

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE Update on the Council's Medium Term Financial Position (CS/2026/13)	
REPORT OF Cabinet Member for Finance and Cost of Living	
FOR SUBMISSION TO Resources & Corporate Performance Scrutiny Committee Cabinet	DATE 2 nd July 2026 6 th July 2026
STRATEGIC CONTEXT We Make Camden is our joint vision for the borough, developed in partnership with our community. In January 2023, Cabinet agreed the Council's most recent Medium Term Financial Strategy (MTFS) starting from April 2023, 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. 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 support. 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. The Way We Work is the Council's response to We Make Camden. This report presents an update on the Council's financial position as it prepares to develop its next medium term financial strategy that will continue to seek to support residents, communities and businesses. It considers how the Council intends to respond to the financial challenges it is facing, the need to balance its budget and retain its financial resilience over the medium term and sets out proposals for targeted investments across services to support the Council's financial resilience and delivery of the We Make Camden missions.	
SUMMARY OF REPORT This report provides an update on: <ul style="list-style-type: none"> • The position of the Council's Medium Term Financial Strategy (MTFS) and its overall financial resilience. 	

- The expected level of saving that will need to be delivered via the next MTFs (2027-2030) to ensure the Council remains financial resilient over the medium term.
- The Council's revenue outturn position for the 2025/26 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 Council's capital outturn position for the 2025/26 financial year.
- The annual refresh of the Council's capital budgets.

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 position and overall financial resilience, detailed in paragraphs 2.9 to 2.14.
- 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 2.18 to 2.58.
- c) Note the 2025/26 revenue outturn position for the General Fund and Housing Revenue Account, as set out in paragraphs 2.62 to 2.69.
- d) Note the allocations to and from earmarked reserves as set out in paragraphs 2.70 to 2.76 and Appendix A, for inclusion in the Council's Statement of Accounts.
- e) Note the 2025/26 capital outturn position, as set out in paragraphs 2.77 to 2.78.

f) Agree the revised Capital Programme expenditure budgets, funding and capital receipts targets summarised and presented in paragraphs 2.79 to 2.82 and Appendix B.

Signed:

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Daniel Omisore, Director of Finance and Section 151 Officer

Date: 22 June 2026

1. CONTEXT AND 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. As a result, many local authorities across London and the rest of England have been placed under severe and, in many cases, unsustainable financial pressure. As of 2025/26, 30 local authorities are receiving additional support from central government through the Exceptional Financial Support process, with a number of authorities also issuing Section 114 notices (to effectively declare bankruptcy) since 2018, reflecting the scale of financial distress across the sector.
- 1.3. We prioritise our resources to focus on the outcomes that matter most to our communities, including tackling poverty and inequality, in part through our focus on prevention and early intervention. However, like councils across the country, we continue to face an exceptionally challenging financial environment. Pressures in Temporary Accommodation, increasing social care costs and an ongoing surge in spend to support children with Special Educational Needs and Disabilities – in addition to rising inflation and increasing need and vulnerability in our communities – are issues impacting councils across the country. 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.
- 1.4. This report considers the Council's current financial position, including its outturn for the 2025/26 financial year, as well as the expected financial position the Council faces over the medium term and the mitigations being pursued to respond to the major challenges we face. The report also details the plans for the Council to address the Council's financial situation over the medium term and the development of a new medium term financial strategy to cover 2027 - 2030.

2. PROPOSAL AND REASONS

We Make Camden

- 2.1. Over the past few years, Camden has come together in new and inspiring ways to tackle some of the most pressing issues facing the borough. In March 2022, we published We Make Camden – our refreshed vision for the future of Camden. It sets out what we want to collectively achieve and lead together and was developed following conversations with residents, partners and community leaders. It also provides a shared framework for making choices about where the Council focuses its time, resources and leadership.

- 2.2. The delivery of our ambitions is supported by a set of Camden Missions and Challenges that we want to tackle with our partners and communities across the borough. You can read more about these issues and our response on our We Make Camden website. Across the borough, community-led action is moving us closer to achieving these shared Missions. The Council's Medium Term Financial Strategy (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 Forecast

- 2.3. The medium-term financial forecast is the Council's best estimates of future income and expenditure taking into account the impact of inflation, demographic pressures, changes in legislation and other known financial pressures. Forecasting the Council's medium term financial position is a key element of the Council's financial strategy and allows the Council to make timely decisions to protect its financial resilience and sustainability by agreeing to deliver budget savings to close the gap between expected income and expenditure and supporting the Council to deliver a balanced budget each year in both the General Fund and the Housing Revenue Accountant.
- 2.4. In preparing a medium term forecast the Council will inevitably have to make a number of forecasts of its future income and expenditure that are uncertain.

