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| <b>LONDON BOROUGH OF CAMDEN</b>  | <b>WARDS: All</b>  |
| <p><b>REPORT TITLE</b></p> <p>2025/26 Revenue Estimates and Council Tax Setting (CS/2025/04)</p>   |  |
| <p><b>REPORT OF</b></p> <p>Cabinet Member for Finance and Cost of Living</p>   |  |
| <p><b>FOR SUBMISSION TO</b></p> <p>Resources and Corporate Performance Scrutiny Committee<br/>Cabinet<br/>Council</p>  | <p><b>DATE</b></p> <p>25 February 2025<br/>26 February 2025<br/>3 March 2025</p> |
| <p><b>STRATEGIC CONTEXT</b></p> <p>In March 2022, we published We Make Camden – our refreshed vision for the future of Camden. It sets out what we want to collectively achieve and lead together and was developed following conversations with residents, partners and community leaders. We Make Camden highlights the big issues facing Camden that we all agree are important, alongside practical ways we can make change together and the change we want to see in the short, medium and long term.</p> <p>Our Medium Term Financial Strategy and the Council’s response to the challenges facing the borough have informed the setting of this year’s budget, with investments focused on community priorities, our Council Tax Support Scheme, social care and housing help to support the most vulnerable in the borough.</p>  |  |
| <p><b>SUMMARY OF REPORT</b></p> <p>The Medium Term Financial Strategy (MTFS) agreed by Cabinet in January 2023 not only took steps to ensure that the Council could continue to operate on a sound financial footing over the medium term, but also to align the Council’s limited resources to achieving our ambitions for our borough, residents and communities.</p> <p>The recommendations in this report build on the Council’s Medium Term Financial Strategy and will support the vision of We Make Camden to make Camden a place where everyone has a chance to succeed, where nobody gets left behind, and where everybody has a voice.</p> <p>In summary this report:</p> <ul style="list-style-type: none"> <li>• Presents budget and funding proposals that will enable the Council to balance its budget in 2025/26 and utilise available resources towards the achievement of the outcomes set out in We Make Camden.</li> </ul> |  |

- Provides an update on the overall medium term financial position for the Council, including detail from the Local Government Finance Settlement for 2025/26 and other government announcements. It also provides an update on the main areas of financial risk, including the permanent budget pressures across social care and homeless services.
- Recommends a council tax increase of 4.99%, made up of:
  - A rise of 2.99% in the 2025/26 core council tax level, to support council funding at large, and;
  - A rise of 2% from the levying of an Adult Social Care Precept, to support the Council in its response to the unprecedented demographic and demand pressures facing adult social care.
- Sets out the required level of council tax income to balance the budget as:
  - £154,792,070 (inclusive of the Garden Squares levies), which equates to a proposed Camden element of council tax of £1,615.98 at the Band D level for residents not in Garden Squares.
- Sets out the Garden Squares Levies for 2025/26.
- Sets out the proposed Greater London Authority precept at £490.38 for Band D properties, an increase of 4.03% on last year (subject to Greater London Authority approval of the budget), making the total council tax charge at Band D £2,106.36 for residents not in Garden Squares.
- Includes the Executive Director Corporate Services' assessment of the robustness of the budget and the adequacy of general balances available to manage financial risk.
- Recommends fees and charges for approval by Cabinet and by Council where required.
- Recommends capital investment to support the provision of children's social care and the use of corporate resources to invest in the Council's housing stock, noting the ongoing work on the accommodation for care experienced young people.

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

The following document(s) has been used in the preparation of this report:

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## RECOMMENDATIONS

**THE SCRUTINY COMMITTEE** is asked to consider the report and make any recommendations to the Cabinet.

**THE CABINET** is recommended to:

1. Exempt the decisions made regarding the recommendations in this report from call in (as agreed by the Chair of the Resources and Corporate Performance Scrutiny Committee) on the grounds of urgency, and for the reasons set out in paragraphs 2.3 to 2.4 of the report.
2. Note that the Council has not received any feedback following the consultation with Non-Domestic Ratepayers, and have due regard to the result of the equality impact assessment in Appendix F.
3. Recommend to Council for approval:
  - (a) The council tax requirement for the year 2025/26 of £154,792,070 (inclusive of the Garden Squares levies).
  - (b) The calculations for determining the council tax requirement for the year 2025/26 in accordance with the Local Government Finance Act 1992, as set out in Appendix B.
  - (c) To note that the 2025/26 Greater London Authority (GLA) precept set out in this report is £490.38 for Band D and as shown for all bands in Appendix B and is subject to Greater London Authority approval of the budget on 25 February 2025.
  - (d) That the Council sets the amount of council tax for 2025/26, as detailed in Appendix B and notes that this will mean a Camden element of council tax of £1,615.98 for Band D residents not in Garden Squares.
  - (e) That the Council hereby determines that its basic amount of council tax for the financial year 2025/26 is not excessive, as outlined in paragraph 2.45.
  - (f) The budget summary as set out in Appendix C.
  - (g) The budget investments included in paragraphs 2.24 to 2.37, including the continuation of the £2m Cost of Living Crisis Fund.
  - (h) Note the statutory Section 25 notice detailed in paragraphs 7.1 to 7.22 summarising the assurance that the budget is set using sound assumptions and the level of reserves is deemed adequate.
  - (i) The Garden Squares levy requirements received for each Garden Square Committee for 2025/26, as shown in Appendix B.
4. In relation to fees and charges:

- (a) Agree the new fees and charges and those increasing above 7% discussed in paragraphs 2.53 to 2.55 and in Appendix D1 and agree and recommend to Council the fees and charges listed in Appendix D2.
  - (b) Delegate authority to the relevant Executive Director to decide increases to existing fees and charges up to a maximum of 7%, following consultation with the relevant portfolio holders.
  - (c) Delegate authority to the Head of Camden Accessible Transport Services, after consultation with the Director of Environment & Sustainability and the Director of Finance, the ability to amend the CNG charge set out in paragraphs 2.56 to 2.57 of the report in line with wholesale prices, adding on VAT and overheads.
  - (d) Delegate authority to the Director of Recreation to decide fees for ICCS.070, ICCS 166, ICCS.171 and ICCS.283 up the maximum amounts set out in Appendix D1, for reasons set out in paragraphs 2.58 to 2.59 of the report.
  - (e) Delegate authority to the Chief Experience & Information Officer to agree customisation options and costs on the Council's Here's to You reception packages on an individual basis, as per paragraph 2.60 of the report.
5. Note in paragraphs 2.64 to 2.72 the planned use of reserves, and in paragraph 7.22 the adequacy of reserves as stated, and that no major allocations of general balances are being considered at this stage.
6. Agree the capital investment in children's social care provision, social housing and improvements to Acland Burghley School Hall detailed in paragraphs 2.73 to 2.81 and delegate authority to the Executive Director Corporate Services, to take all relevant steps to implement the purchase of properties for Children's Social Care and Social Rented units as they are identified.

**COUNCIL** is recommended to:

1. Note the information set out in this report.
2. Note that the Council has not received any feedback following the consultation with Non-Domestic Ratepayers, and have due regard to the results of the equality impact assessment in Appendix F.
3. Agree:
  - (a) The council tax requirement for the year 2025/26 of £154,792,070 (inclusive of the Garden Squares levies).
  - (b) The calculations for determining the council tax requirement for the year 2025/26 in accordance with the Local Government Finance Act 1992, as set out in Appendix B.

- (c) To note that the Greater London Authority (GLA) precept set out in this report is £490.38 for Band D and as shown for all bands in Appendix B and is subject to Greater London Authority approval of the budget on 25 February 2025.
  - (d) That the Council sets the amount of council tax for 2025/26, as detailed in Appendix B and notes that this will mean a Camden element of council tax of £1,615.98 (4.99% increase) for Band D residents not in Garden Squares.
  - (e) That the Council hereby determines that its basic amount of council tax for the financial year 2025/26 is not excessive, as outlined in paragraph 2.45.
  - (f) The budget summary as set out in Appendix C.
  - (g) The budget investments included in paragraph 2.24 to 2.37, including the continuation of the £2m Cost of Living Crisis Fund.
  - (h) Note the Section 25 notice detailed in paragraphs 7.1 to 7.22 summarising the assurance that the budget is set using sound assumptions and the level of reserves is deemed adequate.
  - (i) The Garden Squares levy requirement received for each Garden Square Committee for 2025/26 as shown in Appendix B.
4. In relation to fees and charges:
- (a) Agree the new fees and charges and those increasing above 7% discussed in paragraphs 2.53 to 2.55 and listed in Appendix D2.
  - (b) Delegate authority to the relevant Executive Director to decide increases to existing fees and charges up to a maximum of 7%, following consultation with the relevant portfolio holders.
  - (c) Delegate authority to the Director of Economy, Regeneration & Investment to introduce the fees set out in the 2025 Regulations should this come into force, including reconciling this with existing fees where necessary, as per paragraph 2.61 of the report.
5. Note in paragraphs 2.64 to 2.72 the planned use of reserves, and in paragraph 7.22 the adequacy of reserves as stated, and that no major allocations of general balances are being considered at this stage.

