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| <b>LONDON BOROUGH OF CAMDEN</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>WARDS:</b> All                                   |
| <b>REPORT TITLE</b><br>Update on the Council's Medium Term Financial Position (CS/2025/08)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                     |
| <b>REPORT OF</b><br>Cabinet Member for Finance & Cost of Living                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                     |
| <b>FOR SUBMISSION TO</b><br><br>Resources & Corporate Performance Scrutiny Committee<br><br>Cabinet                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>DATE</b><br><br>14 July 2025<br><br>16 July 2025 |
| <b>STRATEGIC CONTEXT</b><br><br><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 on together and was developed following conversations with residents, partners and community leaders. In January 2023, Cabinet agreed the Council's Medium Term Financial Strategy (MTFS), seeking to ensure that the Council's limited resources are targeted towards achieving the ambitions and aspirations set out in We Make Camden whilst protecting the Council's financial resilience.</p> <p>Like other councils across London and beyond, Camden continues to face a series of significant financial challenges, driven by increases in demand for statutory services such as the provision of temporary accommodation and children's social care, as well as broader economic headwinds such as increases in inflation and the cost of living emergency. Long term scarring from a prolonged period of significant government funding reductions have also restricted the flexibility of local authorities to respond to these issues.</p> <p>This report presents an update on the Council's financial position as it enters the final year of its current MTFS and continues seeking to support residents, communities and businesses. It considers how the Council intends to respond to the financial challenges it is facing, the potential impact of upcoming government policy changes and sets out proposals for targeted investments across services to support the Council's financial resilience and delivery of the We Make Camden missions.</p><br><b>SUMMARY OF THE REPORT</b><br><br>This report provides an update on: |                                                     |

- The position of the Council's Medium Term Financial Strategy and its overall financial resilience
- The Council's revenue outturn position for the 2024/25 financial year and its proposed use of reserves
- Those service areas and wider factors shaping the financial challenges facing the Council and our response to them
- The anticipated impacts of upcoming government policy changes, including the Spending Review
- The Council's capital outturn position for the 2024/25 financial year
- The annual refresh of the Council's capital budgets and recommended capital investments

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

No documents that require listing were used in the preparation of this report.

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### **RECOMMENDATIONS**

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

Cabinet is recommended to:

- a) Note the update on the Council's Medium Term Financial Strategy and overall financial resilience, detailed in paragraphs 2.4-2.7 and 2.51-2.52
- b) Note the impact of challenges across temporary accommodation, children's social care provision, schools and the Council's services more generally (including those delivered through the Housing Revenue Account), as well as the Council's proposed responses to them, as set out in paragraphs 2.8-2.12, 2.15-2.20 and 2.29-2.50
- c) Agree to changes to temporary accommodation rents so they are standardised at 90% of the 2011 LHA rate as set out in paragraphs 2.21-2.28, taking into account the Equality Impact Assessment in Appendix C
- d) Note the 2024/25 revenue outturn position for the General Fund and Housing Revenue Account, as set out in paragraphs 2.56-2.62

- e) Agree the proposed allocations to and from earmarked reserves as set out in paragraphs 2.63-2.71 and Appendix A, for inclusion in the Council's Statement of Accounts
- f) Note the 2024/25 capital outturn position, as set out in paragraphs 2.72-2.73
- g) Agree the revised Capital Programme expenditure budgets, funding and capital receipts targets summarised and presented in paragraphs 2.74-2.78 and Appendix B
- h) Agree the additions to the Capital Programme recommended in paragraphs 2.79-2.95 and note the projects recommended for addition to the Capital Pipeline in paragraphs 2.96-2.102
- i) Agree that on the Right to Buy funded purchase of £10m of Social Housing Units, given the speed at which officers need to act to apply the available funding and then acquire properties on the open market to delegate authority to the Director of Property Management (rather than the Executive Director Corporate Services as previously) to agree to acquire properties valued between £250,000 and £2.5m for those current and future related acquisition programmes as described in paragraph 2.103
- j) Delegate authority to the Director of Property Management to agree the use of vacant social units as Temporary Accommodation up to the number of homes acquired as additional social units as described in paragraph 2.104 and to set the rent levels for these units in line with the rent levels set out in Recommendation c

The Leader of the Council is recommended to:

- a) Delegate authority to the Cabinet Member for Better Homes, following consultation with the Cabinet Member for Finance and the Cost of Living, to agree future changes to temporary accommodation rents as set out in paragraph 2.28

Agreed by: Signed by the Director of Finance

Date: 3<sup>rd</sup> July 2025

## 1. CONTEXT & BACKGROUND

- 1.1. Over the last 15 years, local authorities across London and the rest of England have been facing considerable financial pressures and uncertainties. This environment has been shaped by a perfect storm of cuts to central government funding from 2010, the uncertainties and disruption of events such as Brexit, the COVID-19 pandemic and the cost of living crisis, and more recently, increases in inflation and demand for statutory services such as homelessness and social care.
- 1.2. The cumulative impact of these challenges on many local authorities has been stark. Seven local authorities have issued Section 114 notices, effectively declaring bankruptcy. In all, 30 councils are due to receive some form of Exceptional Financial Support from central government in 2025/26, including seven London boroughs.<sup>1</sup> Even beyond those councils which are in acute need of additional support, financial pressures remain high. London Councils have estimated that London's 33 local authorities face a £500m funding shortfall for 2025/26.<sup>2</sup>
- 1.3. Camden is not in the extreme position of many other local authorities. This is due to our record of setting robust financial strategies backed by investments with a purpose. Our commitment to preventative services and bolstering our asset base has enabled us to best use our limited resources, protecting the Council's financial resilience whilst improving outcomes.
- 1.4. Nonetheless, no Council is immune to these pervasive national pressures, and Camden is no exception. The Council has recorded a significant General Fund overspend of £22.8m for 2024/25, with several of the issues driving this position expected to persist as medium term pressures. At the same time, it is also facing pressures across its housing and education functions. Some difficult decisions will be required in the face of these serious challenges. 2025/26 is the third year of the Council's current Medium Term Financial Strategy (MTFS), agreed by Cabinet in January 2023. The delivery of the MTFS is a vital element of the Council's ability to meet these challenges.
- 1.5. This report considers the Council's current financial position, including its outturn for the 2024/25 financial year, as well as the mitigations being pursued to respond to the major challenges we face. It should also be noted that the government has given a number of promising signals around changes to key local authority services (such as homelessness, children's social care and special educational needs) as well as changes to the outdated local government finance system. Further detail is awaited by the sector and Council officers will continue to monitor the policy landscape and assess the implications of any emerging policy changes.

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<sup>1</sup> [Exceptional Financial Support for local authorities for 2025-26 - GOV.UK](#)

<sup>2</sup> [£330m homelessness overspend as housing crisis threatens to bankrupt London boroughs | London Councils – Home](#)

## **2. PROPOSAL & REASONS**

### **We Make Camden**

- 2.1. The Council's corporate strategy 'We Make Camden' sets out our commitment to investing in our communities, our organisation and our staff to achieve our ambitions of a fairer, more equal and more sustainable borough.
- 2.2. Camden continues to focus on becoming a more dynamic, relational organisation, based upon building strong relationships and partnerships whilst creating the conditions for community-driven approaches to solving complex problems. To this end, Camden has invested and built capacity in vital areas, such as digital, data, insight, participation and design, to enable a missions-oriented approach. Together with residents, we have agreed four Missions, which are central pillars of We Make Camden:
- By 2025, every young person has access to economic opportunity that enables them to be safe and secure.
  - By 2030, Camden's estates and their neighbourhoods are healthy, sustainable, and unlock creativity.
  - By 2030, everyone eats well every day with nutritious, affordable, sustainable food.
  - By 2030, those holding positions of power in Camden are as diverse as our community – and the next generation is ready to follow.
- 2.3. Across the borough, community-led action is moving us closer to achieving these shared Missions. The Council's MTFS is driven by the need to ensure the Council uses the resources it has available to support the delivery of the We Make Camden Missions, while protecting the Council's financial resilience.

### **Medium Term Financial Strategy**

- 2.4. The Medium Term Financial Strategy is driven by the principles of We Make Camden as the Council seeks to allocate its resources across the General Fund, Housing Revenue Account and Capital Programme in order to support the delivery of its Missions and protect its financial resilience. The Council is currently in the final year of its agreed Medium Term Financial Strategy. This includes the commitment to deliver £31.67m of savings over the three years to 2025/26 to help address the Council's medium term budget gap. Table 1 below summarises the budget savings that have been agreed as part of the MTFS, including the additional budget savings agreed for the Housing Revenue Account.

### **Table 1: Summary of MTFS Savings**

|                                    | 2023/24      | 2024/25      | 2025/26      |
|------------------------------------|--------------|--------------|--------------|
|                                    | £m           | £m           | £m           |
| General Fund                       | 13.61        | 17.21        | 20.26        |
| Housing Revenue Account            | 2.93         | 6.03         | 7.51         |
| <b>Total MTFS Savings</b>          | <b>16.54</b> | <b>23.24</b> | <b>27.77</b> |
| Additional HRA Savings Agreed      |              | 3.90         | 3.90         |
| <b>Total Agreed Budget Savings</b> | <b>16.54</b> | <b>27.14</b> | <b>31.67</b> |

- 2.5. Through the ongoing delivery of the Medium Term Financial Strategy, the Council was able to set a balanced budget for 2025/26. This reflects the robust financial planning frameworks in place at Camden and has allowed for the provision of resources needed to address financial pressures as these arise.
- 2.6. The environment within which the Council operates remains particularly challenging. The next Local Government Finance Settlement will give the Council a degree of certainty over its medium term funding, which will better allow it to assess any expected future budget gaps. Future Medium Term Financial Strategies will need to address any forecast budget gaps to ensure the Council can continue to set a balanced budget.
- 2.7. It should be noted that at the time of writing the Council has no details of the Local Government Finance Settlement beyond the current year (representing the seventh consecutive year where only single year settlements have been provided). Multi-year settlements will be introduced from 2026/27, giving local authorities greater certainty to support their long term financial planning. However, the promised wider reforms to funding systems introduce new uncertainty and risks to the Council's long term financial resilience. This may mean that the Council has to find further budget savings in order to remain financially resilient.

