London Borough of Camden Summary Accounts for the Financial Year 2023–24

Executive Summary

This report summarises the London Borough of Camden's Statement of Financial Position for the financial year 2023-24. It seeks to provide a concise and digestible version of the final set of accounts for 2023-24 and explains key movements on the Council's balance sheet and reserves position. It also outlines the impact of challenges such as the cost-of-living crisis, along with the proactive measures being taken to address these issues and ensure effective management going forward. In a year shaped by economic pressures such as the cost-of-living crisis the authority focused on maintaining fiscal stability while meeting increased demand for services such as social services.

Balance Sheet Analysis

The balance sheet as of 31 March 2024, captures the authority's assets, liabilities, and reserves, providing a snapshot of financial health. Long-term assets represent assets the Council can use or realise over many years whilst current assets are those that can only be used or released within 12 months or less. Long Term liabilities represent liabilities that the Council will fulfil over many years whilst current liabilities represent liabilities that must be fulfilled in the next 12 months.

The following table highlights the authority's primary balance sheet categories, comparing them to the previous financial year to illustrate notable movements.

31/03/2023 £'000	Balance Sheet	31/03/2024 £'000	Movement £'000
4,590,433	Property, Plant & Equipment & Heritage Assets	4,829,477	239,044
136,439	Investment Property	210,921	74,482
4,841	Other long-term assets	4,452	(389)
27,632	Long Term Debtors	13,063	(14,569)
4,759,345	**Long Term Assets**	**5,057,913**	**298,568**
335,004	Short Term Investments	243,964	(91,040)
18,740	Other Current Assets	4,559	(14,181)
112,225	Short Term Debtors	143,040	30,815
94,683	Cash and Cash Equivalents	65,446	(29,237)
560,652	**Current Assets**	**457,009**	**(103,643)**
(84,977)	Other Current Liabilities	(97,439)	(12,462)
(341,672)	Short Term Creditors	(240,237)	101,435
(426,649)	**Current Liabilities**	**(337,676)**	**88,973**
(445,144)	Other Long-term Liabilities	(436,335)	8,809
(15,936)	Net Pensions Liability	(226,929)	(210,993)
(461,080)	**Long Term Liabilities**	**(663,264)**	**(202,184)**
4,432,268	**Net Assets**	**4,513,982**	**81,714**
(328,591)	Usable Reserves	(376,462)	(47,871)
(4,103,677)	Unusable Reserves	(4,137,519)	(33,842)
(4,432,268)	**Total Reserves**	**(4,513,981)**	**(81,713)**

Analysis of Net assets

The Council's net assets have increased by £81m, mainly due to a £298m increase in long term assets and £202m decrease in the Council's long-term liabilities. There has also been a £103m decrease in the Council's current assets which has mostly been offset by a £88m decrease in the Council's current liabilities.

Long term Assets (represents the value of assets held including PPE, Heritage assets, Investment Properties and Intangible Assets)

The Council's long-term assets have increased by £298m, primarily due to £239m increase in Property, Plant and Equipment and a £74m increase in Investment Property.

The £239m increase in Property Plant and Equipment is driven by the wide-ranging capital programme at Camden comprising a number of different schemes. The majority of the additions relate to the HRA and the Council's functions as a landlord: programmes for structural improvements such as undertaking fire safety works, installation of new heating systems, kitchens and bathrooms.

Similar programmes exist in terms of the Council's general fund properties, for example, improving and changing schools to allow for safe, effective learning environments, replacement of library roofs to ensure continued public access to libraries, installation of new carriageways, cycleways, footways etc. to fulfil the Council's role as a highways authority, and so on.

A large proportion of capital additions are assets under construction, generally under the Council's Community Investment Programme where the Council seeks to redevelop its housing estates to provide residential led schemes comprising new social housing units in order to reduce its Council housing waiting list, private sale units for sale to fund the scheme, new community centres, schools and other assets to benefit the local public.

Finally, there is a significant acquisitions programme for temporary accommodation, where the Council buy back Right-to-Buy properties for use as temporary accommodation to fulfil its responsibilities in respect of homelessness housing.

The £74m increase in investment property is driven by the completion of the redevelopment of Camden Town Hall, and the determination in consultation with Council property colleagues that the basis of the lease terms of part of the building required a portion of the building to be reclassified as an investment property.

