Reserves to support key revenue budget outcomes					
Dedicated Schools Grant	4,579	735	5,314	-	5,314
Multi Year Budget Reserve	24,453	361	24,814	16,199	41,013
Education Commission	948	(225)	723	-	723
Supporting People Specific Reserves	2,570	(155)	2,415	-	2,415
	32,550	716	33,266	16,199	49,465
Reserves to support the Council's service remodelling programme					
Workforce Remodelling/Cost of Change	10,748	(5,484)	5,264	27	5,291
Camden Plan	2,968	(1,252)	1,716	-	1,716
	13,716	(6,736)	6,980	27	7,007
Reserves to support on-going capital activity and asset management					
Future Capital Schemes	19,745	3,365	23,110	-	23,110
Commercial and other property	776	-	776	-	776
Haverstock PFI Funding Reserve	1,498	(130)	1,368	-	1,368
Schools PFI Equalisation Reserve	2,018	167	2,185	333	2,518
Building Schools for the Future	464	-	464	-	464
Accommodation Strategy	3,545	(233)	3,312	936	4,248
	28,046	3,169	31,215	1,269	32,484
Reserves to mitigate future corporate risk					
Self-Insurance Reserve	4,500	(1,000)	3,500	-	3,500
Business Rates Safety Net	5,241	(1,971)	3,270	-	3,270
	9,741	(2,971)	6,770	0	6,770
Reserves to support the Mayors charity					
Mayor's Charity Reserve	21	(9)	12	-	12
Total Earmarked Reserves	84,074	(5,831)	78,243	17,495	95,738
General Balances	13,992	-	13,992	-	13,992
Housing Revenue Account Balance	33,365	(1,076)	32,289	-	32,289
Schools Balances	15,964	(2,446)	13,518	-	13,518
Total General Reserves	61,189	(3,522)	59,799	0	59,799

Appendix D – New Urgent Recommended Capital Allocations

Description	2020/21 £000	Summary
Maximising the Benefit from the Council's Assets	-	-
Levine & Abbots Hostel	192	Lease expenditure -repair works required to ensure buildings fit for purpose and temporary accommodation services can continue to be provided from the building.
Total Maximising Benefits from Council's Assets	192	
<u>Clean Vibrant and Sustainable Places</u>		
Reactive play area repairs/replacements	80	To ensure that play area equipment are replaced when they have reached their life expectancy or pose a risk to health
Parks - St. Pancras Church Yard	250	Priority project site to replace assets that have come to the end of their life spans and currently create a significant ongoing maintenance cost due to poor state of repair
Condition survey response	360	Capital investment required to keep green space assets safe, useable and operational by dealing with most urgent and highest priority works identified by the condition survey
Increasing and supporting healthy tree population	103	Funding to being planning of the next stage of tree planting across the borough.
Memorial and buildings repairs	155	To address immediate risks posed by the memorial & statues in Camden's Green Spaces
Total Clean Vibrant and Sustainable Places	948	
<u>Safe, Strong and Open Communities</u>		
Town Centre Renewal Funding	2,000	To support match funding bids to Transport for London's Town Centre Renewal Fund to help create Low Traffic Neighbourhoods, new Cycle Routes and to widen footways to support social distancing.
Public Highway Bridge Management	165	Statutory duty to maintain our bridge structure in a condition which renders them fit for purpose and safe for use (9 carriageway bridges and 1 footbridge)
Public Highway Wall Management	70	Ongoing repairs and maintenance of retaining walls is vital to ensure that they do not pose a risk to the general public and highway assets and are safe for use and fit for purpose.
Park Walls Management -	117	To ensure the structural integrity of Parks walls in the borough

Highways	6,716	Camden has a statutory duty as laid down in The Highways Act (1980) to maintain its highway infrastructure in good condition and free of defects. Camden's highway infrastructure consists of 256km of carriageways and footways along with 9,800 drainage gullies. With significant financial liability of a large backlog of failing and failed infrastructure it is essential to ensure the backlog does not turn into more costly interventions.
Street Lighting Infrastructure -	855	Investment to meet statutory duties and properly manage Street Lighting infrastructure
Total Safe, Strong and Open Communities	9,923	
<u>Digital and Data</u>		
Technology Fit For The Future	2,280	Asset refresh, ensuring staff have access to the hardware that best fits the way in which their day to day business is run and Enhancing our Agile Working offer
Digital Plumbing -	1,000	Refreshing the digital infrastructure and security
Total Digital and Data	3,280	
Total Recommended Urgent Capital Allocations	14,343	