### **Impact of National Financial Pressures on the Council**

- 2.8. The financial and service delivery environment for local authorities has been shaped by a range of pressures and challenges over recent years. Funding reductions throughout austerity and the requirement for councils to deliver considerable additional services without the accompanying resources have had significant impacts. More recent pressures such as the cost of living crisis and increases in inflation and interest rates from 2022 have compounded these challenges, as councils have been trying to support those residents in greatest need.
- 2.9. The latest annual State of Local Government Finance in England report published by the Local Government Information Unit (LGIU) suggest that of the 150 councils surveyed, 6% said that it was likely that they would issue a Section 114 notice in the next financial year and 35% said that this was likely to happen at some point over the next 5 years. The LGIU report also acknowledged how many of the service pressures we are seeing in Camden

(particularly rising demand and costs across temporary accommodation and children's social care) are also 'critical areas of concern' across local government nationally.<sup>3</sup>

- 2.10. However, Camden is not in the same financial position as many other local authorities, due to its strong track record of managing financial pressures. This has been done 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 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.
- 2.11. We are continuing support to residents through a number of key interventions. This includes our generous Council Tax Reduction Scheme, ensuring around 16,000 households (including pensioners) in Camden currently receive 100% support and do not pay council tax. We continue to invest £2m in our Cost of Living Crisis Fund, which provided financial support to 3,053 households last year. Camden also continues to focus on becoming a more dynamic, relational organisation, based upon building strong relationships and partnerships whilst creating the conditions for community-driven approaches to solving complex problems. To that end, it is due to invest £5m in 2025/26 into our local voluntary and community sector, and into community-led initiatives. This helps to fund advice on food, debt and loneliness, 'warm welcome' spaces, and free events and activities. Finally, capital investment agreed by Cabinet in March 2025 focuses on providing more in-house provision across children's social care services and temporary accommodation, strengthening the Council's asset base and helping us manage financial pressures.
- 2.12. Nonetheless, Camden is not immune from the financial impacts of the regional and national issues described above. The scale of these challenges will mean difficult decisions will need to be considered, potentially limiting our scope to invest.

### **2024/25 Outturn Position – Main Themes**

- 2.13. The Council's 2024/25 revenue outturn position was as follows:
- The General Fund is reporting a significant overspend of £22.8m at the end of 2024/25. The pressure is largely driven by two specific service areas: Temporary Accommodation and Children Social Care services, which have a combined overspend of circa £32m in 2024/25.
  - The High Needs Block element of the Dedicated Schools Grant (DSG) funding Special Educational Needs services was overspent by £4.9m in 2024/25, requiring a drawdown from the DSG earmarked reserve.

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<sup>3</sup> [2025 State of Local Government Finance in England - LGiU](#)

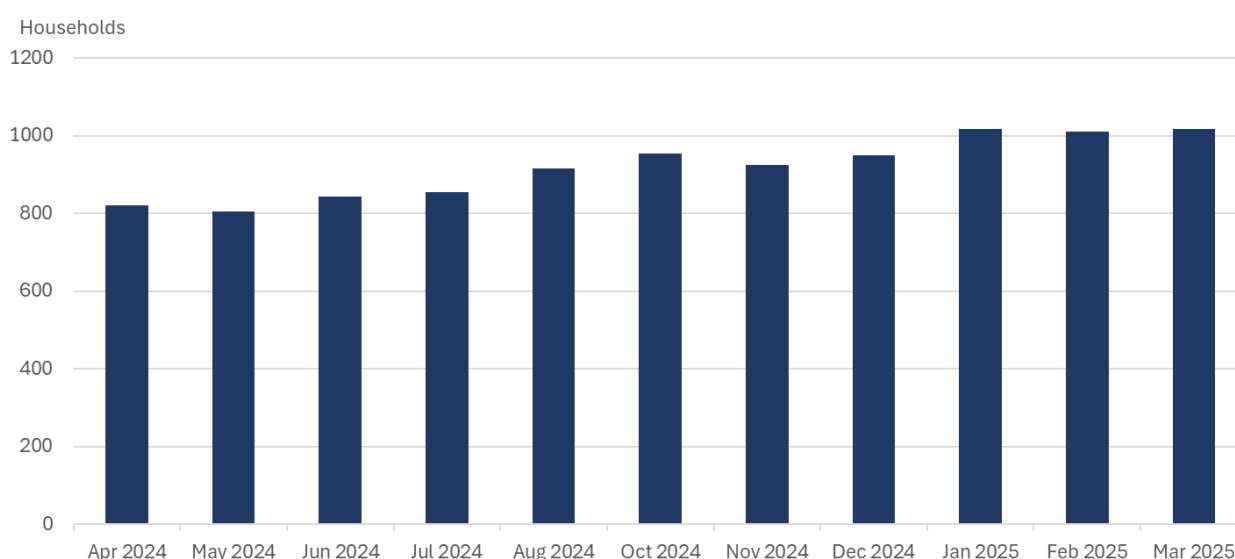
- The Housing Revenue Account (HRA) was overspent by £3.2m, driven largely by repairs demand and fire risk assessment works, along with the Council's response to damp and mould and the sector wide growth in disrepair cases.

2.14. The Council recognised these pressures early, with much of the 2024/25 overspend being forecast in the first half of the last financial year and an early estimate of the General Fund position being reported to Cabinet in December. This means that we have taken much of this pressure into account when setting budgets for 2025/26 (agreed by Full Council in March). Whilst many of the underlying issues which have driven the 2024/25 overspend are likely to persist over the medium term, this early financial planning should provide some mitigation against the risk of drifting into consecutive major overspends. More detail is provided on the 2024/25 outturn position throughout this report.

### Homelessness & Temporary Accommodation Financial Pressures

- 2.15. The Council spent £26.6m on temporary accommodation (TA) in 2024/25. This represents an overspend of £21.2m compared with budgets.
- 2.16. Most of this overspend can be attributed to the rapid rise in demand for temporary accommodation and its rising cost. 2024/25 saw a 24% increase in households in temporary accommodation, with 1,018 households in TA in March 2025, as shown in the chart below. Homelessness acceptances are rising but very few households are moving on to settled accommodation due to the lack of affordability of the private rented sector. This is a London-wide problem described by London Councils as an 'emergency' which 'threatens to bankrupt London Boroughs'.<sup>4</sup>

**Chart 1: Households in Temporary Accommodation, April 2024 - March 2025**



<sup>4</sup> [£330m homelessness overspend as housing crisis threatens to bankrupt London boroughs | London Councils – Home](#)

- 2.17. Investment in affordable housing is critical to tackling the root causes of homelessness. In January 2025, the Cabinet agreed a [Housing Investment Strategy](#) for Camden which sets out the Council's commitment to driving long term growth in council-owned housing. The Community Investment Programme (CIP) is one of the largest and most successful municipal house-building programmes in the UK. By the end of the current CIP Programme Camden will have built 4,850 homes, including 1,800 social rent homes, as part of a total investment of £2.3bn in Camden's communities.
- 2.18. Despite this investment, the need for social and affordable housing in the borough considerably outstrips the supply. Temporary accommodation is therefore a necessary part of the solution to tackling homelessness in the borough. The Council is taking steps to control the unit cost of temporary accommodation, acquiring its own TA and using its own stock as this costs less than procuring nightly paid TA such as bed & breakfasts, hotels and annexes. In recent years it has delivered 181 temporary accommodation units through the Temporary Accommodation Purchase Programme (TAPP). TAPP was part funded by grant, with the majority of units consisting of bought-back homes sold under the Right to Buy scheme along with some new and refurbished units. 30 void properties on regeneration estates across the borough have also been earmarked as temporary accommodation. The Cabinet agreed in February 2025 to purchase 20 homes for social rent using retained Right to Buy receipts, allowing the same number of existing units to be used as temporary accommodation with no loss of social housing. Finally, the Council is rebuilding two hostels at Camden Road and Chester Road which will deliver 89 new self-contained TA units.
- 2.19. The Council has also taken steps to achieve better value for money from nightly paid TA. During 2024/25 it started using a new hotel brokerage company for out-of-hours accommodation and new suppliers of nightly paid accommodation, reducing its reliance on expensive commercial hotels.
- 2.20. The recent restructure of the temporary accommodation and rents services will enable the Council to put more resources into procuring and managing temporary accommodation. However, the most effective way to reduce spend on temporary accommodation is preventing households from becoming homeless in the first place. The restructure of Housing Services has increased the numbers and grade of Homelessness Prevention Advisors to put more resources into prevention. Prevention is nevertheless extremely challenging in the context of the cost of living crisis and the chronic shortage of affordable private rented sector accommodation along with social and affordable housing in London.

### **Standardising Temporary Accommodation Rents**

- 2.21. Unlike most other tenures, households in temporary accommodation can claim Housing Benefit (HB) to help with their housing costs rather than Universal Credit (UC). The maximum HB which can be claimed by a household in TA is fixed at the 90% of 2011 Local Housing Allowance (LHA)

rate. HB is not subject to the benefit cap. Around three quarters of households in Council-owned TA are in receipt of HB.