Council Funding over the Medium Term

- 2.5. As set out in the budget setting report to Cabinet in February 2026, for the first time in seven years, we received a multi-year financial settlement from government – setting out the funding they will allocate to us for three years from 2026 to 2029. Whilst this level of certainty provides us with a stable platform from which to plan and invest for the future, like councils up and down the country, we continue to operate in an extremely challenging financial environment.
- 2.6. The latest funding settlement confirmed that the Council's core funding will remain 'flat' for the next three years, resulting in Core Spending Power in 2028/29 being the same as it is in 2025/26. This means that the combined impact of core grants, Council Tax and retained Business Rates will result in the Council have the same level of resources each year from 2025/26 to 2028/29. The Council will not receive any additional core funding to support inflationary and demographic pressures for the next three years.
- 2.7. It should be noted that the current local government funding settlement runs from the financial years 2026/27 to 2028/29. The Council's next MTFS will run to 2030, meaning that the Council does not yet have any details about government funding for the final year of the new MTFS period.

- 2.8. As part of the Local Government Finance Policy Statement in November 2025, the government also set out its intentions to introduce further significant changes to the funding of key services, including Adult Social Care, Children's Social Care and Special Educational Needs and Disabilities (SEND) provision. These reforms may have an impact on the Council's medium term financial forecast that is not yet known and will need to be kept under close review.

Council Medium Term Financial Forecast

- 2.9. As detailed in the Council's budget setting report to Council in March 2026 the Council's expenditure over the medium term includes service pressures in a number of areas including across temporary accommodation and social care. These pressures are discussed in more detail in sections 2.25 to 2.58 of this report. The Council is also forecasting inflationary and demographic pressures across many other services and other financial pressures.
- 2.10. The Council's next Medium Term Financial Strategy will run from 2027 to 2030. In forecasting our financial position to 2030 there will inevitably be a level of estimation about our future income and expenditure. The final year of the Council's next MTFS (2029/30) will be outside of the current government funding round and as such the Council does not have any details about the level of grant funding or rules regarding Council Tax and business rates for the final year of our MTFS.
- 2.11. The Council estimates that the budget savings required to produce a balanced General Fund budget each year will be £85m- £90m by 2029, with £65m of budget savings required in the first year of the MTFS, 2027/28. Savings for the third year of the MTFS will depend on the details of central government funding which will be announced during 2028/29. Once details of funding for 2029/30 onwards is known the Council will revisit its MTFS savings targets for the final year of the MTFS.
- 2.12. Over the medium term the Council is facing volatility of demand for services, uncertainty around future economic conditions and expected changes to funding for Adult Social Care, Children's Social Care and Special Educational Needs and Disabilities (SEND) provision. In addition, the Council will only have certainty of core grant funding for the first two years of the proposed new MTFS period.
- 2.13. For these reasons while the new MTFS being developed will aim to deliver £85m-£90m of savings by 2029 the Council will likely need to review its expected budget gap after the first two years of the MTFS as more details of future funding arrangements along with expected spend on services becomes clearer.
- 2.14. Over the same period the Council will have to make savings of £8m-£12m to ensure the Council is able to set a balanced budget in the Housing Revenue Account over the medium term. Details of the pressures facing the Housing Revenue Account are discussed in paragraphs 2.18 to 2.24.

Developing a new Medium Term Financial Strategy (2027-2030)

- 2.15. The new MTFS will be grounded in the principles of We Make Camden, Good Life Camden and our focus on transformation work will bring together:
- **Prevention-first** - Shift investment toward reducing avoidable demand, addressing root causes and tackling inequality in the borough.
 - **Neighbourhood-embedded services** – organising the delivery of services around place, with integrated teams, shared assets and closer partnership with communities.
 - **Relational, human-centred practice** - move away from transactional service models to one based on trust, shared decision-making and participatory design.
 - **Data and technology-enabled services** - using predictive insight, automation, self-service and Artificial Intelligence (AI) to improve citizen experience and optimise resources.
 - **Equity-driven transformation** - ensure that service reforms reduce inequality, rebalance investment toward young people and poverty reduction, and protecting the most vulnerable in our society.