Signed: Agreed by Jon Rowney, Executive Director Corporate Services

Date: 14<sup>th</sup> February 2025

## 1. CONTEXT AND BACKGROUND

- 1.1. We Make Camden sets out our commitment to investing in our communities. In the past few years, Camden has come together in new and inspiring ways to tackle some of the most pressing issues facing the borough. In March 2022, we published We Make Camden – our refreshed vision for the future of Camden. It sets out what we want to collectively achieve and lead together and was developed following conversations with residents, partners and community leaders.
- 1.2. Delivering our ambitions is supported by a set of Camden Missions and Challenges that we want to tackle with our partners and communities across the borough. You can read more about issues and our response on our [We Make Camden](#) website.
- 1.3. The Council's financial strategy helps shape our ability to deliver on those commitments. The Council has, over a number of years, sought to invest in tackling inequality and to support the vulnerable in our communities. This budget maintains that commitment, with:
  - A continuation of our investment in our Council Tax Support Scheme and Cost of Living Crisis Fund.
  - Investing £0.5m in more homelessness prevention officers, increasing the capacity of the team by 20% and buying back more ex-Right to Buy properties to increase social and temporary housing in the borough.
  - Laying the foundation for future generations through the Camden Community Wealth Fund.
  - We are also investing in the development of the Council's debt mission work to try and ensure that everyone can get the support they need to avoid debt and be financially secure. As part of this work, the Council has established a Money Advice team to support residents to maximise their income and to manage and avoid debt where possible.
  - The Council is also developing plans to buy properties to support care experienced residents.
- 1.4. In Camden, we have a proud track record of sound, long term financial planning and living within our financial means. 2025/26 is the third and final year of the Council's current Medium Term Financial Strategy (MTFS). The new strategy agreed by Cabinet in January 2023 includes the commitment to deliver savings of £27m over the three years to 2026, while providing for investment in areas that will best support the delivery of We Make Camden. In the event that the Council needs to make further savings or changes to its budget or services, those decisions will be taken in line with the Council's governance arrangements and will include financial and Equality Impact Assessments as appropriate.
- 1.5. We prioritise our resources to focus on the outcomes that matter most to our communities, including tackling poverty and inequality, as well as prevention and early intervention. However, our resources are limited because of the continuing impact of over a decade of cuts to local government funding as a result of national government policy. We are seeing the cumulative impact of

cuts across the public sector reflected in the significant financial pressures on our services.

- 1.6. This report proposes the detailed budgets and council tax levels for 2025/26 to support the delivery of services and the renewal of the borough. The council tax increase of 4.99% recommended in this report, including the 2% adult social care precept, is designed to ensure that the Council can continue to fund high quality services and support the borough through the current cost of living crisis and as it recovers from the Covid pandemic. The proposed council tax and social care precept increases are both in line with government assumptions on local council tax rises and local government spending. In the context of government funding reductions from 2010, increasing council tax is necessary for the sustainability of council services. However, this is accompanied by significant investment in a Council Tax Support Scheme and cost of living support to financially vulnerable residents.

## **2. PROPOSAL AND REASONS**

### **A Legal Framework for Setting the Budget**

- 2.1. The decisions within this report are among the most important that local authorities are called upon to make during the year and the manner in which they must be made is closely prescribed by law. Members are required to give careful consideration to the information and advice set out in this report and to the relevant legal considerations set out in Appendix A. In approving the budget and its individual lines, the Council is not making decisions as to the implementation, form or detail of service delivery. These are by law, in the most part matters for the Executive, being the Cabinet and Cabinet Members and on occasion delegated Chief Officers. In the delivery of services decision makers will be required to consider all relevant matters including the results of any consultation and the Council's equality duties.
- 2.2. By law, the Council is required to set the council tax before 11 March for the following financial year. In order to approve a budget and council tax, Council will need to pass a resolution on the statutory determination of tax in the form attached to this report as Appendix B.
- 2.3. The Cabinet is asked to agree that this report is urgent and therefore exempt from the call-in procedure. A decision is urgent if any delay likely to be caused by the call-in process would seriously prejudice the Council's or the public interest. In order to set the council tax by 11 March, the recommendations of this report must be considered by the Council at its meeting on 3 March 2025. If the Cabinet's decision were to be called in, it is unlikely that the correct constitutional procedures could be followed in time to allow for this matter to be dealt with at the full Council meeting on 3 March. Failure to comply with the legal requirement to set the council tax before the 11 March would seriously prejudice the Council's interests.
- 2.4. Given that the final decision on the budget and the council tax rests with Council and all Members will have an opportunity both to speak and vote on the matter at the full Council meeting, the rationale for the call-in procedure

will effectively be met. The consent of the Chair of the Resources and Corporate Performance Scrutiny Committee needs to be sought if the Cabinet decides that this decision is urgent. The Chair has confirmed that this report can be exempted from the call-in procedure.

## **Financial Context and Outlook**

- 2.5. The financial context in which local authorities have operated has been shaped by a range of pressures and challenges over the last 15 years. These have included the cumulative impacts of the significant real terms reductions in capital and revenue funding through austerity, the requirements for councils to deliver significant additional services without the accompanying resources and more recently, the rapid increases in inflation and interest rates from 2022.
- 2.6. This all means that local authorities across London and the rest of England have been placed under acute and often growing pressure. Seven local authorities have issued Section 114 notices to effectively declare bankruptcy since 2018. Many more have either warned of the prospect that they will also do so or have sought exceptional financial support from central government.
- 2.7. Camden is not in this position and has managed financial pressures well compared to many other local authorities. It has done so through a robust financial planning and management system, with the Council's Medium Term Financial Strategy sitting at the heart of the Council's approach. The Council has fully delivered a series of MTFs programmes since 2010, through which it has made a series of purpose-driven investments (including through a specific focus on prevention and early intervention services, as well as investing in our asset base). This has improved the outcomes of service users and the Council's financial position.
- 2.8. However, the scale of the challenge faced across local government is considerable, evolving and should not be underestimated. 2024/25 has seen pressures increase rapidly in demand-driven service areas such as homelessness and children's social care, as the number of cases and their complexity grow whilst service providers' prices increase. In September 2024, London Councils reported that London Boroughs are expected to overspend their budgets by more than £600m in 2024/25, with a £250m pressure on homelessness alone.<sup>1</sup>
- 2.9. Camden is not immune to these challenges, and as summarised in the December MTFs report to Cabinet, is forecasting to overspend by approximately £19m across the General Fund this year. The budgetary pressures facing the Council across social care and homelessness represent a financial crisis for the Council because these cost pressures are expected to be permanent. These permanent additional costs to the Council need to be reflected in the 2025/26 budget and the Council will need to commit most of its new resources to ensuring these services remain properly funded and

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<sup>1</sup> <https://www.londoncouncils.gov.uk/news-and-press-releases/2024/londons-housing-crisis-threatens-break-borough-budgets-amid-ps700m>



are able to provide vital support to the most vulnerable residents in the borough.

- 2.10. In short, the strength of our financial planning puts us in a relatively better position than many others to engage with the challenges caused by a broken, under-resourced funding system and growing demand. Nonetheless, difficult decisions are unavoidable and need to be considered by the Council as part of its budget and council tax setting processes.

### **Local Government Finance Settlement & Government Funding Reform**

- 2.11. The July 2024 General Election saw a new government elected, and it has begun to outline its plans to reform local authority funding and service delivery structures. On 3 February 2025, the government published the 2025/26 Local Government Finance Settlement, confirming the funding available to individual local authorities. This has been reflected in the proposed budget.

- 2.12. As in previous years, the 2025/26 settlement is shaped around a determination of local authorities' 'Core Spending Power'. This is a measure of many of the resources available to a council's General Fund, covering retained business rates, several different government grant streams and the assumed use of council tax raising powers.