- 2.22. In recent years, the Council has acquired a number of temporary accommodation units through the Temporary Accommodation Purchase Programme (TAPP). These properties are held in the Council's Housing Revenue Account. The rents for these properties were not set at the 90% of 2011 LHA rate because it was believed at the time that HB would soon be phased out for TA and households would receive UC and therefore be subject to the benefit cap. Instead, rents were set at a level that would be affordable to benefit capped households. However, this has not happened, and the Council is therefore charging less rent for many of its TAPP properties than could be claimed through HB from the Department for Work & Pensions (DWP).
- 2.23. This under-recovery of rent was less of an issue before the current temporary accommodation emergency. However now the Council must do everything it can to tackle its overspend on TA.
- 2.24. Changes to HRA rents are a decision reserved for Cabinet. It is recommended that all TA rents are standardised at the 90% of 2011 LHA rate. This will primarily impact TAPP properties, but will also iron out any inconsistencies in rents in the nightly paid sector. Rent charged by the Council to households in nightly paid TA (B&Bs, hotels and annexes) is in most cases already charged at 90% of 2011 LHA rates, so most households should be unaffected. However, there may be some cases where the rent charged is lower than the amount that can be claimed from HB.
- 2.25. The majority of households affected are already in receipt of HB so they see no impact on their household finances as HB payments will increase to cover the new rent. The Council will make sure no households are worse off as a result of the changes. The Money Advice Service will proactively contact these households to assess their finances and three tiers of support will be available:
- Households may be entitled to claim HB for the first time or move from partial HB to full HB. Officers will support them to make claims.
  - Those still not eligible for HB may be able to access Discretionary Housing Payments (DHPs) for 3-6 months, which are administered by the Council.
  - The Council will provide further support for any remaining households not eligible for HB or DHPs.
- 2.26. An Equality Impact Assessment at Appendix C highlights actions to take place to mitigate against negative impacts on protected groups should this recommendation be agreed.
- 2.27. The Council will need to seek permission from the Ministry of Housing, Communities and Local Government (MHCLG) to change the rents for properties which are subject to the Rent Standard, and from the Greater

London Authority (GLA) for those properties for which grant was received. The rent changes will be implemented as soon as permission has been received.

- 2.28. It may be possible to increase TA rents still further, to the full current LHA rate. The Council is exploring this possibility as it would make a material difference to the TA overspend. It is carrying out due diligence on this option, including ensuring safeguards are in place for households not currently in receipt of HB. If this option is selected, the Council will need to make the change quickly to maximise the impact on the TA overspend. Therefore, it is recommended that the Leader of the Council delegate the authority to make a future decision on TA rents to the Cabinet Member for Better Homes in consultation with the Cabinet Member for Finance and the Cost of Living.

### **Children's Social Care Financial Pressures**

- 2.29. The Council recognises the importance of its corporate parenting duties towards Camden's children in care and care experienced young people. As part of this commitment, Council resolved to treat 'care experience' as a locally protected characteristic in January 2024, whilst the Corporate Parenting Strategy (outlining our plans for 2025 to 2028) was agreed at April Cabinet.
- 2.30. The strength of the Council's approach was reflected in the findings of an Ofsted inspection of children's services in March 2025. This scored the overall effectiveness of the service as 'outstanding' - the highest score that can be achieved. Ofsted recognised the Council's success in protecting children and young people from harm and abuse through strong early help services to prevent escalation and gave praise for the consistent and impactful approach taken. The report highlighted Camden's 'innovative and ambitious' efforts to improve support for young people through 'multidimensional projects and workstreams' also emphasising the 'outstanding services' provided to care leavers, and Camden's strong commitment to anti-racist and relational practices.
- 2.31. Nonetheless, the delivery of children's social care services has become significantly more challenging in recent years, shaped in part by the impact of economic pressures on families and the cost-of-living crisis, along with a backdrop of inadequate mental health and other support services. As a result, the number of children needing care has increased, and the type of placements needed to support both children in care and care experienced young adults has similarly changed. Indeed, London Councils have highlighted the growth in the number of vulnerable children with complex needs since the pandemic, with the number of children needing particularly specialist support outstripping supply and an estimated shortfall of 300-400 beds for children with complex needs across London, though a number of local authorities have sought to strengthen their in house provision.<sup>5</sup>

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<sup>5</sup> Page 15 of London Councils Spending Review Representation [London Councils - SR25 Representation - FINAL \(3\).pdf](#)

- 2.32. In March 2025, £11.1m of capital investment was agreed by Cabinet to acquire residential properties for the provision of children's social care residential services. This investment was in response to rising demand and to help manage the cost of external residential placements. The funding will be used to purchase residential properties and to increase the level of suitable accommodation in Camden for our looked after children and care experienced young people aged 18 to 25.
- 2.33. During 2024/25, placement expenditure increased by 19% to £21.8m, compared to £18.3m spent during 2023/24. The greatest proportion of spend was on private children's residential homes, which totalled £9.3m during the year (43% of the total).
- 2.34. The increased complexity of placements has increased the costs faced by local authorities, as have general inflation pressures and the cost of providing sufficient suitably qualified staff. The sector faces significant challenges with staff recruitment and retention, high levels of turnover and a decline in overall numbers of social workers. Camden has introduced retention payments to help address this challenge.
- 2.35. The impact of these regional and national pressures is being felt in Camden, with a £10.7m (or 97%) increase in net expenditure on children's social care placements between 2020/21 and 2024/25. This is mostly attributed to:
- An increase in children looked after, from 187 in March 2021 to 204 in March 2025.
  - An increase in external market unit costs due to inflation, wage increases (including the London Living Wage, which has increased by a further 5.3% in 2025/26) and increased regulation.
  - Providers of supported accommodation are noting increasingly diverse demographics and increased complexity of mental health and wellbeing needs.
  - A change in the overall placement mix and an increase in more expensive spot purchased external provision.
- 2.36. As a result, the 2024/25 outturn position was a net overspend of £10.114m across the Children and Learning Directorate, approximately 10.3% of the net budget of £98.1m. This poses a significant challenge to the Council, as it seeks to manage demand with the resources available and protect its financial resilience. Furthermore, it is expected that children's social care will continue to be a significant source of financial pressure over the medium term.

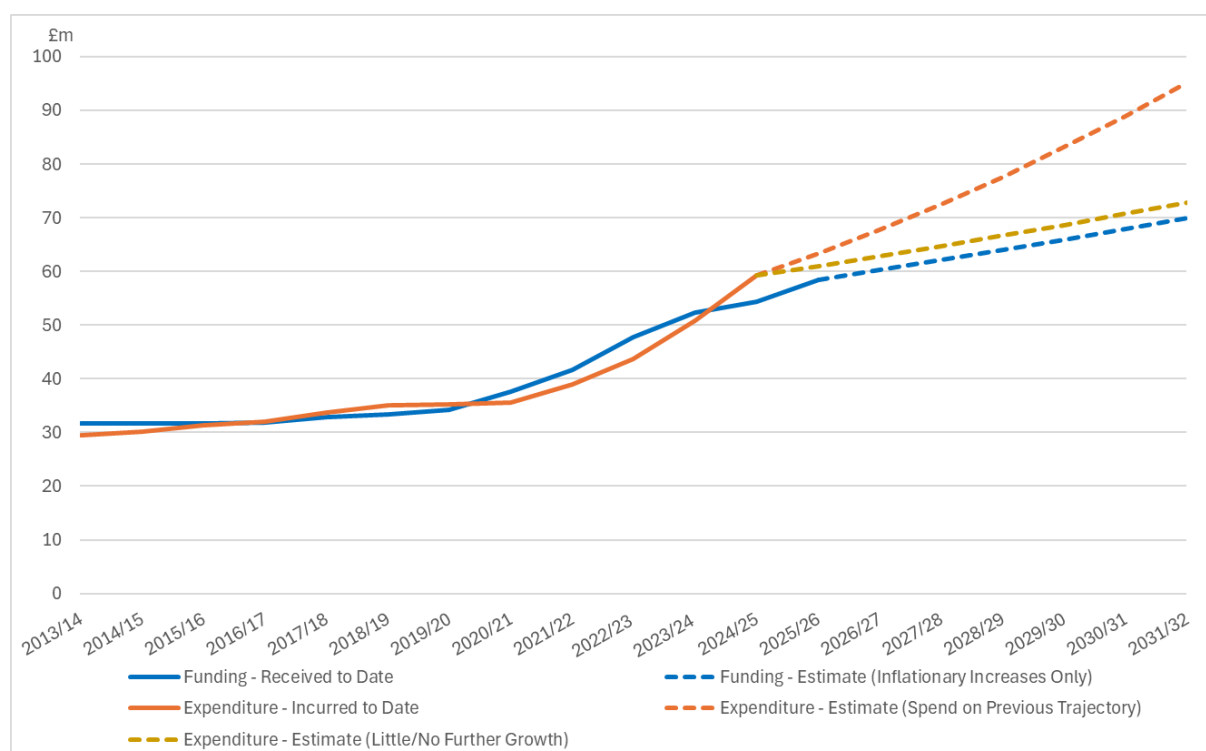
### **Schools Financial Pressures**

- 2.37. Like other local authorities, Camden is experiencing increasing challenges in meeting the needs and aspirations of children with Special Educational Needs and Disabilities (SEND). The National Audit Office has reported that national demand for support for children with Special Education Needs (SEN) increased by 140% from 2015 to 2024 and estimated that local authority DSG

deficits could reach £4.6bn by March 2026.<sup>6</sup> Camden's DSG High Needs Block (HNB), which funds educational services for children and young people with SEN, is similarly experiencing cost pressures from a combination of demographic and cost inflation. However, the most significant pressure continues to be that caused by the implementation of the Children & Families Act 2014, which extended local authority responsibilities for SEN services to support young people up to the age of 25.