Funding Transformational costs

- 2.16. Delivering a Medium Term Financial Strategy will require a level of investment to fund transformational costs ranging from the development of new digital and data systems to severance costs. The Council has the option to fund these costs from capital receipts with permission from the government.
- 2.17. As part of the development of the new MTFS officers will estimate the level of investment in transformation that is needed. This estimate will form part of the recommendations to Cabinet and Council on the new MTFS. The decision to capitalise transformational costs will require a decision at full Council.

Pressures & Risks within the Housing Revenue Account

- 2.18. Over the last 10 years, local authority Housing Revenue Accounts (a ringfenced account held for housing functions) have come under increased financial pressure from a combination of economic headwinds and government policy decisions. These include:
- The cumulative effect of historic government policy on rents, including four consecutive years of rent reductions from 2016-2020. Camden's HRA would have received £201m of additional rental income between 2016/17 and 2025/26 had government policy been kept consistent at CPI + 1%.
 - Increases in inflation and interest rates, putting pressure on HRA revenue expenditure without income necessarily following.

- Additional demands on our services over the last decade without the accompanying funding, including in respect of fire safety and damp & mould, along with the costs of legal disrepair cases.
- 2.19. The combined impact of these changes has placed significant pressure on the HRA's financial resilience, including its reserves. As at the end of 2025/26, the HRA's working balance (those reserves not earmarked for any specific purpose) stood at 7% of its budgeted income, below the 10% targeted to provide protection from any unexpected shocks.
- 2.20. Furthermore, a number of these expenditure pressures, including general inflation and additional requirements for works under fire safety rules and Awaab's law, will continue to drive a pressure within the HRA over the medium term. The HRA's new Medium Term Financial Strategy, for the three years from 2027/28 to 2029/30, will seek to meet these structural challenges.
- 2.21. It is anticipated that the HRA will face £22m-£25m of expenditure pressures each year from the beginning of the new MTFS in 2027/28, including for:
- Meeting general inflationary pressures.
 - Maintaining our existing assets, including managing our underlying borrowing.
 - Meeting emerging regulatory requirements.
 - Delivering on the Council's own capital ambitions through We Make Camden, including the provision of new social and affordable housing through the Community Investment Programme.
 - Taking steps to entrench our financial resilience, including restoring budgeted contributions to our reserves.
- 2.22. These pressures can be offset in part from increases in income from rents and service charges. The government has recognised the significance of the pressures facing HRAs across the country. Over the last year, it has announced the key components of a rent settlement:
- The confirmation that rents can increase by up to the Consumer Price Index + 1% for the next 10 years from 2026/27.
 - The introduction of rent convergence for those properties below formula rent (which covers 99% of Camden's general needs stock), at £1 per week in 2027/28, then £2 per week each year from 2028/29.
- 2.23. When the rent settlement is combined with the power to recover costs from service charges, it is estimated that the HRA could raise £8m of income to meet the £22m-£25m of expenditure pressures in 2027/28. Furthermore, if the Council were to make full use of the rent settlement and convergence, its structural budget gap would likely decrease by the end of the next MTFS in 2029/30. This means that the Council will use a small amount of its reserves in 2027/28 to help set a balanced budget and a realistic MTFS savings target which reduces the immediate pressure on tenants and leaseholders, before building these back up in later years.

- 2.24. The rent settlement therefore creates a potential opportunity for the HRA over the medium term. Over the period of the next MTFS the Council will have the option to meet some of the expected budget gap by making full use of the revenue-raising powers granted through the rent settlement and convergence.