Current Assets (represents money owed to the council plus cash and investments held)

Current assets have decreased by £103m which has been primarily due to a £91m decrease in short-term investments, and a £14m decrease in other current assets.

The £91m reduction in short-term investments was driven primarily due to cash outflows that the council had to make, for example, Camden had to repay £50m to the Ministry of Housing, Local Government and Communities (MHCLG) relating to Business Rates relief for 2022/23.

Other current assets fell due to a £14m reduction in assets held for sale. Assets held for sale is when the Council is looking to sell assets in the next 12 months. The council has chosen to reclassify assets previously held for sale to investment property with a view to sell in future.

Current Liabilities (represents money owed by the council)

Current liabilities have decreased by £88m largely driven by the £101m decrease in short term creditors, largely driven by a reduction in the amount of business rates income that Camden owes to Ministry of Housing, Local Government and Communities (MHCLG) and the Greater London Authority (GLA). Local Authorities are obligated to pay a portion of the business rates they collect to MHCLG and GLA.

Long Term Liabilities (represents money owed by the council)

Long-term liabilities increased by £210m in 2023-24. This was largely driven by the Pension Fund liability which is calculated by actuaries based on several key assumptions:

1. **Demographic Changes:** Reflect shifts in the workforce, influencing the timing of benefit payments.
2. **Financial Assumptions:** Determine the value of benefits owed, incorporating factors such as pension and salary inflation rates.
3. **Investment Returns:** Depend on broader economic conditions, such as changes in interest rates, Covid -19 recovery and investor confidence which affect the performance of pension fund investments.

Actuaries review these assumptions annually, adjusting them to reflect changes in the economic environment and workforce dynamics.

Analysis of Reserves

Local authorities have two types of reserves – useable reserves and unusable reserves. Camden has the following useable reserves – General Fund, Housing Revenue Account, Earmarked Reserves, Capital Receipts Reserve and the Capital Grants Unapplied Reserve. It is important to note that the Capital Receipts Reserve captures capital receipts from the disposal of long-term fixed assets. These can be used to finance capital expenditure or repay borrowings of the Council. The Capital Grants Unapplied reserve captures capital grants that Camden has received for which conditions have been met.

Earmarked Reserves

The Council has Earmarked reserves for the General fund and Housing Revenue Account. Earmarked Reserves are used for the following:

1. Managing external risks such as resource levels, interest rates risks, demand pressures and the likelihood of incidents such as flooding
2. Internal risks such as the ability to deliver savings, the overall financial standing of the authority and the financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments
3. Future investment needs, for example, in major transformation projects
4. To hold revenue grant funding to fund specific projects or schemes where conditions of use and application have been met and there is no risk of repayment to grant provider.

The use of general and earmarked revenue reserves cannot be regarded as a sustainable long-term strategy to fill the gap from core funding reductions and budget pressures. This is because a usable reserve is a finite cash balance, which can only be used once whereas the reduction in core funding and budget pressures is a permanent year-on-year loss to the Council’s base budget.

Therefore, it is essential for a local authority to maintain a healthy balance of Earmarked Reserves to ensure it can maintain a stable and sustainable financial position over the long term and to establish strong resilience to external shocks, such as rising temporary accommodation costs due to the cost-of-living crisis.

In support of the Council’s financial resilience Members agreed to increase the Council’s general reserve balance by £1.5m a year over the medium term. This means that the general reserve balance is forecast to increase to £21.4m by 2027 which is estimated to be 5.9% of net service expenditure. The need to increase general reserve balances to support the Council’s financial resilience has been driven by three compounding issues:

1. As a sector, local government has seen significant cuts to its funding over the past fourteen years. This leads to additional pressure and if the Council doesn’t build up resilience this could impact its ability to serve its residents and communities
2. The financial outlook also remains uncertain due to central government agreeing a one-year settlement and the outcome of local government funding reforms still being unknown
3. The long-term impact of Covid-19, the Cost-of-Living crisis and the war in Ukraine means the Council continues to experience an unprecedented level of uncertainty over the medium term

Comprehensive Income and Expenditure Statement (CIES) and Movement in Reserves Statement (MiRS)

In 2023-24 the General Fund and Housing Revenue Account revenue outturn positions were £307.21m and £1.62m respectively. This figure is different to comprehensive income and expenditure statement (CIES) due to local government requiring technical accounting adjustments.