- 2.38. The following graph illustrates that although HNB funding has increased significantly since 2020/21, this has still led to an overspend position in 2024/25. The graph also shows the funding gap that could arise should spend carry on increasing at the 2024/25 pace.

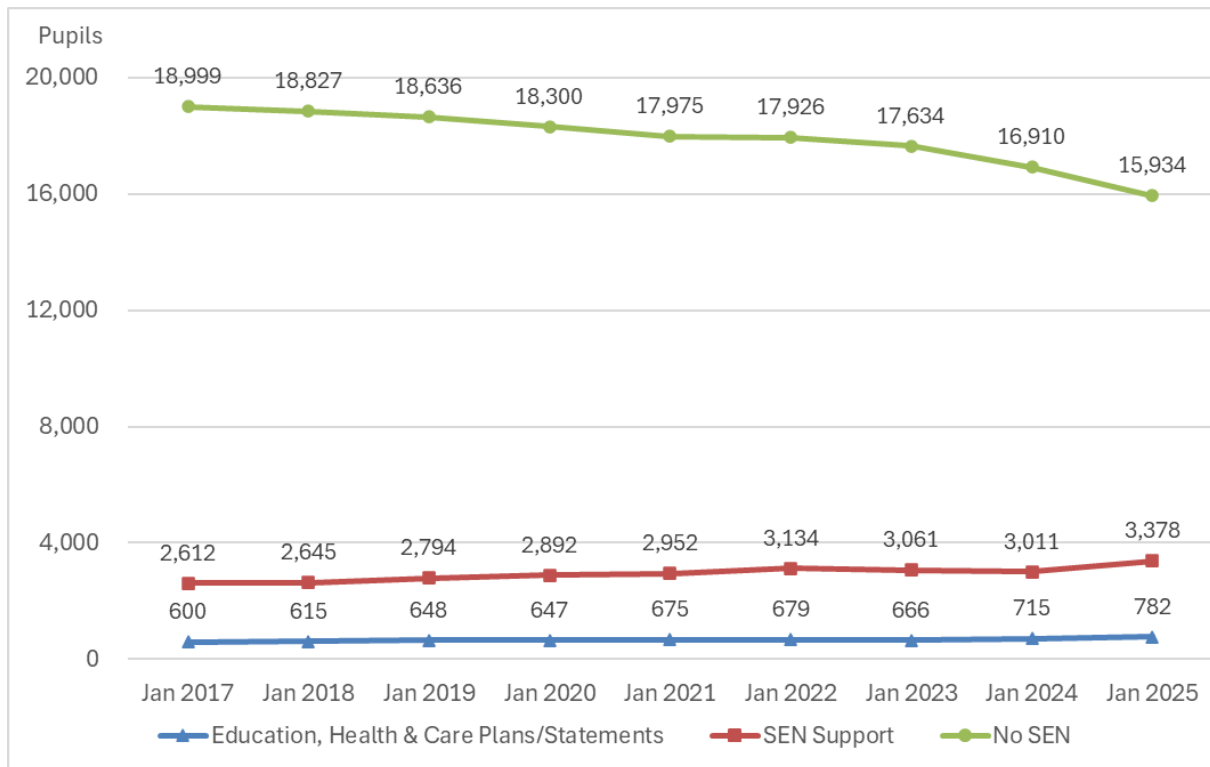
**Chart 2: High Needs Block Funding & Spend 2013/14-2024/25, with Future Projections to 2031/32**



- 2.39. Furthermore, the graph below illustrates the rising number of Early Help and Care Plans/statements and the growing number of those with SEN support, against a backdrop of falling roll numbers overall. The HNB financial pressure is primarily being driven by rising numbers requiring support.

**Chart 3: Camden Mainstream School Rolls by SEN Type**

<sup>6</sup> Page 4 of October 2024 National Audit Office Report [Support for Children and Young People with Special Educational Needs](#)



- 2.40. The Council's careful management of its HNB resulted in the creation of a HNB reserve within the DSG reserve, which was at £10.1m as of March 2024 but has now depleted to £5.2m due to a significant 2024/25 overspend of £4.9m.
- 2.41. There is a significant risk to the DSG reserve over the medium term if rising demand and costs for children and young people with SEN remain. The Council is considering mitigations to ensure that it can set a balanced budget in this area if the reserves funding is exhausted.
- 2.42. HNB expenditure increased by £8.36m from 2023/24 to 2024/25. This means that the current level of funding is no longer sufficient to cover this level of expenditure, with the total spend of £59.24m being 9% larger than the HNB income allocation of £54.35m. Whilst the funding settlement for the HNB increased by £4.16m in 2025/26, if spend continues increasing at current rates the SEN DSG reserves portion is expected to be completely depleted by 2025/26.

### **Pressures & Risks within the Housing Revenue Account**

- 2.43. The Housing Revenue Account rent setting report in January 2025 set out in some detail the significant financial pressures it faces, both structural and more recent.
- 2.44. The provisional 2024/25 outturn for the Housing Revenue Account was £3.2m overspent. The main areas of overspend were in Property Management on disrepair legal fees and compensation, damp and mould and fire risk assessment works and cross-cutting budgets (budgets held outside of direct

service budgets to meet accounting adjustments, as well as income and expenditure which relate to the HRA as a whole), where the depreciation charge was higher than budgeted. These overspends were partially offset by underspends in Housing Services as rent collection improved (therefore reducing the contribution to the bad debt provision), and heating charges came in lower than anticipated (but credits will be given to residents in future when charges are actualised).

- 2.45. In order to reduce the likelihood of overspending again in 2025/26, there will be an enhanced focus on savings monitoring. There were additional savings targets added during budget setting in 2024/25 and 2025/26 to reduce new pressures that have arisen, but unless these targets are met the pressures will continue to drive overspends in the HRA.
- 2.46. The latest medium term financial forecast for the HRA predicts continued pressures from depreciation, building safety and regulation, retrofit and M&E tender risk. The increase in depreciation is primarily driven by higher property valuations in recent years. The HRA must transfer the full cost equivalent of its depreciation to the Major Repairs Reserve every year, which is then used to fund capital investment of HRA stock. The medium term forecast also includes a reduction in the general contingency budget to try and meet additional pressure from depreciation, which could leave the HRA more vulnerable to overspends in future years. The forecast funding gap could reach £10m by 2029/30 unless additional interventions are taken.

**Chart 4: HRA Forecast Funding Gap Over Time**



- 2.47. The Council has refreshed the HRA Capital Maintenance Programme and its 30 Year Business Plan in line with the recent stock condition survey and regulatory standards. The social housing sector has changed enormously in the past few years, in particular since 2017 and the Grenfell tragedy. After a period of change and some uncertainty, the implementation of the Social Housing Regulation Act in 2023 and the Building Safety Act in 2022 has given the Council a clearer framework to plan for the future.

- 2.48. This long term objective begins with the Housing Investment Strategy (SC/2024/40), which was approved by Cabinet in January 2025. The Asset Management Strategy within that is a 5-year strategy for the years 2025-29, detailing investment priorities for the existing council homes, funding arrangements, and the Capital Programme 2025-30.
- 2.49. The stock condition survey carried out in 2023 identified that ideally the Council would commission £670m of essential works in the next five years, of which £320m is already commissioned. Some of the investment costs would be recovered through leasehold service charges, which leaves the investment gap at £265m required for the commission of further essential works.
- 2.50. In response to the challenges of a significant investment gap to deliver essential work, and a complex stock containing a minority of homes needing exceptional levels of investment, the Council has proposed to adopt a proactive stock management approach. The Asset Management Strategy will do this through identifying which homes can be released from the housing stock so the level of investment needed in the stock can be reduced and resources can be generated. The ultimate goal of the strategy will be to make sure that the Council is reducing the number of unsuitable homes and increasing the number of new homes that meet modern standards, or priority needs on the waiting list.

### **The Council's Approach to Maintaining Financial Resilience**

- 2.51. The Council is operating in a tough financial environment, which is causing significant financial challenges. In the face of these issues, it is important that the Council continues to protect its financial resilience. Maintaining this financial resilience is underpinned by a number of key controls which include:
- The close monitoring of income streams and debt levels to determine the impact of inflationary pressures and the cost of living crisis on the Council's income and expenditure.
  - Close monitoring and reporting of the delivery of the existing MTFs savings. This is carried out as part of budget monitoring, with quarterly reports to Division, Directorate and Corporate management teams and the position being reported to Cabinet twice a year.
  - Additional oversight panels led by senior officers to provide enhanced scrutiny on areas with acute cost pressures.
  - The Council is also lobbying central government on the financial pressures caused by exceptional levels of inflation and the cost of living crisis, as well as the complex funding issues relating to social care. The Council undertakes lobbying both individually and via partner organisations such as London Councils.
  - The use of benchmarking tools such as the Chartered Institute of Public Finance & Accountancy (CIPFA) Financial Resilience Index.
- 2.52. The Council has been able to set a balanced budget for 2025/26, which is a result of financial planning being 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.