- 2.13. The changes in the Council's Core Spending Power for 2025/26 represent a 5.11% increase in cash terms and a real terms increase of 2.66%. The details of the changes in Core Spending Power are set out in Table One below:

**Table One: Summary of Change in Core Spending Power**

|  | 2024/25<br>Settlement<br>£000 | 2025/26<br>Settlement<br>£000 | Change<br>in CSP<br>£000 | Change<br>in CSP<br>% |
|--|-------------------------------|-------------------------------|--------------------------|-----------------------|
| <i>Settlement Funding Assessment</i>                                     |                               |                               |                          |                       |
| Revenue Support Grant  | 28,226                        | 28,761                        | 534                      | 1.89%                 |
| Business Rates Baseline Funding Level                                    | 100,367                       | 101,812                       | 1,445                    | 1.44%                 |
| Section 31 Compensation for under-indexing the Business Rates Multiplier | 17,770                        | 18,346                        | 576                      | 3.24%                 |
| <b>Settlement Funding Assessment Total</b>                               | <b>146,364</b>                | <b>148,918</b>                | <b>2,555</b>             | <b>1.75%</b>          |
| <i>Grants</i>  |                               |                               |                          |                       |
| Social Care Grant  | 28,588                        | 33,849                        | 5,261                    | 18.40%                |
| Local Authority Better Care Grant  | 12,874                        | 15,882                        | 3,008                    | 23.37%                |
| Market Sustainability & Improvement Fund                                 | 5,625                         | 5,625                         | -                        | 0.00%                 |
| Children's Social Care Prevention Grant                                  | -                             | 826                           | 826                      | New Grant             |
| New Homes Bonus  | 105                           | 94                            | (11)                     | -10.32%               |
| Domestic Abuse Safe Accommodation Grant                                  | 46                            | 46                            | 1                        | 1.35%                 |
| ASC Discharge Fund   | 3,008                         | -                             | (3,008)                  | -100.00%              |
| Services Grant & Other Grants Rolled In                                  | 703                           | -                             | (703)                    | -100.00%              |
| Employer National Insurance Contributions Grant                          | -                             | 2,724                         | 2,724                    | New Grant             |
| <b>Grants Total</b>  | <b>50,949</b>                 | <b>59,046</b>                 | <b>8,097</b>             | <b>15.89%</b>         |
| <b>Council Tax Requirement</b>   | <b>141,131</b>                | <b>147,776</b>                | <b>6,645</b>             | <b>4.71%</b>          |
| <b>Core Spending Power Total</b>   | <b>338,444</b>                | <b>355,741</b>                | <b>17,297</b>            | <b>5.11%</b>          |

- 2.14. It should be noted that the increase in Core Spending Power assumes that the Council will increase council tax by the maximum 4.99%. Furthermore, the level of council tax assumed in the Core Spending Power calculation will not match the actual level of council tax raised, as the Core Spending Power includes the government's estimate of the Council's tax base, rather than the actual council tax base in Camden. In addition, it also assumes that the Council will be able to retain business rates equivalent to a 'spending assessment' set by the government. Given the element of risk and reward built into the business rates system, this is not guaranteed.
- 2.15. The Settlement provides an increase in support, much of which is earmarked for social care services. Of the assumed £17.3m increase in Core Spending Power, roughly £6.09m comes from a net increase in social care grants, with an additional £2.66m assumed from a full 2% increase in the adult social care precept.
- 2.16. In addition to the net increase in social care funding, there are also likely to be a number of new responsibilities on the Council's social care services. The Children's Wellbeing and Schools Bill had its second reading in the House of Commons in January 2025. The bill places a number of new duties on local authorities, which pose financial a risk if not adequately funded by central government. New duties that are likely to require additional resources include:
- Upper tier local authorities being required to establish multi-agency child protection units.
  - The introduction of a Single Unique Identifier to improve data sharing with partners. To work effectively this will require investment in systems and administrative support.
  - The duty to provide staying close support to all care leavers under the age of 25.
  - New powers to issue civil penalties against providers of unregistered settings. This measure could increase costs to councils and reduce the availability of placements.
  - Extending the role of Virtual School Heads to support the educational achievement of all children in need and in formal kinship arrangements.
- 2.17. The Final Settlement confirmed that the Council would receive £2.7m in 2025/26 as compensation for the increase in employers' National Insurance contributions. Whilst this funding is welcome, it does not fully cover the anticipated increase in the Council's direct costs, nor any indirect costs likely to be passed on by suppliers.
- 2.18. In addition, the government has announced several grant allocations which sit outside Core Spending Power. These are predominantly targeted at homelessness and children's social care, reflecting the government's commitment at the Autumn Budget to invest additional funding in these service areas:
- £5.22m of Homelessness Prevention Grant – a £1.52m increase in funding

- £2m of Rough Sleeping Prevention & Recovery Grant – which consolidates several existing grant streams
  - £1.74m of Children & Families Grant, of which £1.07m is for Family Help – this consolidates existing grant schemes and Camden’s total funding remains unchanged
- 2.19. The settlement is for the 2025/26 financial year only, representing the seventh year running for which the settlement covers a single financial year. The government has announced that multi-year settlements will be introduced from 2026/27 onwards. This will give local authorities greater certainty to support their long-term financial planning.
- 2.20. The government has also recognised the need for reforms to the local government funding system, to ‘put councils on the road to recovery’ and provide ‘best value for taxpayers’.<sup>2</sup> It has announced its intention to go ‘much further’ over the coming years. This is due to be partly as a result of changes announced to the settlement for 2026/27, particularly the simplification of some grant funding programmes based on a broad assessment of need.
- 2.21. Furthermore, as part of the 2024 Autumn Budget and Spending Review, the government announced that a Phase 2 Spending Review will take place and conclude by late Spring 2025. It has set out that it will use this to build on a number of priority areas for reform, including children’s social care, SEND (Special Educational Needs & Disabilities) and homelessness. Officers will continue to consider the implications of any emerging proposals, including their prospective impact on the Council’s prudent medium term financial modelling assumptions.

### **2025/26 Budget Overview**

- 2.22. This report recommends a balanced budget for 2025/26. The Council’s ability to balance the General Fund revenue budget is a result of its robust financial planning frameworks, most notably the ongoing delivery of the Council’s Medium Term Financial Strategy and associated budget savings. This approach has helped to provide the resources needed to meet the financial pressures that the Council is facing.
- 2.23. Effective financial management plans also mean that the Council can better assess and respond to emerging risks, even in the current difficult environment for local government in London and the rest of England. The Council’s financial planning is built on forecasting long term pressures, including those from inflation, demographic pressures, and policy and legislative changes across services. This allows the Council to take a long term view of the budgetary pressures it is facing and take time to plan and develop a MTFs that combines clear, deliverable savings with outcomes-led, purpose driven investments. In turn, this can ensure that the Council remains financially resilient whilst optimising outcomes.

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<sup>2</sup> <https://www.gov.uk/government/publications/local-government-finance-policy-statement-2025-to-2026>

## **Strategic Investments and Pressures**

2.24. In shaping the MTFs and through our outcomes-focused approach, Cabinet acknowledged that there was an inevitable need to provide investment to enable longer term benefits to be realised, as well as addressing the needs of the borough and funding priorities. Therefore, in setting a balanced budget for 2025/26, the Council has ensured the necessary spending plans are in place to deliver the ambitions of We Make Camden, along with supporting residents and businesses in the borough through the cost of living crisis. As such, the following investments are being made to ensure that the Council continues to focus on achieving its strategic aims and addressing emerging priorities.

### **Supporting our most Financially Vulnerable Residents**

2.25. In response to the cost of living crisis, the Council has continued to invest in services to support the least well off in the borough.

### **Council Tax Support Scheme**

2.26. Camden's current scheme, launched in 2020/21, remains one of the most generous Council Tax Support schemes in the country, with income bands based on the London Living Wage. This means that around 16,000 households (including pensioners) in Camden currently receive 100% support and do not pay any council tax. The estimated cost of the scheme in 2025/26 is £32.6m based on the current Council Tax charge. The exact cost will depend on the number of households who qualify for the scheme over the year.