Temporary Accommodation Financial Pressures

- 2.25. The Council spent £37.8m on Temporary Accommodation (TA) in 2025/26, an overspend of £17.2m against budget. Overspends on TA have become increasingly common across London and the rest of the country, reflecting rapid growth in demand for what is a statutory service. In December 2025, London Councils reported that 210,000 Londoners, including 102,000 children, were homeless and living in TA, with almost half of all homeless households in the country living in the capital.¹
- 2.26. This demand growth has exerted enormous pressure on London boroughs. Over the last five years, inflation on TA has been three times larger than on market rents, and boroughs are spending £5m per day on TA provision.² In short, this means that the volume of households requiring TA and the immense expenses incurred on placements (especially in nightly paid accommodation such as B&Bs and homeless annexes, where Camden spent £31m in 2025/26) remain key drivers of the Council's overspend position.
- 2.27. In recognition of the increased financial strain placed on Camden in respect of TA, substantial resources have been set aside to help manage temporary accommodation pressures over the past two years, with a further £6m added to service budgets for 2026/27. Nonetheless, a significant portion of the TA overspend is driven by demand trends which are expected to remain over the medium term. This means that the Council carries a significant structural pressure on TA into 2026/27, with the risk of further structural pressures from demand growth and cost inflation.
- 2.28. Regardless of the causes, the Council's overspends on temporary accommodation present a challenge to the Council's financial resilience over the medium term, and so tackling this overspend is one of the Council's top priorities. This means continuing to dedicate considerable organisational focus to managing and monitoring our operational and financial performance on TA. Work is underway to revamp our approach to TA spend and the income which can be recovered through housing benefit, including the development of bespoke spending control processes for TA. By strengthening our operational grip, financial controls and senior officer oversight of our portfolio as a whole, we can take more effective and timely decisions, ensuring improved financial outcomes whilst protecting some of our most vulnerable residents.
- 2.29. In addition to setting aside revenue resources and strengthening our controls and processes to respond to a more pressured TA environment, the Council

¹ [More than 100,000 homeless children in capital this Christmas | London Councils](#)

² [More than 100,000 homeless children in capital this Christmas | London Councils](#)

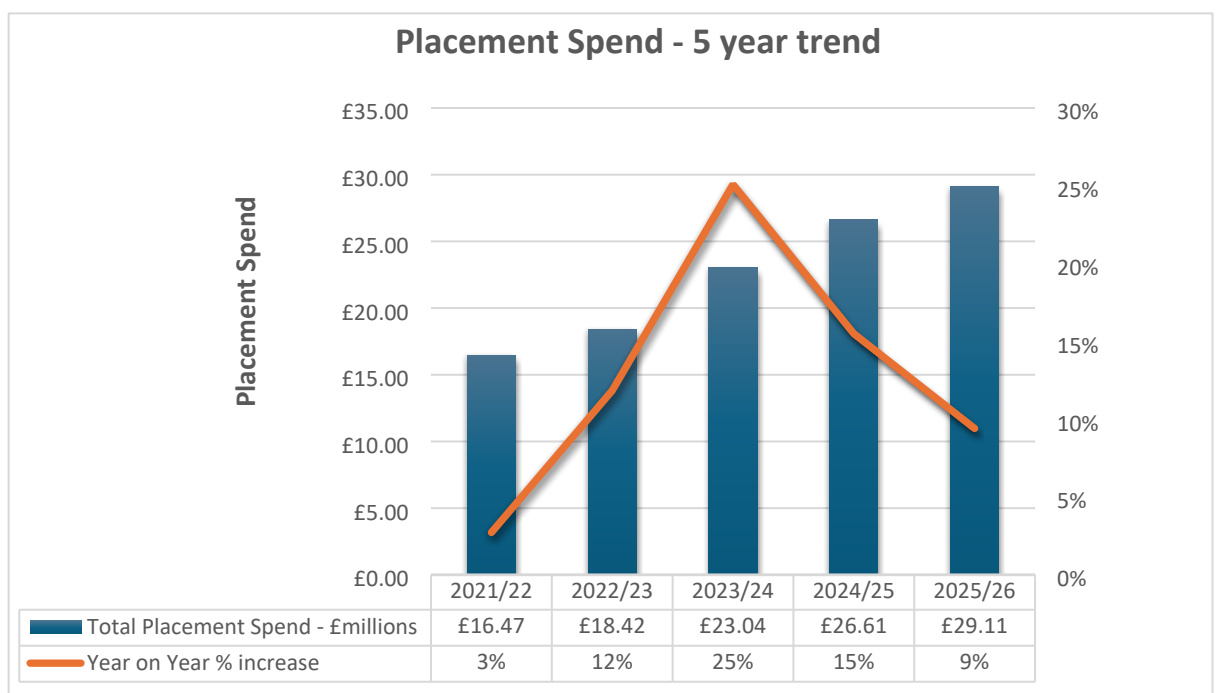
has been taking a series of steps to tackle both its need for expensive nightly paid placements and to reduce the financial pressures from TA provision:

- Investment in acquiring stock for use as temporary accommodation, reducing the need to place households in expensive nightly paid placements. This includes individual ex-Right to Buy properties through the Temporary Accommodation Purchase Programme and an additional £10m investment agreed as part of the Revenue Estimates & Council Tax Setting report in March 2026.
 - The development of two new hostels at Camden Road and Chester Road, which will deliver 89 new temporary accommodation homes and are expected to be completed by Winter 2026.
 - Our longstanding focus on prevention, including investment in additional Homelessness Prevention Advisors and the range of financial support and advisory services provided through Money Advice Camden, which help residents at moments of financial challenge and reduces the risk of homelessness.
 - Steps to help the Council recover costs through Housing Benefit, including the standardisation of TA rents to ensure full housing benefit is payable.
 - Investments in systems and data functionality, increasing the resources available to understand and make more effective strategic decisions around TA use.
- 2.30. The TA environment, and our response to it, is rapidly evolving, so several of the workstreams set out above will continue to mature and begin to deliver savings into 2026/27. Alongside this, it is important that we continue to review and adapt our approach to getting best value, targeting our data and processes in a way which reduce costs and ensure that we can recover spend through the benefits system wherever possible. We will also continue to work with partners such as Ministry Housing, Community and Local Government (MHCLG) and the Greater London Authority (GLA), including through accessing grant streams (such as the Local Authority Housing Fund, from which the Council is due to receive £16m to support its acquisitions). With TA demand expected to persist and grow over the medium term, we are taking the necessary steps to build future anticipated costs into our medium term financial planning.

Children's Social Care Financial Pressures

- 2.31. Children's Services continues to operate in a high-demand, high-cost environment, with financial sustainability driven largely by external demand factors rather than discretionary spend. The service remains one of the most significant risk areas for most Local Authorities.

- 2.32. Camden like many Local Authorities across the country and London have seen increases in the number of children needing care and having complex needs, therefore the type of placements to support children looked after and care experienced young people has changed to meet demand.
- 2.33. The key drivers of placement costs in Camden include exploitation of older adolescents requiring placement outside of Camden and often London with private providers, children with complex needs requiring 2:1 or 3:1 staff to child ratios and requiring residential provisions as they are unable to be matched with foster carers. Demographic changes and the use of high costs residential homes place significant pressure on the placement budgets.
- 2.34. Chart 1 below illustrates how at the end of 2025/26; the gross spend on placements was £29.1m, a 9% increase from the previous financial years spend. The trend line also shows that since 2023/24 there have been reductions in the year-on-year percentage spend increases. This can be attributed to the progress made as part of the placement sufficiency board set up in 2024 and chaired by the Director of Children’s Prevention, Family Help & Safeguarding, to understand the drivers of the overspend in the placement budget and put in place a programme of works. The outcomes include an improved finance culture and reporting, establishing a monthly kinship support panel to prevent placement breakdown, increasing foster placement utilisation, developing a joint housing protocol, developing a kinship strategy etc.



- 2.35. The capital investment of £11.1m to acquire residential properties for the provision of children’s social care residential services and supported accommodation for care experienced young people aged 18-25 which Cabinet agreed will also potentially go towards reducing the rate of increases in year

on year spend in the future. It is estimated that the homes will open in the 2027/28 financial year.

- 2.36. Nationally, the government's response to the pressures in the Children Social Care system, is the Children's Social Care national reform, a major programme of whole system change aimed to transform the support delivered to families with a focus on prevention. The impact of this is likely to be seen in the future years to reduce costs in the long term.
- 2.37. The reform will also look to address the high cost of placements. The main delivery vehicle will be the Families First Partnership Programme with Camden receiving an allocation of £3.4m in 2026/27 with the grant expected to reduce to £2.9m by 2028/29 as the government's expectation is to see the benefits of the programme in the next few years. There remains a financial risk that demand will continue to increase.
- 2.38. The Department for Education (DfE) also set up a programme for local authorities to collaborate and set up Fostering Hubs to deliver a more integrated approach to recruiting, assessing, and supporting foster carers. It is expected that this model will ease pressures on local authority budgets by reducing reliance on costly external residential provision. Parliament passed the Children's Wellbeing and Schools Act in April 2026, and this introduces changes to children's social care and education such as:
 - Reforming the care placement system through Regional Care Co-operatives (RCCs) which enables groups of local authorities to jointly plan and commission children's social care placements. The Act also gives government powers to intervene where profits in the children's homes market are seen as excessive.
 - New regulations will also govern how councils use agency social workers to improve stability, skills and continuity within the workforce.

Camden is taking a lead in this area and is bidding to act as a lead authority for the north London fostering hub.