### **Government Policy Announcements**

- 2.53. As noted throughout this report, the Council is working to mitigate against financial pressures through service and corporate wide mitigations, including targeted investments. However, the Council's operating environment is shaped by external factors, including decisions from central government on service delivery and the funding of local government. These have a major bearing on local authority responsibilities, the resources available to meet them and the degree of certainty they can assume in their financial planning. All are critical elements in responding to the endemic challenges faced by Camden and the wider local government sector.
- 2.54. Since coming to office in July 2024, the government has given a number of positive signals, expressing its intent to deal with the financial challenges faced by local authorities both generally and across many of the individual service areas covered in this report, such as temporary accommodation and social care. It has also pledged to move to a multi-year Local Government Finance Settlement from 2026/27, an important development which will support our financial planning.
- 2.55. The government has also indicated that further changes to local government finances will be forthcoming. For the time being, the impact of many of these remains uncertain. Officers will monitor these and reflect their expected impact in our financial planning as they emerge:
- **Spending Review** – The outcomes of the Phase 2 Spending Review, which set departmental revenue budgets (including for local government as a whole) to 2028/29 were announced by the Chancellor of the Exchequer on 11 June. This included several welcome announcements, including:
    - A 3.1% per annum real terms increase in Core Spending Power (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) confirmed over the period from 2023/24 to 2028/29 – though allocations for each local authority will not be known until the Local Government Finance Settlement (LGFS) in late 2025
    - A 10 year social rent settlement for the HRA at the Consumer Price Index (CPI) + 1%
    - A £39bn, 10 year programme will replace the existing Affordable Homes Programme, which aims to support the construction of homes with a range of tenures and a focus on social rent. The current programme is a major source of funding for Camden's Community Investment Programme

- Around £1.5bn of the one-off Transformation Fund announced at the Spring Statement will be targeted at preventative reforms of challenging service areas for local authorities, such as SEND, children's and adult's social care and homelessness
- **Changes to Grant Funding Formulae** – the government has indicated that the methodology for allocating funding to local authority General Funds will change substantially for the upcoming LGFS, targeting funds 'at the places and services that need it most'.<sup>7</sup> Each LGFS sees some local authorities receive relatively larger or smaller changes in funding than others, and methodological changes mean these differences will likely be more substantial.
- **Service Reform Plans** – In addition to the upcoming LGFS, several further papers setting out the government's intent are expected over the coming months, including a Schools White Paper covering SEND reform and a consultation on the implementation of social rent convergence
- **Resetting of Business Rates** – the current system for business rates is designed to incentivise local authorities who grow their local economies by awarding them a portion of any increased tax take. This system has not been 'reset' since 2013, meaning that the Council has been retaining around £4m - £5m per year in business rates 'growth' since then. The government intends to reset the system in 2026/27, in part to better distribute rates to relatively more deprived authorities, which risks the Council losing all or part of this £4m - £5m from 2026/27
- **Children's Social Care Reform** - The Government has announced proposals for a whole system reform through the implementation of Family Help and Child Protection reforms. There is also planned new legislative duty regarding Family Group Decision Making (FGDM). We believe that the system is about to go through its most radical redesign for 30 years, and the reforms are an opportunity for real radical change. The resource implications will be scoped as part of the Council's implementation planning process

## 2024/25 Revenue Outturn

- 2.56. The last financial year has seen an unprecedented level of financial pressure on the Council, driven by significant inflationary and demographic pressures across services which have placed huge pressures on the Council's budgets. It is reporting a significant overspend of £22.8m for the year in the General Fund and an overspend of £3.2m in the Housing Revenue Account.
- 2.57. Across both funds there have been a number of significant cost pressures that have impacted the Council's financial position, which have been driven largely by substantial increases in demand (including as a result of demographic changes) and economic headwinds. These include inflation across most areas of expenditure and demand pressures across Children Social Care, Property Management and Housing Services (particularly driven by Temporary

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<sup>7</sup> [Spending Review 2025 \(HTML\) - GOV.UK](#)

Accommodation). Table 2 below summarises the Council's revenue outturn position:

**Table 2: 2024/25 Revenue Outturn by Directorate**

| Directorate                          | Budget<br>£m    | Outturn<br>£m   | Variance<br>£m |
|--------------------------------------|-----------------|-----------------|----------------|
| Children & Learning                  | 98.10           | 108.21          | <b>10.11</b>   |
| Supporting Communities               | 85.00           | 112.41          | <b>27.41</b>   |
| Corporate Services                   | 87.86           | 91.36           | <b>3.50</b>    |
| Adults & Health                      | 163.64          | 164.35          | <b>0.71</b>    |
| Cross-Cutting Budgets                | <b>(106.53)</b> | <b>(125.44)</b> | <b>(18.91)</b> |
| <b>General Fund Total</b>            | <b>328.07</b>   | <b>350.89</b>   | <b>22.82</b>   |
| Housing Revenue Account              | 0.00            | 3.21            | <b>3.21</b>    |
| <b>Housing Revenue Account Total</b> | <b>0.00</b>     | <b>3.21</b>     | <b>3.21</b>    |

2.58. These pressures represent a threat to the Council's financial resilience and it is vital that the Council works to control expenditure wherever possible. Officers have already taken a number of actions to this end. These include increased recruitment controls and the establishment of a series of Resource Panels, chaired by the Chief Executive, to examine the cost drivers across services and agree actions to reduce expenditure where possible. Furthermore, the Council's 2025/26 budget includes an increased level of contingency against cost pressures in homeless services and children's social care to help protect the Council's financial resilience. However, the need to respond to these ongoing cost pressures will inevitably reduce the Council's ability to invest in services and deliver the Camden Missions over the medium term.

2.59. The main budget variances facing the Council's General Fund are:

- The Children and Learning Directorate is reporting a overspend of **£10.1m**. This is due to an £11.1m overspend within the Children Safeguarding & Social Work division, which is as a result of increases in the cost of care. This in turn reflects increases in demand for services and increased complexity of needs, as well as growth in the cost of care due to market pressures. In all, there has been an increase of circa £3m in placement costs from an already pressured position in 2023/24.
- The Adults and Health Directorate is reporting an overspend of **£0.7m**. The directorate faces pressures from growing demand, including for those with complex needs supported at home or in the community, combined with fees not keeping pace with inflation. Medium term risks facing the directorate also include additional provider National Insurance costs being passed onto the Council. The 2024/25 position also included ad hoc income received from the North Central London

Integrated Care Board to provide additional support for mental health services as well as people being discharged from hospital, meaning underlying budget pressures remain.

- The Supporting Communities Directorate is reporting a **£27.4m** overspend. The primary driver of this position was a £21.2m overspend on Temporary Accommodation. Whilst this poses a significant pressure across the country, central London boroughs such as Camden are particularly exposed to the rising levels of homelessness and the shortage of affordable accommodation in the city, further exacerbated by instances of landlords ending arrangements with councils.
- Other overspends for the directorate include £4.5m in Environment and Sustainability, mainly driven by a combination of contract and income pressures across waste management services, as well as growing client demand and taxi costs for the SEN transport functions delivered by Camden Accessible Travel Solutions. There was also a £2.6m overspend in Development, around £1.9m of which was due to unachieved income, staffing budget pressures and increased bad debt provision in commercial property.
- The Corporate Services Directorate is reporting a **£3.5m** overspend. This is primarily due to an overspend of £3.0m across Digital and Data Services. This reflects the significant project work taking place across the division, including in support of the Council's data infrastructure systems, Missions and system work across key service areas such as social care and housing.
- Cross-cutting budgets are reporting a **£18.9m** underspend. This position is mainly down to underspends against the contingency held for unexpected financial shocks or pressures. However, this has been somewhat offset by pressures on interest budgets totalling £9.3m.

2.60. The HRA overspent by £3.2m, driven largely by a £6m overspend in Property Management, which was mainly due to repairs demand. The division has been working to contain the combined pressures of fire risk assessment works, the Council's response to damp and mould, and the sector wide growth in disrepair cases. This pressure is offset in part by a £4.3m underspend in Housing Services, which is due to leaseholder services (especially heating charges) being lower than budget. The Development division also underspent by £1.1m. HRA non departmental budgets overspent by £2.7m, largely as a result of depreciation charges being higher than budgeted.

2.61. The Council has seen permanent scarring from the pandemic and the cost of living crisis, leading to reductions in many rents, fees and charges as well as a need to provide ongoing support to many residents through schemes such as the Council Tax Reduction Scheme. In addition, officers have needed to carefully manage budgets throughout the year to help mitigate against the in-year impact of inflationary pressures.

- 2.62. The cost pressures that the Council experienced in 2024/25 are likely to remain over the medium term, representing a continued threat to the Council's financial resilience. Inflation across key services remains high and the significant pressures across social care and temporary accommodation are being felt both nationally and across London. The expected inflationary impacts on budgets were factored into the Council's Medium Term Financial Strategy and help to inform the level of savings needed in both the General Fund and the Housing Revenue Account in order to close the expected medium term budget gap.

### **2024/25 Use of Reserves**

- 2.63. The Council sets aside specific resources in its reserves as part of its 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 reserves. When money is drawn down from reserves and is not replenished in equal or greater proportion reserves start to deplete, increasing the risk to the Council's financial resilience. In managing our reserves over the medium term, we have recognised that they are a one-off resource and not a sustainable solution to the financial challenges that we face.
- 2.64. In accordance with CIPFA guidance, we have a number of both general balances and earmarked reserves. General balances are held as a wider financial contingency against unexpected financial shocks, while earmarked reserves are held for several specific purposes. These include:
- Supporting the delivery of the key strategic outcomes in We Make Camden
  - Contributing to our Capital Programme
  - Mitigating against future known financial risks (such as insurance liabilities or changes in the level of business rates)
  - Providing investment or pump priming initiatives that will deliver future financial benefits or longer term savings, as we head into the next round of our three-year savings plan
- 2.65. It is proposed that the Council draws down £22.82m from General Fund reserves and £3.21m from Housing Revenue Account reserves to meet the cost of the service overspend in 2024/25. In addition, this report recommends a drawdown from schools reserves of £5.78m to support additional expenditure in schools and a net draw down of £3.41m against the Dedicated Schools Grant reserve, with the latter largely driven by the need to fund the £4.9m overspend against the High Needs Block.
- 2.66. In addition, the Council makes planned contributions to and from reserves in order to support planned investments and risk mitigations, including a net drawdown of £11.05m to support investment in capital projects.