### **Cost of Living Crisis Fund**

2.27. We recognise the profound impact the cost of living crisis is having on our residents and communities. In 2023/24, we invested £2m in our Cost of Living Crisis Fund. This fund has worked alongside the government funded Household Support Fund, totalling £4m in 2024/25. Some highlights of the year to the end of December 2024 are:

- 682 awards of £300 to low income pensioners not eligible for Pension Credit totalling £200k
- 64,000 supermarket vouchers issued during school holidays to families in receipt of Free School Meals, Housing Benefit and Council Tax Support totalling £1.68m
- Over 5,400 awards made via application, to households in need totalling over £1.88m
- In addition, the Money Advice Service, which is part funded by the Household Support Fund, carries out a range of activities to support local people to maximise their income. A recent example is the Pension Credit Campaign.
- Pension credit is for older residents who are trying to get by on just a few hundred pounds a week. It tops up their income by about £4,500 a year,

gives them access to free prescriptions, eye care, travel to hospital appointments, TV licenses and as of this year the winter fuel payment.

- Our team of five financial support co-ordinators spent three weeks calling people who are missing out on Pension Credits, and helping people apply or linking them up with Age UK Camden.
- In just 3 weeks they helped 44 people to apply, resulting in £250k of new income for these households every year

2.28. The Household Support Fund is announced by government each year. Camden's allocation for 2025/26 is has not been announced at the time of writing. The Council's own Cost of Living Crisis Fund has become a critical part of our efforts to support those in most need and it is recommended that this £2m fund continues in 2025/26. This will sit alongside our ongoing investment in our free employment advice service to help residents with career advice and support.

## **Preventative Services**

### **Social Care**

2.29. Adults' and children's care services are facing significant financial pressures as a result of both inflationary and demographic pressures. The proposed budget for 2025/26 therefore includes inflationary increases of £14.9m to fund service pressures for staff costs, contract inflation and to ensure the Council continues to meet its commitment to pay the London Living Wage for all direct contracts. The budget also includes an increase of £4m above the inflationary pressures funding, set aside in provisions to mitigate the risk of in year cost pressures in children's social care services.

2.30. Children's social care has significant pressures from an increase in the number of looked after children and a significant increase in the cost of individual residential care. Supporting vulnerable adults and children continues to be a core priority for the Council and our investment focuses on early intervention and delivering compassionate, relational support.

2.31. Camden is committed to ensuring every child has the best start in life, where 'every child looked after, or previously looked after, by Camden has a sense of belonging and is supported to make the most of their lives'. Prevention is a cornerstone of the Council's sufficiency strategy, keeping families together and keeping children as close to home as possible wherever it is safe to do so. This is delivered through a range of universal, targeted and specialist services, which aim to reduce the numbers of children becoming children in need.

2.32. Despite this the number of vulnerable children with complex needs is rising following the pandemic alongside economic pressures on families, the cost-of-living crisis and a background of inadequate mental health and other support services. Local Authority expenditure on Children's services across England has risen 41.6% between 2010-2022 and the number of children in care is up by 27%.<sup>3</sup>

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<sup>3</sup> [Performance Tracker 2023: Children's social care | Institute for Government](#)

- 2.33. Camden has experienced similar increased demand in the children and families who most need our support and increases in complexity of needs. The total number of in-year new placements for CLA increased 28% between 2018 and 2023 from 182 to 233, exceeding the number of placements that ceased to be looked after in-year. Consequently, the number of children looked after in Camden increased 16% from 187 as of 31 March 2020 to 216 in November 2024. In addition, market pressures have contributed to a significant increase in the cost of private placements. Consequently, Camden's net expenditure on children's social care placements increased 66% between 2020/21 and 2023/24, from £11.13m to £16.83m.
- 2.34. The Council has made significant investments in social care over the past five years. The recommended budget for 2025/26 continues this approach, proposing capital investment of £11.1m to develop more in-house care provision, as detailed in paragraphs 2.74 to 2.77 of this report.

### **Homelessness**

- 2.35. The worsening homelessness crisis is a key factor driving budget pressures across London local authorities. To mitigate this financial pressure, the Council continues to increase its in-house provision through the Temporary Accommodation Purchase Programme and the development of hostels via the Community Investment Programme. Both of these measures will help to reduce the ongoing cost of temporary accommodation.
- 2.36. The Council is also investing in an additional £0.5m in homelessness prevention, increasing the capacity of the team by 20% to increase our support for families at risk of homelessness as demand for the service increases. The service provides a housing advice and options service, ensuring statutory requirements under the Homelessness Reduction Act are met, whilst working with stakeholders using early intervention and prevention strategies to prevent and relieve homelessness.
- 2.37. Despite these investments, it is expected that the cost of temporary accommodation will increase by roughly £8m above the current budget. As such the recommended budget for 2025/26 includes an £8m increase in budgetary provision for temporary accommodation.

### **Supporting Residents – Anti-Social Behaviour**

- 2.38. We take anti-social behaviour very seriously and our priority is always to ensure that the borough remains a safe place for our residents. We firmly support the rights of our citizens and residents to live free from fear or risk of intimidation, harassment, and abuse. We aim to manage and address anti-social behaviour in a fair, reasonable, proportionate, and transparent way, that puts residents at the heart of what we do. The Council invests £0.7m in tackling anti-social behaviour each year.

### **Council Tax Base**

- 2.39. The tax base for council tax in 2025/26 has increased to 95,769.

- 2.40. The Council Tax Support Scheme is expected to reduce the collectable council tax by approximately £32.6m. This is based on the current average council tax charge in 2024/25. If the recommended council tax increase in this report is agreed for 2025/26, the cost of the scheme will also increase.
- 2.41. The council tax base includes the addition of a 100% premium on second homes, as agreed by Cabinet in February 2024. The second homes premium will come into effect from April 2025 and should raise an additional £5m-£7m per year. This additional funding will contribute to the Council maintaining its existing Council Tax Support Scheme and help support the provision of additional resources for homelessness prevention services.

### **Council Tax and Adult Social Care Precept**

- 2.42. The Government has confirmed that local councils can raise council tax by up to 3% in 2025/26 without the need to hold a local referendum. Local authorities such as Camden, which have responsibility for adult social care services, will also have the flexibility to raise council tax by up to a further 2% in 2025/26, as a dedicated adult social care precept. Each 1% increase in council tax represents an additional £15.39 per year for a Band D property in Camden and would raise an additional £1.47m in 2025/26 in total.
- 2.43. This report recommends a 4.99% increase in council tax, made up of 2.99% in core council tax and 2% from the adult social care precept. This would mean that for a resident in a Band D property (excluding those in Garden Squares), the increase in the Council's element of the council tax would total £76.81 for the year or £6.40 per month.
- 2.44. The increase in council tax is a vital element of the Council's budget and will help to protect crucial services, including the provision of high quality adult social care and welfare support for the most vulnerable households in the borough.
- 2.45. The authority will be considered to have set an excessive increase in council tax if the increase in the level of Band D council tax for 2025/26 is 5% (comprising 2% for expenditure on adult social care, and 3% for other expenditure), or more than 5%, greater than its relevant basic amount of council tax for 2025/26. Any proposals to increase tax above this threshold would require consent gained through a local referendum. The proposed increase in council tax of 4.99% does not exceed the relevant thresholds set out by the government and is therefore, in terms of the legislation, not deemed as being excessive. The Council should, however, formally declare this at the time of making the decision and there is a recommendation to this effect (recommendation 3 (e)).
- 2.46. The setting of the council tax requirement is a decision reserved to Council. It is the role of the Cabinet to recommend the council tax level to Council, having given consideration to the information and advice in this report.
- 2.47. The Executive Director Corporate Services states that the budget for 2025/26 is robust and balanced, subject to the passing of the appropriate

recommendations by Cabinet and Full Council recommended in this report, including the recommended council tax levels. Further details of the Executive Director's assessment of the Council's financial position are in paragraphs 7.1 to 7.22.

- 2.48. Table Two below sets out the Council's overall council tax requirement for 2025/26, with a Band D charge for residents not in Garden Squares of £1,615.98.