Local government accounting requires the production of a CIES and movement in reserves statements (MiRS), using International Financial Accounting Standards (IFRS). The MiRS is designed to adjust for technical accounting adjustments transferring the impact of these transactions from the General Fund Reserve and the Housing Revenue Account to Unusable Reserves.

The technical accounting adjustments consist of movements for:

1. Neutralisation of depreciation
2. Revaluation gain/losses for the Council’s property portfolio
3. Revenue expenditure funded from capital under statute
4. Adjustments to the pension reserve which neutralises the current service costs and ensures that the actuarial estimates are not charged to Council tax

The table below highlights the key contributors to the net movement in Usable Reserves during 2023-24. Usable Reserves decreased by approximately £36m. This includes increases of £0.997min the General Fund Balance, £1.380m in the Housing Revenue Account, and £37.025m in Earmarked Reserves, offset by a £2.782m reduction in the Capital Receipts reserve.

Reserves	General Fund 2023-24 £'000	Housing Revenue Account 2023-24 £'000	Earmarked Reserves 2023-24 £'000	Capital Receipts Reserve 2023-24 £'000	Capital Grants Unapplied 2023-24 £'000	Major Repairs Reserve £'000	Material Changes in Usable Reserves 2023-24 £'000
(Surplus)/Deficit on provision of services (CIES)	**(37,285)**	**(99,861)**					**(137,146)**
Technical Accounting Adjustments transferred to Unusable reserves	(99,396)	(4,306)					(103,702)
Transfer of capital Receipts Received in year to Capital Receipts Reserve	(527)	36,097		(35,570)			0
Application of Capital Receipts to finance capital expenditure in year				38,352			38,352
Transfer of capital grants recognised in year to Capital Grants reserve	10,102				(10,102)		0
Application of Capital Grants to finance capital expenditure	37,723	73,888			4,748		116,359
Transfer to major repairs reserve	43,293					(43,293)	0
Application of major repairs Reserve to finance capital expenditure						38,268	38,268
Transfers (to)/from Earmarked Reserves	45,090	(7,195)	(37,895)				0
(Increase) or decrease in Reserve Balance in year	**(1,000)**	**(1,378)**	**(37,895)**	**2,782**	**(5,354)**	**(5,025)**	**(47,869)**

Reserve balances	General Fund 2023-24 £'000	Housing Revenue Account 2023-24 £'000	Earmarked Reserves 2023-24 £'000	Capital Receipts Reserve 2023-24 £'000	Oher Useable Reserves 2023-24 £'000	Material Changes in Usable Reserves 2023-24 £'000
Opening Balance 1st April 2023	**(15,858)**	**(12,009)**	**(187,849)**	**(94,802)**	**(18,073)**	**(328,591)**
(Increase) or decrease in Reserve Balance in year	(1,000)	(1,378)	(37,895)	2,782	(10,379)	(47,869)
Closing Balance as at 31st March 2024	**(16,855)**	**(13,389)**	**(224,924)**	**(92,020)**	**(28,452)**	**(375,640)**

Conclusion and Outlook for 2023-24

In conclusion, the authority has demonstrated resilience in maintaining financial stability through a challenging year. Despite ongoing pressures such as the cost-of-living crisis, increasing demand for services, and regulatory changes, the Council has effectively managed its balance sheet, strengthened its reserves, and continued to invest in critical infrastructure and social services.

However, challenges remain, particularly in areas such as housing repairs and maintenance, rent arrears, and the broader financial uncertainty facing local government. The Council’s proactive approach to financial planning, including increasing general reserves and maintaining a strong focus on ethical debt collection, will be essential in ensuring long-term resilience.

Looking ahead to 2024–25, the Council will continue to focus on balancing financial prudence with delivering essential services. Key priorities will include addressing housing pressures, supporting vulnerable residents through cost-of-living initiatives, and maintaining a sustainable financial position in the face of ongoing economic uncertainty. By continuing to adapt to these challenges, Camden aims to safeguard its financial future while upholding its commitment to serving the community.