- 2.67. The Council also holds a reserve to manage the central government grant payments it receives each year to fund the business rates relief. The Council receives grants to compensate for the loss of income from reduced business rates as a result of the relief. These grants are held in reserve for a year and paid into the Collection Fund the following year. These reserves are held separately as they are not generally available to meet Council expenditure.
- 2.68. Prior to the pandemic, the Council was following a strategy of low reserves to allow for the maximum level of resources to be allocated to achieving the aims of We Make Camden. Our General Fund balances currently stand at £18.36m (or roughly 5.9% of our net budgeted expenditure) and our General Fund earmarked reserves stand at £125.53m (or 40.2% of net expenditure).
- 2.69. The Cost of Living Emergency, along with the increasing demand for services will impact the Council's ability to deliver further required savings over the medium term. This in turn means that we will be operating with substantially reduced financial flexibility. This position will need to be closely monitored moving forward to ensure that reserve levels remain at an appropriate level and can provide a strong level of resilience and flexibility to respond to any emerging financial shocks.
- 2.70. Members agreed to increase the Council's general reserve balances by £1.5m a year over the medium term, growing these balances as a share of net service expenditure to support the Council's financial resilience. This means that general reserve balances are forecast to increase to £21.36m by March 2027. The need to increase general reserve balances to support the Council's financial resilience has been driven by a number of compounding issues:
- As a sector, local government has seen significant cuts to its funding over the past decade. This leads to additional pressures and if the Council fails to build up its resilience this could impact its ability to serve its residents and communities.
  - The financial outlook also remains uncertain due to the outcome of local government funding reforms still being unknown and the demand for services driven by demographic changes and economic uncertainty.
  - The long term impact of the major challenges faced in recent years, including COVID-19 and the cost of living crisis, will continue to shape the uncertainty faced by the Council over the medium term.
- 2.71. Table 3 below summarises the forecast position for the Council's reserves over the medium term. This is based on our best estimate of movements to and from reserves over time. Some reserves are held to deal with unexpected events or to fund future projects whose timing is currently undecided. As such, the actual timing of the use of some reserves is uncertain.

**Table 3: Forecast Reserve Balances**

| Earmarked Reserves                                              | Actual<br>Reserves<br>31/03/24<br>£m | Reserves<br>31/03/25<br>£m | Reserves<br>31/03/26<br>£m | Reserves<br>31/03/27<br>£m | Reserves<br>31/03/28<br>£m | Reserves<br>31/03/29<br>£m |
|-----------------------------------------------------------------|--------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Reserves to support Council Priorities                          | 48.847                               | 34.981                     | 36.063                     | 31.244                     | 26.958                     | 23.875                     |
| Reserves with Conditions                                        | 53.340                               | 53.624                     | 50.074                     | 47.121                     | 46.883                     | 46.648                     |
| Reserves to Support Ongoing Capital Activity & Asset Management | 23.746                               | 19.539                     | 16.597                     | 16.841                     | 18.315                     | 19.809                     |
| Reserves to Mitigate Future Risk                                | 25.214                               | 17.390                     | 21.390                     | 25.390                     | 29.390                     | 33.390                     |
| <b>Total GF Earmarked Reserves</b>                              | <b>151.147</b>                       | <b>125.534</b>             | <b>124.124</b>             | <b>120.595</b>             | <b>121.545</b>             | <b>123.721</b>             |
| General Balances                                                | 16.858                               | 18.358                     | 19.858                     | 21.358                     | 22.858                     | 24.358                     |
| Business Rates Reliefs Local Share                              | 37.282                               | 38.947                     | 38.947                     | 38.947                     | 38.947                     | 38.947                     |
| <b>Total GF Reserves</b>                                        | <b>205.287</b>                       | <b>182.839</b>             | <b>182.928</b>             | <b>180.900</b>             | <b>183.350</b>             | <b>187.026</b>             |
| Housing Revenue Account - Earmarked Reserves                    | 16.328                               | 9.951                      | 9.951                      | 9.951                      | 9.951                      | 9.951                      |
| Housing Revenue Account - Unearmarked Reserves                  | 13.387                               | 14.178                     | 18.325                     | 22.129                     | 25.344                     | 27.821                     |
| <b>Total HRA Reserves</b>                                       | <b>29.715</b>                        | <b>24.129</b>              | <b>28.276</b>              | <b>32.080</b>              | <b>35.295</b>              | <b>37.772</b>              |
| Schools Balances                                                | 20.989                               | 15.204                     | 14.904                     | 14.604                     | 14.304                     | 14.004                     |
| <b>Total Revenue Reserves</b>                                   | <b>255.991</b>                       | <b>222.172</b>             | <b>226.109</b>             | <b>227.584</b>             | <b>232.949</b>             | <b>238.802</b>             |

## 2024/25 Capital Outturn

2.72. The Capital Programme underspent by £89.5m in 2024/25 due to a number of delays and slippages to complex capital projects. The suggested profiling for 2025/26 onwards takes account of these slippages. Over the lifetime of the Capital Programme, budgets are expected to be fully utilised.

**Table 4: 2024/25 Capital Outturn**

| Division                           | Budget<br>£m  | Outturn<br>£m | Variance<br>£m | Variance<br>%  |
|------------------------------------|---------------|---------------|----------------|----------------|
| Development (CIP & Major Projects) | 93.52         | 73.58         | (19.94)        | (21.3%)        |
| Community Services                 | 14.58         | 4.27          | (10.31)        | (70.7%)        |
| ICT & Corporate Services           | 3.71          | 1.29          | (2.41)         | (65.1%)        |
| Environment & Sustainability       | 38.56         | 22.93         | (15.63)        | (40.5%)        |
| Property Management                | 195.37        | 154.15        | (41.22)        | (21.1%)        |
| <b>Total</b>                       | <b>345.75</b> | <b>256.23</b> | <b>(89.52)</b> | <b>(25.9%)</b> |

**Table 5: 2024/25 Target Receipts vs Actual Receipts**

|                               | 2024/25<br>Budget<br>£m | 2024/25<br>Outturn<br>£m | 2024/25<br>Variance<br>£m |
|-------------------------------|-------------------------|--------------------------|---------------------------|
| HRA Capital Receipts          | (26.50)                 | (44.11)                  | (17.61)                   |
| General Fund Capital Receipts | (11.30)                 | (4.28)                   | 7.02                      |
| <b>Total Capital Receipts</b> | <b>(37.80)</b>          | <b>(48.39)</b>           | <b>(10.59)</b>            |

- 2.73. HRA receipts were £17.61m ahead of target during 2024/25. The key drivers of this were sales receipts at Agar Grove, which were ahead of profile in year due to successful sales, along with retained Right to Buy receipts. The General Fund (GF) had a target of £11.30m for the year relating to the sale of land at Central Somers Town, which was not sold in 2024/25. The resulting underachievement of income in 2024/25 is partially offset by other GF disposals (primarily Cressy Road) totalling £4.28m in year. The net GF underachievement was £7.02m.

### Review of Capital Budgets from 2025/26

- 2.74. The annual review of the Council's Capital Programme provides an opportunity to re-examine and update spending plans 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. Where new funding has been secured, additional projects are also added to the programme. Where there are increasing cost pressures and service demands, particularly in Temporary Accommodation, adult social care and children's social care, the Council is investigating how capital investment could be deployed to mitigate growth of overspends and meet future and current demand. Camden continues to be committed to tackling the climate emergency through its Capital Programme.
- 2.75. A summary of the Capital Programme and the changes made following the review of existing capital schemes are shown in Tables 6 & 7 below, with a further summary on the funding of the programme in Appendix B. The majority of the additional budget is the extension of the Community Investment Programme agreed in year, the Asset Management Strategy, additional spend required on the Chalcots Estate, the profiling of the £11.1m investment in children's social care and the £10m Social Housing Acquisition (both approved in the 2025/26 Revenue Estimates and Council Tax Setting report - CS/2025/04).