**Table Two: Council Tax Requirement**

| Council Tax at Band D                                  | Budget<br>2025/26<br>£000 |
|--|---------------------------|
| Expenditure charged to revenue account (incl. savings) | 1,054,026                 |
| Income credited to revenue account (incl. savings)     | (741,822)                 |
| <b>Subtotal</b>  | <b>312,204</b>            |
| Retained Business Rates and Reliefs                    | (123,088)                 |
| Revenue Support Grant                                  | (28,761)                  |
| Collection Fund - Council Tax Surplus                  | (830)                     |
| Collection Fund - Business Rates Surplus               | (4,733)                   |
| <b>Subtotal</b>  | <b>154,792</b>            |
| Council Tax Requirement                                | 154,792                   |
| Garden Squares   | (32)                      |
| Excluding Garden Squares                               | 154,760                   |
| <b>Band D Council Tax (£)</b>                          | <b>1,615.98</b>           |
| <b>Percentage change over 2024/25</b>                  | <b>4.99%</b>              |

### **Greater London Authority Precept**

- 2.49. The Greater London Authority (GLA) issues an overall precept, which is added to London Borough council tax bills and which includes core GLA services (the Metropolitan Police Authority, the London Fire and Emergency Planning Authority, Transport for London and the London Development Agency).
- 2.50. The London Mayor has proposed an increase of £18.98 (4.03%) in the GLA precept for 2025/26, resulting in a Band D GLA element of the council tax of £490.38. The GLA precept is being levied to provide additional resources to support frontline policing and fire and rescue services and provide a sustainable funding position for Transport for London, including the provision of concessionary travel fares. This proposed increase has not yet been finalised at the time of writing.

### **Total Council Tax for 2025/26 including GLA Precept**

- 2.51. Table Three below shows how the level of council tax at Band D (for residents not in Garden Squares) recommended for 2025/26 compares with the amount set in 2024/25.



**Table Three: Total Level of Council Tax for Residents not in Garden Squares**

| Total Council Tax at Band D | 2024/25         | 2025/26         | Increase / (Decrease) | Change       |
|-----------------------------|-----------------|-----------------|-----------------------|--------------|
|                             | £               | £               | £                     | %            |
| Camden Element              | 1,539.17        | 1,615.98        | 76.81                 | 4.99%        |
| GLA Precept (Proposed)      | 471.40          | 490.38          | 18.98                 | 4.03%        |
| <b>Total</b>                | <b>2,010.57</b> | <b>2,106.36</b> | <b>95.79</b>          | <b>4.76%</b> |

### **Directorate and Departmental Budgets**

2.52. Directorate budgets and the levies payable by the Council in 2025/26 are detailed in Appendix C.

### **Fees and Charges**

2.53. Decisions on fees and charges form a key part of the Council's budget setting framework. The majority of fees and charges for 2025/26 have either been agreed by Cabinet as part of the December 2024 Medium Term Financial Strategy report (where charges are either new or due to increase by more than 7%) or are subject to Non-Key Executive Decisions (where increases are below 7%).

2.54. Some fees and charges for 2025/26 are still to be approved, and this report contains a recommendation to Cabinet and Council to this effect. Details of those fees and charged proposed to be agreed by Cabinet can be found in **Appendix D1**, whilst those proposed to Council (including licensing fees) can be found in **Appendix D2**.

2.55. This report also recommends several delegations to senior Officers to implement fees and charges referred to in Appendices D1 and D3. These are summarised in the following sections.

### **Sale of Compressed Natural Gas at York Way Depot**

2.56. The Camden Accessible Transport Solutions (CATS) service is recommending the introduction of a new charge for third party usage of the Compressed Natural Gas (CNG) filling station at the Council's York Way Depot. Previously the filling station was operated by a third party who received the income from sales to third parties. Under a new contract awarded to TSG UK Solutions Ltd, the Council will operate the filling station and receive any income generated from third party sales.

2.57. Initially the charge will be £1.20 per kg (including VAT) plus 23% overhead to achieve full cost recovery, giving a total of £1.47. The cost will vary according to market prices, so the Cabinet is also asked to delegate authority to the Head of Camden Accessible Transport Solutions, after consultation with the Director of Environment & Sustainability and the Director of Finance, to amend the charge in line with wholesale prices adding on VAT and overhead. This charge is levied under s1 of the Localism Act 2011, the General Power of Competence.

## **Cemeteries Fees**

- 2.58. The London Borough of Camden has a Partnering Agreement with Islington for the joint operation of cemeteries and burial services in Camden and Islington, which Islington administer the services for. However, whilst the setting of fees and charges is agreed at an Islington & Camden Cemetery Services (ICCS) Board which the relevant Camden Cabinet Member attends, these are also subject to the approval process set out in the Council's Constitution.
- 2.59. Some of these proposed fees are set as maximum limits because they relate to bespoke responses to support individuals' burial wishes across a wide range of options. A delegation from Cabinet is therefore sought to give authority to the Director of Recreation to decide fees for ICCS.070, ICCS.166, ICCS.171 and ICCS.283 up to the maximum amounts set out in Appendix D1.

## **Here's To You Reception Fees**

- 2.60. Following the reopening of the Town Hall, the Council is introducing 'Here's to You' wedding reception packages. These are a series of set packages which can be customised. This report recommends that Cabinet delegate authority to the Chief Experience & Information Officer to agree customisation options and costs on the Council's Here's to You reception packages on an individual basis.

## **Draft Planning Fees Order**

- 2.61. On 13 January, the Government laid a draft statutory instrument (The Town and Country Planning (Fees for Applications, Deemed Applications, Requests and Site Visits) (England) (Amendment and Transitional Provision) Regulations 2025 (the '2025 Regulations') before Parliament that, if brought into force, will increase a wide range of planning application fees in England.<sup>4</sup> Assuming its adoption remains on track, the changes in the 2025 Regulations will take effect on 1 April 2025. This report therefore recommends that Full Council delegate authority to the Director of Economy, Regeneration & Investment to introduce the fees set out in the 2025 Regulations should they come into force, including reconciling this with existing fees where necessary. Appendix D3 outlines those fees (REG.227-268) which would change substantially as a result of the 2025 Regulations as they currently stand and if brought into force for Members' information, whilst noting that the Regulations remain in draft and therefore may be subject to change.

## **Climate Budget**

- 2.62. Camden formally declared a "climate and ecological emergency" in November 2019 and has committed to do everything it can to make Camden net zero carbon by 2030. As part of this commitment, the Council has developed a Climate Budget. This Climate Budget provides transparency on

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<sup>4</sup> This can be reviewed at <https://www.legislation.gov.uk/ukdsi/2025/9780348267808>

progress and the funding secured towards the decarbonisation of our own estate and operations through the Carbon Management Plan.

2.63. A summary of the Council's Climate Budget is provided as **Appendix E**.

### **Reserves and Balances**

2.64. The Council sets aside specific resources in our reserves as part of our wider approach to prudent financial management. Reserves are treated like long term savings held for specific purposes and the Council will use them only when strictly necessary. With the ongoing financial pressures still being felt by the Council, it has been increasingly difficult to transfer unspent income into our reserves. When money is drawn down from reserves and not replenished in equal or greater proportion, reserves start to deplete, increasing the risk to the Council's financial resilience.

2.65. In accordance with Chartered Institute of Public Finance and Accountancy (CIPFA) guidance, we have a number of both general balances and earmarked reserves. General balances are held as a wider financial contingency against unexpected financial shocks, while earmarked reserves are held for several specific purposes. These include, but are not limited to:

- Supporting the delivery of our key strategic outcomes within We Make Camden, such as through resources to catalyse data and discovery work for the Diversity Mission.
- To contribute to our Capital Programme, such as the delivery of our Transport Strategy.
- To mitigate against future known financial risks, such as insurance liabilities or a decline in business rates.
- To provide investment and pump prime initiatives that will deliver future financial benefit and longer term savings as we head into the next round of our three year savings plan. This includes investments in new digital and data solutions across services to support service improvement through, funding for pilot projects such as the 'Independent Travel' project for children and the provision of 'We Make Camden kits' to support local residents and organisations.

2.66. In managing our reserves over the medium term, we have recognised that they are a one-off resource and are not a sustainable solution to the financial challenges that we face over the medium term.

2.67. As part of our prudent financial management, all reserves are regularly reviewed to ensure that they remain at the appropriate levels and that they continue to be relevant. If reserves are no longer required for the purposes originally intended, they are then reallocated to best support our strategic priorities.

2.68. The Council has a strategy to increase reserve levels where possible. These have historically been held at a low level. Our General Fund balances currently stand at £16.9m (roughly 5.4% of our net budgeted expenditure) and our General Fund earmarked reserves stand at £152.8m. This historic

approach has reflected confidence in our ability to deliver Medium Term Financial Strategy savings and our strong track record of living within our means. The Council's financial strategy does not assume that any reserves will be used for ongoing day to day expenditure. As reserves are one off resources, using them to fund day to day expenditure is unsustainable.