**Table 6: Capital Budgets following Prior Year Capital Review to the Starting Point for Capital Review 2025/26**

|                         | 2024/25<br>£m | 2025/26<br>£m | 2026/27<br>£m | 2027/28<br>£m | 2028/29<br>£m | 2029/30<br>£m   | 2030/31<br>£m | Total<br>£m    |
|-------------------------|---------------|---------------|---------------|---------------|---------------|-----------------|---------------|----------------|
| Approved Budget         | 309.363       | 217.133       | 188.817       | 124.154       | 109.022       | 92.180          | 0.000         | 1,040.670      |
| Revised Budget          | 345.746       | 258.882       | 199.873       | 134.561       | 129.867       | 72.907          | 20.119        | 1,161.956      |
| <b>Change in Budget</b> | <b>36.383</b> | <b>41.749</b> | <b>11.056</b> | <b>10.407</b> | <b>20.845</b> | <b>(19.273)</b> | <b>20.119</b> | <b>121.286</b> |

**Table 7: Pre Capital Review 2025/26 & Post Capital Review 2025/26**

|                               | 2024/25<br>£m   | 2025/26<br>£m | 2026/27<br>£m | 2027/28<br>£m | 2028/29<br>£m | 2029/30<br>£m  | 2030/31<br>£m  | Total<br>£m    |
|-------------------------------|-----------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|
| Pre Capital Review (2025/26)  | 345.746         | 258.882       | 199.873       | 134.561       | 129.867       | 72.907         | 20.119         | 1,161.956      |
| Post Capital Review (2025/26) | 256.229         | 262.114       | 207.239       | 167.371       | 215.332       | 222.614        | 248.341        | 1,579.240      |
| <b>Change in Budget</b>       | <b>(89.517)</b> | <b>3.231</b>  | <b>7.366</b>  | <b>32.810</b> | <b>85.465</b> | <b>149.706</b> | <b>228.222</b> | <b>417.284</b> |

- 2.76. The Capital Programme is frequently monitored, and emerging risks are proactively managed throughout the year. A degree of flexibility and contingency is built into the programme to ensure that it remains affordable and to reduce the cashflow challenges of a programme that relies to a significant extent upon capital receipts. Where the market conditions for disposal are unfavourable, alternative funding sources will be explored and plans enacted for making alternative use of these assets over the medium term, generating additional income or supporting the Council in meeting its We Make Camden objectives. Where opportunities for external funding arise in year, projects may be added to the programme subject to governance.
- 2.77. The Council's Capital Programme is based on prudent assumptions, with contingency built into budgets where appropriate. However, given the substantial revenue pressures across the Council, the programme will be kept under continual review to ensure that the revenue costs of meeting debt payments remain affordable and that funded projects make the best use of the Council's resources. If the programme becomes unaffordable to the Council or new projects arise that need to be funded, other items will have to be removed to ensure the financing costs remain affordable. This will be an area of focus and review during 2025/26, given the demands on borrowing and revenue pressures across the Council.
- 2.78. As well as the challenges with meeting the cost of borrowing resulting from higher interest rates, the programme is impacted by the high cost of supplies, labour and materials and new regulations relating to social housing, fire safety and low carbon targets. As there is limited revenue capacity to support new borrowing in both the General Fund and Housing Revenue Account, business cases for new investments have to be carefully scrutinised to ensure they are the best use of the Council's resources.

### **Recommended Investments**

- 2.79. In addition to the Capital Programme summarised in Appendix B, this report makes a number of recommendations for further capital investment, which if agreed, will be added to the Capital Programme. The Capital Programme is fundamental to ensuring that the Council meets the ambitions and aspirations set out in We Make Camden and responds to many of the operational, regulatory and financial challenges found across local government. A robust Capital Strategy helps the Council best use its limited resources to manage its many investment priorities.
- 2.80. The Council's approach to its Capital Strategy was outlined in the March 2022 'Capital Estimates and Capital Pipeline Priorities' (CS/2022/07) report to Cabinet and Council. It set out that a key element of the Council's Capital

Strategy would be to retain a level of flexibility within the programme, allowing new capital investment to be added to the programme at regular intervals as new priorities emerge. As part of this strategy, Members agreed a 'pipeline' of future capital priorities that would be regularly updated to allow the Council to assess the full range of capital investment requirements and priorities over the coming years. This pipeline allows the Council to take a more iterative and strategic approach to bringing forward new capital projects, which could be included in the Capital Programme at the point that business cases are fully developed and projects are ready to proceed. The investments recommended below are split between those that are recommended for immediate addition to the Capital Programme and those that will undergo further internal governance and are recommended for addition to the pipeline.

### Additions to the Capital Programme

- 2.81. The below projects have developed business cases and have progressed through internal governance.

**Table 8: Summary of Recommended Additions to the Capital Programme**

|                                               | 2025/26     | 2026/27     | 2027/28     | Total        | Of Which<br>External<br>Funding |
|-----------------------------------------------|-------------|-------------|-------------|--------------|---------------------------------|
|                                               | £m          | £m          | £m          | £m           | £m                              |
| Brecknock Primary & Langtry Children's Centre | 0.08        | 1.30        | 1.83        | <b>3.20</b>  | 1.30                            |
| Swiss Cottage & Kentish Town Sports Centres   | 0.76        | 2.84        | 4.04        | <b>7.65</b>  | 6.50                            |
| Phoenix Court Retrofit                        | 0.10        | 0.00        | 0.00        | <b>0.10</b>  | 0.10                            |
| Corporate Estate Upgrade Works                | 2.76        | 0.00        | 0.00        | <b>2.76</b>  | 0.00                            |
| Regis Road Regeneration                       | 2.70        | 2.00        | 0.20        | <b>4.90</b>  | 0.00                            |
| Roof Works - Acol Road & Kentish Town Library | 0.40        | 0.00        | 0.00        | <b>0.40</b>  | 0.00                            |
| Safety Works - Council Structures             | 0.50        | 0.00        | 0.00        | <b>0.50</b>  | 0.00                            |
| 107 Kingsgate - Upgrade & Compliance Works    | 0.40        | 0.00        | 0.00        | <b>0.40</b>  | 0.40                            |
| <b>Total</b>                                  | <b>7.70</b> | <b>6.14</b> | <b>6.07</b> | <b>19.91</b> | <b>8.30</b>                     |

### Tackling the Climate Emergency - Decarbonisation Projects

- 2.82. Camden has been successful in applying for external grants to meet our decarbonisation targets on a number of projects. This will also require Council contributions totalling £3.05m, made up of £1.15m for sports centres and £1.9m for Brecknock Primary and Langtry Children's Centres.
- 2.83. On Swiss Cottage and Kentish Town sports centres, the funding is for decarbonisation schemes to make the buildings more thermally efficient, installation of heat pumps and improvements to existing systems. As well as the grant allocation, £1.15m is required from Camden to contribute to the

project costs, which will be funded by section 106 (s106)/Strategic Community Infrastructure Levy (SCIL) as appropriate. The grant award on both projects is £6.5m combined.

- 2.84. Camden has also received funding for the energy efficiency measures such as LED lighting, wall insulation and heat pumps at Brecknock Primary and Langtry Children's Centre. For this project, a £1.9m contribution from the Council is required, to be funded from s106/SCIL as appropriate. The level of grant funding awarded for this project is £1.3m.
- 2.85. Camden has also received £0.1m funding for a survey as part of the Future Neighbourhoods project (Phoenix Court Retrofit).

### **Corporate Estate**

- 2.86. The corporate estate requires a budget of £2.76m in 2025/26 across a range of projects. This would cover new condition surveys to assess works required across Camden's corporate buildings, condition works assessed as necessary in the previous survey and consultancy fees as required to deliver the projects.

The work that would be funded from this budget includes the following:

- Health and safety capital works on the Swiss Cottage Complex
- Refurbishments required on Kilburn Library
- Relocation of a boiler in Kingsgate Community Centre
- Update works to the lift and heating system in Holborn Library
- Replacement windows to Belsize Library
- Air conditioning replacement in Kentish Town Library
- Investment to the heating system in John Mewis
- Condition based works in Shoot Up Hill
- Replacement wall and heating control panels for Kingsgate Resource Centre
- Upgrade works to heating and ventilation systems in the Greenwood Centre
- Replacement window in St Andrews Gardens
- New condition surveys across the estate, which will inform a capital investment strategy for future years

### **Regis Road Regeneration Area**

- 2.87. A capital budget of £4.9m is required to enable progression of the Regis Road regeneration strategy and to achieve the benefits of the regeneration as set out in 'Implementation of the Regeneration Strategy for the Kentish Town Regis Road Growth Area' (SC/2023/15).
- 2.88. This spend will enable the Council to achieve vacant possession of the site to unlock the future redevelopment by acquiring leaseholder properties and facilitating payments to secure tenants. It will also allow the Council to acquire

land to allow for relocation of the car pound and associated services. It is proposed that any housing units that are acquired and would otherwise be held vacant are used as Temporary Accommodation to help to mitigate the overspend in the General Fund.

- 2.89. The Regis Road Growth Area represents one of the biggest opportunities for Camden to securing housing delivery, growth and drive delivery of We Make Camden. Once planning is secured, it will deliver over 1,000 new homes, new film and TV production facilities, new educational services, and thousands of jobs – as well as additional council tax and business rates revenues, and new high quality open spaces and connections through Kentish Town and Gospel Oak.

### **Roof & Lift Upgrade Works**

- 2.90. Two Camden properties (Acol Road and Kentish Town Library) required capital works to their roofs for a total cost of £0.4m.
- 2.91. On Kentish Town Library, the works are required to upgrade the roof to ensure water tightness and extend the useful life of the building. The budget would cover the cost of scaffolding, hoisting and other health and safety requirements during the construction period, as well as felting a liquid overlay system. Without these upgrades to the roof, there is a risk to the future use of the library, a loss of value in the asset and more expensive capital works in the future.
- 2.92. Fixing the roof on the Acol Road property is a stipulation of the lease negotiations on the property. The roof upgrade works are significant and it will be funded from service charges and rents received on the property.

### **Safety Works to Bridges, Tunnels, Retaining Walls & Park Walls**

- 2.93. A capital budget of £0.5m is required for capital works to Council owned structures. These structures support the public highway and it is the duty of the Council to ensure that these structures are inspected and maintained to ensure that they are safe for use and fit for purpose. The Council owns eight vehicular bridges, one pedestrian footbridge, one large tunnel (Kingsway Tram tunnel running the length of Kingsway) and numerous retaining wall structures.
- 2.94. The management of all park walls includes the inspection and repair of all masonry wall structures that are within or which surround the public parks. This also includes planning and listed building consents, numerous Party Wall Agreements and liaison and permissions from various Friends Groups and the Diocese of London.