2.69. Both our ability to deliver services within budget and deliver MTFs savings are now uncertain over the medium term owing to significant demographic and inflationary pressures and the resulting cost of living crisis, along with a lack of certainty over our future funding. Maintaining a suitable level of reserves is a vital element of the Council's financial resilience and can help to support the Council against any future financial shocks.

2.70. This uncertainty has been influenced by a range of compounding historic and current issues, each of which should be viewed as standalone:

- As a sector, local government has seen significant cuts to its funding over the past decade. This leads to additional financial pressure, hurting the Council's ability to build up its financial resilience. This could impact its ability to serve its residents and communities.
- The financial outlook also remains uncertain due to central government agreeing a one year settlement for 2025/26 and the outcome of local government funding reforms still being unknown.
- The long term impact of both Covid-19 and Brexit further add to the unprecedented level of uncertainty which the Council faces over the medium term.

2.71. The forecast movements and year end balances in the Council's reserves for 2024/25 and 2025/26 are presented in Table Four below. It should be reiterated that use of earmarked reserves would not be considered where there are ongoing structural budget deficits in the organisation.

2.72. The main drawdowns from reserves during 2025/26 relate to one off funding for capital schemes as part of the Council's planned Capital Strategy and the use of balances to 'repay' collection fund deficits as a result of reductions in the level of council tax and business rates collected.

**Table Four: Summary of Reserves**

| Earmarked Reserves                                      | Forecast Reserves<br>31/03/24<br>£000 | Out of Reserves<br>£000 | Into Reserves<br>£000 | Forecast Reserves<br>31/03/25<br>£000 | Net Movement<br>2025/26<br>£000 | Forecast Reserves<br>31/03/26<br>£000 |
|---|---------------------------------------|-------------------------|-----------------------|---------------------------------------|---------------------------------|---------------------------------------|
| Reserves to support Council Priorities                  | 48,849                                | (9,666)                 | 5,892                 | 45,075                                | 817                             | 45,892                                |
| Reserves with Conditions                                | 53,337                                | (4,626)                 | -                     | 48,711                                | (3,550)                         | 45,161                                |
| Reserves to Support Capital Activity & Asset Management | 23,746                                | (10,894)                | 7,335                 | 20,187                                | (2,942)                         | 17,245                                |
| Reserves to Manage Future Risk                          | 26,836                                | (16,634)                | 6,370                 | 16,572                                | 13,182                          | 29,754                                |
| <b>Total Earmarked Reserves</b>                         | <b>152,767</b>                        | <b>(41,820)</b>         | <b>19,597</b>         | <b>130,544</b>                        | <b>7,507</b>                    | <b>138,051</b>                        |
| <b>General Balances</b>                                 | <b>16,858</b>                         | <b>-</b>                | <b>1,500</b>          | <b>18,358</b>                         | <b>1,500</b>                    | <b>19,858</b>                         |
| HRA   | 36,788                                | (3,500)                 | 4,000                 | 37,288                                | 4,147                           | 41,435                                |
| Business Rates Local Share                              | 37,282                                | (37,282)                | -                     | -                                     | -                               | -                                     |

## Capital Investments

2.73. The Council's Capital Strategy plays a key role in the Council meeting the objectives of We Make Camden and supporting the wider renewal of the borough. It also helps ensure that the Council can meet its legal and contractual obligations, conduct condition works to control maintenance costs and replace assets at the end of their useful lives. A key element of the Council's Capital Strategy is to retain a level of flexibility within the programme, allowing for new capital investment to be added to the programme at regular intervals as new priorities emerge. Given the current financial pressures facing the Council across children's social care services and temporary accommodation, this report's recommendations for capital investment are focused on increasing the Council's asset base in order to provide more in-house provision in both areas. Work is ongoing to establish a business case for providing housing for care experienced young people for future inclusion in the Capital Programme.

## Purchase of Children's Social Care Property

2.74. It is proposed that the Council invests £11.1m in the acquisition of residential properties for the provision of children's social care residential services. Camden is committed to ensuring every child has the best start in life, and that every child looked after and care experienced young person has a sense of belonging and a place they can call home. The number of vulnerable children with complex needs is rising following the pandemic, alongside economic pressures on families, the cost of living crisis and a background of inadequate mental health and other support services. Local authority expenditure on children's services across England has risen by 41.6% between 2010-2022 and the number of children in care is up by 27%.<sup>5</sup>

2.75. Camden has experienced similar increased demand among those children and families who most need our support, along with increases in the complexity of needs. The total number of new in-year placements for Children Looked After (CLA) increased by 28% between 2018 and 2023 (from 182 to 233), exceeding the number of placements that ceased to be looked after in-year. Consequently, the number of children looked after in Camden has increased by 16% since the pandemic, from 187 in March 2020 to 216 in November 2024. In addition, market pressures have contributed to a significant increase in the cost of external provision. Consequently, Camden's net expenditure on children's social care placements increased by 66% between 2020/21 and 2023/24, from £11.13m to £16.83m.

2.76. Local authorities have a statutory duty to provide accommodation for any child in need in 'the most appropriate placement available' under Section 20 of the Children Act 1989. The Children and Social Work Act 2017 extended the entitlement to statutory support up until the age of 25. The external market is limited and competition in London is high, resulting in a high cost of provision which has risen significantly over the past four years. The Competition and Markets Authority found that London has just 6% of total places in children's homes but 11% of the country's children in care. Lack of

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<sup>5</sup> [Performance Tracker 2023: Children's social care | Institute for Government](#)

adequate local accommodation has negative consequences for children, such as leading to them being moved far from family and wider kinship networks. Furthermore, accommodation for children with complex and specialist needs is the scarcest, with no secure children's homes in London for example.

- 2.77. Camden currently has one residential property (Joseph House) with eight beds available to accommodate CLA in the borough. To meet the rising demand and to manage the cost of external residential placements, this report recommends allocating capital investment of £11.1m in the Council's Capital Programme. This would be used to purchase residential properties and increase the level of suitable accommodation in Camden for our CLA and care experienced young people aged 18 to 25.

### **Purchase of Social Rented Units**

- 2.78. It is proposed that the Council invests £10m of existing corporate resources (retained Right to Buy (RtB) receipts) in the acquisition of residential properties to bolster Camden's social rented housing stock. Increasing the Council's supply of social rented housing by an approximate 20 units (dependent on location and bedrooms) will allow flexibility to convert units in the wider stock to Temporary Accommodation (TA) if required, without reducing the number of available social rented units.
- 2.79. Using RtB retained receipts to fund acquisitions will also allow the Council to benefit from the increase in the maximum permitted contribution from RtB receipts to fund replacement affordable housing, increased from 50% to 100% in 2024/25 and 2025/26 and to purchase new housing stock without an increase in borrowing costs.
- 2.80. Developing in house TA where possible allows the Council to meet its statutory duties on homelessness and reduces financial pressures related to private sector TA costs.

### **Improvement works to Acland Burghley School Hall**

- 2.81. It is proposed that the Council make available up to £0.5m capital match funding to bring forward capital works to the Hall at Acland Burghley School. The works will enhance functionality for school use (including accessibility improvements) and accommodate external events such as theatre performances and additional community activities. The final amount will be determined later in the year and is dependent on the level of external grant secured and fundraising activities.

## **3. OPTIONS APPRAISAL**

- 3.1. To finance the proposed revenue budget proposals there is a net council tax requirement of £154,792,070 (inclusive of the Garden Squares levies), which equates to a Band D council tax level of £1,615.98 for residents not in Garden Squares. This is a 4.99% increase from 2024/25, the maximum permitted without holding a referendum. The Council could choose a different council

tax level (within limitations imposed by the government), with reductions in council tax funded through expenditure reductions or increased income, and (subject to a referendum) increases in council tax used to fund additional expenditure or reduced income.

- 3.2. The proposed 4.99% increase includes a 2% 'precept' for adult social care. This will generate much needed additional adult social care funding to help manage significant cost pressures from demographic changes and inflation. Cabinet and Council could choose not to levy this precept in 2025/26, which would mean a reduction in adult social care budgets and could restrict the ability of the Council to respond to rising demand in social care.
- 3.3. The report sets out the proposed departmental budgets for 2025/26. Cabinet and Council could choose alternative budget allocations.
- 3.4. The report proposes new fees and charges for 2025/26 in addition to those agreed by Cabinet on 11 December 2024. Cabinet could decide not to agree these fees and charges. The report also sets out fees and charges that are at the discretion of Council to agree. Council could decide not to agree these fees and charges.
- 3.5. It is worth noting that Section 32 of the Local Government Act 1992 requires that all known and anticipated revenue budgetary requirements of the Authority for the forthcoming year be calculated prior to setting the council tax. This must be done no later than 11 March in the preceding financial year. There are therefore no alternatives other than to agree a balanced budget by the statutory deadline.

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

##### **Economic Uncertainty**

- 4.1. Whilst much of the Council's funding is set by central government through the Local Government Finance Settlement, or through local decisions on council tax, the Council does face risks from economic uncertainty. This could materialise in a range of ways, potentially increasing the size of any medium term budget gap:
  - Changes to inflation or interest rates could increase the Council's expenditure without income following.
  - Inflation and the rate of unemployment could also compound the challenges faced by residents through the cost of living crisis, increasing the demand for Council services.
  - The levels of economic growth and unemployment may also affect council income (particularly for business rates and council tax).
- 4.2. We will mitigate against this through a robust, long term approach to financial planning, which seeks to capture the potential implications of changes in macroeconomic circumstances at an early stage. We are also seeking to strengthen our reserves position, helping to ensure that the Council has the

financial resilience and flexibility to respond effectively to emerging challenges.

### **Medium Term Changes to Local Government Funding**

- 4.3. As noted throughout this report, the current local government funding system is outdated, with the availability of resources often not matching local need. It is in need of reform to ensure the equitable distribution of resources and to encompass the changing requirements of councils, which have evolved over time.
- 4.4. Whilst the Autumn Budget and Local Government Finance Settlement have shaped the Council's budget setting framework for 2025/26, the government has indicated that wider local government reform is due from 2026/27. The government has not yet announced the specifics of these reforms, but they are expected to include the simplification of grant funding streams, an end to competitive bidding and systemic reforms of service areas such as homelessness and adults' and children's social care. This does introduce some uncertainty for the Council. Conversely however, the move to multi-year settlements will help reduce uncertainty and sharpen the Council's long term financial planning. Officers will continue to monitor and assess the potential impacts of government policy as they emerge, updating medium term financial planning assumptions as appropriate.

## **5. CONSULTATION/ENGAGEMENT**

- 5.1. The Council consulted local businesses as part of the decision-making process that culminates with this proposed budget. The consultation was published on the Council's website as a news item. If there are any further responses arising following the publication of this report, the Cabinet and Council will receive a verbal update.
- 5.2. The investments set out in the Strategic Investments and Pressures section above are informed by the consultation and engagement carried out as part of the Renewal Commission and We Make Camden.

## **6. LEGAL IMPLICATIONS**

- 6.1. Members should give careful consideration to the legal comments regarding the setting of the budget are set out at paragraphs 2.1 - 2.4 and Appendix A of this report.
- 6.2. When making their decisions Cabinet Members must take into account the Council's equality duties. In summary, these legal obligations require the Council, when exercising its functions, to have 'due regard' to the need to: eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act; to advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and foster good relations between people who share a relevant protected characteristic and those who do not (which involves tackling prejudice and



promoting understanding). Under the Duty the relevant statutory protected characteristics are: Age, Disability, Gender reassignment, Pregnancy and maternity, Race, Religion, Sex, Sexual orientation. In respect of the first aim, the protected characteristic of marriage and civil partnership is also relevant. In discharging the Duty the Council has also given a public commitment to give due weight to evidence in relation to the Key Local Characteristics relating to the groups of people referred to page 9 of the attached Equalities Impact Assessment (EIA) (given the strong probability that many people within those groups will have protected characteristics). The relevant groups are Foster carers, Looked after children/care leavers, Low-income households, Refugees and asylum seekers, Parents (of any gender, with children aged under 18), People who are homeless, Private rental tenants in deprived areas, Single parent households and Social housing tenants.

## **7. RESOURCE IMPLICATIONS**

### **Section 25 Statement / Council Financial Resilience**

- 7.1. Section 25 of the Local Government Act 2003 requires each local authority, when setting its annual General Fund budget and level of council tax, to take account of a report from its Section 151 Officer on the robustness of estimates and adequacy of reserves.
- 7.2. As detailed in this report, the Council is facing significant financial pressures this year and over the medium term. We've estimated a budget gap of circa £35-£40m between 2023/24 and 2025/26 after having delivered savings of over £200m – the cumulative impact of which cannot be underestimated. We are not alone, with recent analysis from London Councils showing that London boroughs face a perfect storm of prolonged high inflation, high interest rates, fast-increasing demand for services, and insufficient government funding over the past fifteen years. In particular, boroughs are facing acute pressure on adult and children's social care, as well as rising expenditure on temporary accommodation. These pressures have resulted in an expected in year budget pressure of circa £19m in 2024/25. The Council has a strong track record of operating within its budget, but the financial pressure experienced this year has felt exceptional and is a challenge to the Council's financial resilience. While the expected overspend can be absorbed within our current financial provisions, it is clearly sub-optimal and we've given careful consideration as to how the budget for 2025/26 provides appropriate funding to address these structural pressures in future years and therefore, mitigates against the risk that we cannot operate within our financial resources in future years.
- 7.3. This is set against a backdrop where the local government finance system is in great need of reform. Originally fixed in 2013, the system has not kept pace with either local demographics or need. A recent report by the Institute for Fiscal Studies (IFS) found that London boroughs have a 17% gap between estimated need and actual funding per capita.<sup>6</sup> This has been exacerbated

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<sup>6</sup> [London Councils IFS Report](#)

by the failure of the finance system to reflect the changing role of local councils over the past 15 years. The pandemic and the current cost of living crisis are two examples of where our role has grown and expanded, particularly in respect of employment, financial and welfare support, while the core local government system has so far remained broadly unresponsive.

- 7.4. The new government have indicated their intention to reform the local government finance system, including altering the way that resources are allocated to individual authorities, reducing the complexity and number of funding streams and returning to multi year financial settlements. It is not yet clear what impact this will have on the level of funding that Camden will receive over the medium term, but the return to multi year settlements is welcome and should improve the Council's medium term financial planning.
- 7.5. The General Fund account is not the only part of our finances under pressure. Our role as social landlord is funded through our Housing Revenue Account (HRA). Like many urban authorities with large housing stock and ambitious house building programmes, Camden faces significant financial pressure from high inflation, high interest rates and increasing regulatory requirements. Set against the scale of the financial pressure, it should be noted that rental increases are the sole way in which resources can be increased to meet these pressures. Without any further funding support from central government, this is an unprecedented financial challenge for all local authority social landlords. We will need to develop further our current Medium Term Financial Strategy, aligned with a robust 30-year business plan, to provide us with greater confidence about our financial resilience and sustainability. This is something that we will need to keep under close scrutiny in Camden.
- 7.6. The extreme financial pressure facing local government is leading to a growing risk of financial and service failures. Nationally, we have seen a number of councils issue Section 114 notices (effectively a declaration of bankruptcy) and with the spectre of more to come. Based on our current assessment of our financial position, I can confirm that we are not at risk of issuing a Section 114 notice.
- 7.7. However, it remains important that we continue to monitor our financial position carefully, plan over the medium term, deliver our savings plans, continue to live within our financial means and continue to invest in early intervention and prevention, which we know has a proven track record of strong outcomes and avoids the more costly crisis support delivery models.
- 7.8. In response to the significant medium term risks that we are facing, I have sought to continue to provide an assessment on the Council's longer term financial resilience and stability.