### **Grant Funded Upgrade & Compliance Works - 107 Kingsgate**

- 2.95. £0.4m in grant funding has been secured from the UK Shared Prosperity Fund to carry out repairs and compliance works at 107 Kingsgate to open up part of

the ground floor to test the Neighbourhood Spaces initiative with the local community, in partnership with One Kilburn.

### **New Capital Investments from 2025/26**

**Pipeline Additions (These are projects which still require development to full business cases and/or internal governance)**

### **Tackling the Climate Emergency - Trees**

- 2.96. The Council's Tree Planting Strategy has an objective to increase canopy cover by 3.7% by 2045, from 22.9% (2016) to 26.6%. A canopy cover study in 2023 has shown that Camden's canopy cover has increased by an estimated 1.7% in 7 years. The successful capital bid in 2020/21 for tree planting that has seen 2,953 trees planted has helped the Council to move closer to its canopy target. However, the current approved programme has nearly finished and a bid will be put forward for approval of a continuation of the tree planting programme. The revised tree strategy will request investment of £3m over a 5 year period, alongside a funding strategy, including where external grants, s106 and other funding sources can be applied.
- 2.97. A survey commissioned in 2024 found approximately 18,000 potential tree planting locations and prioritised these based on tree equity (flood risk, heat, air pollution and Indices of Multiple Deprivation). Over the next 5 years, we will investigate 3,350 of these locations in the areas that will get the greatest benefits of having trees planted. Assuming a 75% success rate, this will see an estimated 2,500 new trees planted. In addition to this, we will continue to replace trees removed through our 3 year cyclical maintenance programme, covering approximately 350 per year.

### **Improving Air Quality - Refuse Vehicles**

- 2.98. Camden's 2025 vision identifies clean air as a priority for Camden citizens. The Clean Air Action Plan 2023-2026 requires Camden to find solutions for improving air quality targeting specific areas, including through reducing emissions from Camden's fleet, road vehicles, services and freight. Road transport-based emissions account for approximately 30.9% of all nitrogen dioxide and 19.6% of ultra fine particulate matter emissions in Camden, thus representing a significant contributing sector to air pollution in the borough.
- 2.99. Investing in electrification of the fleet vehicles for delivery of these services is essential to meet these commitments but requires significant capital investment in and development of supporting electrification infrastructure at depots and across Camden. Evaluation of fleet electrification is being developed alongside a depot strategy to ensure the contract can transition as soon as possible. This would take into account infrastructure, funding opportunities, developing technology and the availability of some specialised vehicles as electric, as well as value for money and the ability to adapt to changes in legislation.

- 2.100. A capital investment of £16.7m was recommended and approved by Cabinet in the July 2024 'Update on the Council's Medium Term Financial Position' (CS/2024/13) report for the financial years 2024/25 and 2025/26, to support the acquisition of the 15 new vehicles. It is recommended that a further £4.2m is added to the capital pipeline over the next 5 years to further electrify the fleet.

### **Improving Air Quality - Camden Accessible Transport Solutions (CATS) Vehicles**

- 2.101. The electrification of the fleet remains a priority for Camden. We are currently assessing the best way to deliver the electrification of the CATS fleet and this will be incorporated into the Capital Programme once it has progressed through internal due diligence.

### **Adult Social Care**

- 2.102. The Council is investigating how capital investment could be used to meet its current and future adult care needs and reduce reliance on out of borough placements. As well as investigating the best use of capital for upgrades to Council's current estate in use for adults' services, the Council is also investigating where new accommodation could be provided, including as part of Community Investment Programme developments. Adult Social Care is also looking ahead to innovate further, such as through exploring new developments using assistive technology in social care settings. Capital investment is required to sustain and trial existing and future approaches to support Prevent & Delay efforts.

### **Changes to a previously approved Capital Project (The below project was approved by Cabinet and requires an update to delegations to allow officers to meet the timelines required)**

### **Social Housing Acquisition Programme**

- 2.103. The £10m funding for the Social Housing Acquisition Programme, which is an extension of the Family Friendly Programme, was approved in the Council's 2025/26 Council Tax Setting report. Given the speed at which officers need to act to meet funding deadlines, this report recommends that the Director of Property Management can agree to acquire properties valued between £250,000 and £2.5m as delegated for acquisitions in the report 'Property Acquisitions to Meet Housing Need in Camden' (SC/2025/23). If approved, the decision to acquire properties will follow the same internal due diligence as related acquisition programmes.
- 2.104. Similarly, the report also indicated that the equivalent number of void units could be converted to Temporary Accommodation. This report recommends that the decision on converting of void units to Temporary Accommodation on a temporary basis is delegated to the Director of Property Management, following internal due diligence, including checks on ensuring there is no net

loss of social housing bedrooms. The rent levels will be set at the same rate as Temporary Accommodation Purchase Programme (TAPP) properties.

### **3. OPTIONS APPRAISAL**

- 3.1. This report proposes the transfer of resources to and from earmarked reserves, allocating 2024/25 year end revenue balances whilst managing the Council's resources in a way consistent with its objectives. Cabinet could change the make-up of reserves used to finance alternative future spending. However, if different allocations were made, this could impact upon the future funding of the Council's strategic priorities.
- 3.2. Cabinet could choose not to increase TA rents to 90% of 2011 LHA rents. However, doing so would mean the Council failing to claim Housing Benefit from the DWP which it would be entitled to and reduce the Council's ability to respond to its £21.2m TA overspend.
- 3.3. Cabinet could choose not to agree some or all of the capital investments recommended in this report. The impact of this would vary depending on those investments which do not go ahead. However, this could introduce risks including the Council being unable to meet its statutory maintenance obligations or failing to make best use of grant funding. It may also reduce the Council's ability to deliver on its We Make Camden missions, particularly around ensuring that 'every young person has access to economic opportunity that enables them to be safe and secure' and that 'Camden's estates and their neighbourhoods are healthy, sustainable, and unlock creativity'.

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

- 4.1. In January 2023, Cabinet agreed the Council's current Medium Term Financial Strategy, which runs from 2023 to 2026.<sup>8</sup> As part of this report a range of financial risks were discussed which remain valid. Further commentary on risks can be found throughout this report.

#### **Risks to the Capital Strategy**

- 4.2. The Council's capital funding strategy for the Community Investment Programme (CIP) and Asset Management Strategy depends partially on capital receipts, which are affected by the conditions in the property market and wider economic factors. The Council has robust programme governance arrangements in place to monitor capital receipts and take mitigating action to ensure that the Council receives best consideration for the sale of any assets, such as delaying sales of some assets until market conditions are favourable. In the medium term, these assets are utilised to create additional income streams to support the Capital Programme and mitigate against the effect of a

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<sup>8</sup> [January 2023 MTFS Report](#)

delay in capital receipts. The Council regularly reviews the assumptions included in the Capital Programme and takes external advice on expected property values.

- 4.3. Ongoing pressure on revenue budgets, as set out in the revenue sections of this report, means there are fewer resources available from annual revenue budgets to allocate to capital investment. The cost of borrowing has a major impact on the affordability of the Capital Programme.
- 4.4. In addition, the Council's ability to fund investment from the sale of under-utilised assets will naturally diminish as many assets appropriate for sale have now been sold to fund reinvestment in the Capital Programme over the previous years, such as the sale of Cressy Road in 2024/25.
- 4.5. The Council continues to see high levels of inflation on its Capital Programme, in the supply of labour, materials and professional services. This is managed through prudent inflation assumptions and contingency.
- 4.6. The Council continues to respond to new legislation relating to social housing and Net Zero targets. Within CIP, a Design Guide is being developed in consultation with service areas and external advisors which will standardise the response across CIP developments.

## **5. CONSULTATION/ENGAGEMENT**

- 5.1. There has been no formal public consultation.

## **6. LEGAL IMPLICATIONS**

- 6.1. Sections 25 to 28 of the Local Government Act 2003 impose duties on the Council in relation to how it sets and monitors its budget. These provisions require the Council to make prudent allowance for the risk and uncertainties in its budget and regularly monitor its finances during the year.
- 6.2. Under the Council's constitution changes in all fees and charges and the introduction of new fees and charges, including proposals affecting rents and associated charges for Council dwellings, require Cabinet and or Council approval.

## **7. RESOURCE IMPLICATIONS**

- 7.1. The comments of the Executive Director Corporate Services are incorporated in this report.

## **8. ENVIRONMENTAL IMPLICATIONS**

- 8.1. This report highlights the Council's continued commitment to invest in projects that improve Camden's environment and reduce operational costs. For example, the corporate retrofit programme is driving down Council energy costs and two further projects are proposed at Swiss Cottage and Kentish Town Sports Centres, which have secured approximately 87% of funding from government grants. The balance is proposed to be met from s106 carbon offset contributions. The paper notes the addition to the capital pipeline of further greening work for Camden's streets, with 2,500 trees proposed over the next three years.
- 8.2. The report also highlights an upcoming business case for investment that would cut air pollution from Camden's vehicles, with refuse vehicles and our repairs and accessible transport fleet targeted for improvement. Air quality across Camden remains above World Health Organization limits and the public health impacts of air pollution disproportionately impact lower income households across the borough.

## **9. TIMELINE FOR IMPLEMENTATION**

- 9.1. The implementation of proposals would take place as outlined in the body of the report, with reserve movements being agreed in line with the timescales for finalising the Council's Statement of Accounts.

## **10. APPENDICES**

- 10.1. Further information is provided in the attached appendices:

- A. Allocation of Reserves
- B. Capital Programme
- C. Equality Impact Assessment for Temporary Accommodation Rent Recommendation

**REPORT ENDS**