### **Robustness of Estimates**

- 7.9. One of the key elements of the Council's financial planning arrangements is the use of robust estimates for setting its annual budgets and its medium term financial forecasts. One of the 'lessons learnt' from recent failures within the sector has been that business cases and assessments of future income

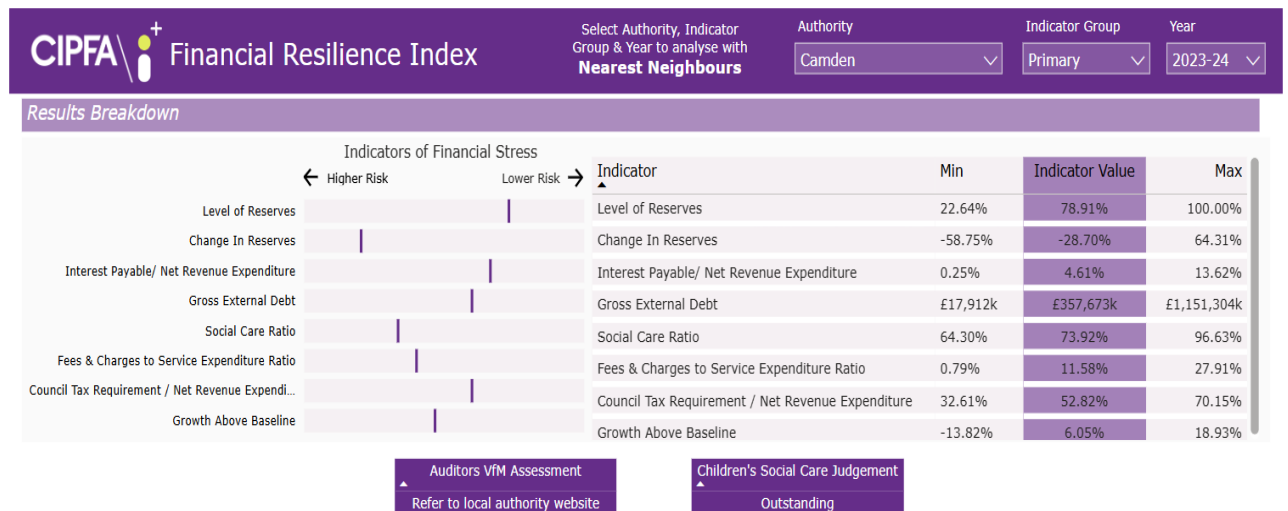
and expenditure for Council services haven't been detailed enough nor widely challenged and understood.

- 7.10. When setting the 2025/26 budget, the Council has taken a two step approach to identifying inflationary and demographic pressures in its budgets. A standard rate of inflation is used to inflate existing budgets based on expenditure and income types. This is informed by external estimates of future inflation from the Bank of England and Office for National Statistics (ONS). Officers then work to identify and include any additional inflationary pressures arising from specific contractual obligations or areas of spend, such as energy costs, where inflation is higher than the standard level set. This process allows the Council to identify and make robust budget estimates as part of the budget setting process for 2025/26.
- 7.11. The Council's medium term financial forecasting is vital in identifying future financial pressures and informs the Council's projected budget gap over the medium term. Officers work with service directors to identify long term service trends and cost pressures from demographics, legislative changes and the Council's own policy priorities summarised in We Make Camden. These assumptions are then subject to discussion and challenge across the Council to ensure they are sufficiently robust and are factored into the budget alongside the agreed savings programme.
- 7.12. The Council's Capital Programme includes planned capital investment of over £1 billion during the next ten years and is a vital element of the Council's delivery of We Make Camden. The annual review of the Capital Programme provides an opportunity to re-examine and update spending plans, estimates and assumptions for the Capital Programme in light of the previous year's outturn, the availability of new external resources and current projections of the cost and delivery timetables for individual schemes. This also allows us to capture and factor in the revenue impact of our capital investment decisions to our medium term planning.
- 7.13. As set out in the Council's Annual Governance Statement, there is a well-established system of internal controls and a governance framework that supports our decision making.

### **Adequacy of Reserves and CIPFA Resilience Index**

- 7.14. In accordance with CIPFA guidance, we hold a number of both general balances and earmarked reserves. General balances are held as a wider financial contingency against unexpected financial shocks while earmarked reserves are held for several specific purposes. This includes, but is not limited to, the support to the delivery of our key strategic outcomes within We Make Camden, to contribute to our Capital Programme, to mitigate future known financial risks (such as insurance liability or a decline in business rates) and to provide investment and pump prime initiatives that will deliver future financial benefit and longer-term savings as we head into the next round of our three-year savings plan. In managing our reserves over the medium term, we have recognised that they are a one-off resource and not a sustainable solution to the financial challenges that we face over the medium term.

7.15. CIPFA's Financial Resilience Index is a comparative analytical tool intended to support good financial management and shows a range of measures associated with financial stress and risk. A screenshot of the index is provided below:



7.16. The index shows that on a range of measures such as external debt and level of reserves sustainability, Camden is at the lower end of the risk spectrum compared to other local authorities of similar sizes and characteristics.

7.17. That said, the index shows that our expenditure on social care as a percentage of our overall expenditure is rising. Our budget planning has reflected this, with additional resources being allocated to social care services so they are fully funded.

7.18. While our overall reserve position is average for similar sized local authorities, this is something that needs careful monitoring. The in year change in unearmarked reserves reflects the in year pressures faced by services, particularly in the HRA. I think particular attention should be paid to the HRA reserve levels, especially given the unprecedented pressure on the annual revenue budget. While the HRA reserve levels provide a limited level of resilience, I believe that further work is required to bolster them over the medium term. Creating the financial capacity to do this is a considerable challenge given the complex operating context.

7.19. In recent years, the Council has recognised the need to bolster reserves and as part of the agreed MTFS, the Council is increasing both its general reserve balance and HRA reserve over the medium term. The successful implementation of this strategy is dependent on the Council working within its annual revenue budget and delivering its agreed savings programme. This is a situation that we will need to continue to monitor.

## **CIPFA Financial Management Code**

7.20. A key element of the Council's strategy for maintaining financial resilience and stability is to work within the Chartered Institute of Public Finance and Accountancy's (CIPFA) Financial Management Code (FM Code). The FM Code has been designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code is built on six broad principles that local authorities should consider when developing and maintaining their financial planning and governance arrangements. Officers consider the principles of the FM Code when managing financial planning and reporting. As further assurance, in 2023/24 we undertook an internal audit review of our compliance with the code. The review assessed the design of the Council's processes and controls in terms of the ability to demonstrate High, Medium or Low compliance with the 17 standards set out in the CIPFA FM Code. Against the 17 standards, we were judged to have 10 instances of high compliance with the remaining 7 being medium compliance. As such, I am satisfied that the Council's financial arrangements do comply with the FM Code in line with best practice. To ensure continued compliance with the code, our internal audit plan includes a follow up audit to test our continued compliance with CIPFA Code and to highlight areas for improvement.

### **Conclusion**

7.21. As part of the consideration of this budget, The Executive Director Corporate Services:

- Confirms the proposed budget is based on robust estimates for both our income and expenditure, and

7.22. States that while the level of reserves is under constant review, they are adequate for an organisation of the Council's size. However, it remains a priority to improve the level of HRA reserves in the context of a very challenging operating context.

## **8. ENVIRONMENTAL IMPLICATIONS**

8.1. The Council continues to recognise the climate emergency and associated environmental challenges as one of the most serious threats faced by the borough's residents. The budget provides financial resources for all the Council's services.

8.2. The Council's Climate Action Plan published in June 2020 sets out how the Council will contribute to tackling the climate emergency with the aim of achieving a zero carbon Camden by 2030.

8.3. The Climate Budget highlights the significant gap between national funding available to support public sector decarbonisation and the anticipated level of funding that is needed to make Camden's own estate and operations net zero.

- 8.4. The Climate Budget helps to direct Council budgets and future investment in alignment with the commitment to tackling the climate emergency and realising a net zero Camden by 2030, focusing initially on the reduction of emissions from the Council's own estate and operations and using the Carbon Management Plan as a framework to guide this work.
- 8.5. The recommendations of this report do not represent any reduction in the allocation of Council funds or financial support towards tackling the climate emergency and achieving a net zero Camden, nor any other environmental programmes delivered by the Council.

## **9. TIMETABLE FOR IMPLEMENTATION**

- 9.1. The Council operates a robust financial governance and monitoring process. Chief Officers receive regular reports on the financial position and regularly review the Capital Programme and the medium term assumptions that underline the Council's modelling.
- 9.2. The report will be considered by the Resources and Corporate Performance Scrutiny Committee as well as Cabinet and Full Council.

## **10. APPENDICES**

Appendix A - The Legal Framework for Setting the Council Tax

Appendix B - Statutory Determination of Council Tax 2025/26

Appendix C - Directorate and Departmental Budgets and Levies

Appendix D - Fees and Charges for 2025/26

Appendix D1 – 2025/26 Fees and Charges Requiring Cabinet Approval

Appendix D2 – 2025/26 Fees and Charges Requiring Full Council Approval

Appendix D3 - Draft Planning Order Fees and Charges – For Information

Appendix E - Climate Budget

Appendix F - Equality Impact Assessment

**REPORT ENDS**