Dedicated Schools Grant (DSG) Pressures

- 2.39. The ring fenced DSG funding is the main funding stream for early years settings, mainstream schools including academies, special schools and alternative provisions such as pupil referral units.
- 2.40. The Schools Block 2026/27 funding of £124.5m is an increase of 2% compared to 2025/26, however the impact of falling rolls of a reduction of 441 pupils in 2026/27 means that funding is lower by c£3.965m. The impact of falling rolls also affects the Central Schools Services Block (CSSB) of which an element for ongoing responsibilities is based on pupil numbers so the 2026/27 funding of £1.233m is a reduction of 0.6% compared to 2025/26.

- 2.41. The High Needs Block continues to be an area where there are significant pressures both locally and nationally with a number of authorities reporting deficit balances and the statutory override which enabled local authorities hold these deficit balances comes to an end in 2028. For 2026/27 the DfE temporarily suspended the funding formula for the HNB which means no additional funding has been announced for the block in 2026/27.
- 2.42. Camden's HNB overspent by £6.3m in 2025/26 and this was funded through a drawdown from the overall DSG reserves which Camden had built up over the years mainly due to lower than average increases in the number of children requiring Education Health and Care Plans (EHCPs) and Exceptional Needs Grants, which are the main cost drivers of the HNB spend.
- 2.43. In response to the challenges in the SEND system, the DfE recently consulted on major Special Educational Needs and Disabilities (SEND) reforms titled [SEND reform: putting children and young people first](#), with the aim to create a more inclusive, consistent, and early-intervention-focused system. Local authorities are also expected to complete a local SEND Reform plan which provides a framework that partnerships can use to establish a baseline for their local system and metrics against which transformation progress can be tracked. The government will use the plans and the insights from regular progress reviews with authorities to understand delivery and support decision-making on investment funding.
- 2.44. As part of the local government finance settlement, the government pledged to write off 90 per cent of councils' historic SEND deficits as at the end of 2025/26 estimated to be worth £5 billion and this will be for local authorities that have an overall DSG deficit recognised in the local authorities' unusable reserves. These authorities will be eligible to receive a High Needs Stability Grant in the autumn, subject to securing approval of their local SEND Reform Plan. The authorities will also need to fund the remaining 10 percent from their General Fund balances. At this stage because Camden's overall DSG reserve is in surplus, Camden will not be eligible for this grant for the 2025/26 deficit. However, the Council is still expected to complete the SEND Reform Plan. The Plan brings with it new funding such as:
- Experts at Hand (EAH) funding – worth £1.8bn over three years to give schools access to Speech & Language Therapists and Educational Psychologists and Camden's allocation for 2026/27 will be £1.3m.
 - Inclusive mainstream fund - aimed at making mainstream settings more inclusive and Camden's allocation across schools is c£0.941m.
 - SEND practitioners in family hubs - over £200m (nationally) over three years to place dedicated SEND practitioners in every Best Start Family Hub. Camden's allocation £0.25m for 3 years.
 - Inclusive Early Years Fund (2026-27) - a dedicated £47 million fund to improve inclusion for children with SEND, supporting staff training,

environmental adaptations, and specialist equipment. Camden's allocation c£0.175m.

- 2.45. The risk remains that if the 2026/27 outturn exceeds any available DSG reserves, it will have an impact on the General Fund reserve balances until 2027/28 after which it is expected that the Treasury will manage the SEND costs going forward.

Schools Budgets Financial Pressures

- 2.46. Schools are faced with budget challenges as they manage pressures arising from the impact of falling rolls, wage increases and rising energy costs. In the 2025/26 financial year, school reserves were reduced by £8.071m, with an increasing number of schools utilising their reserves to manage in year deficits, reflecting the growing pressure on schools' budgets across the borough.
- 2.47. At the end of 2025/26, the number of schools operating in deficit rose to 16, up from 12 the previous year, indicating a widening financial vulnerability representing 31% of schools and, 39% of schools had to draw on their reserves to support operational costs. Schools in deficit are required to have a licensed deficit agreement in place and are required to submit a deficit recovery plan, whereby the DfE allows a 3-year period for the school to recover the deficit. Guidance from the DfE also makes it clear that local authorities cannot write off deficit balances of any school.
- 2.48. The School Sufficiency Programme (SSP) developed in July 2025 continues to support Camden schools in deficits. It is to support Camden schools during this period of falling rolls affecting not only Camden but also across other London Boroughs with London Council's benchmarking data forecasting an ongoing decline in demand for school places with inner London forecasting a larger decline of a 6.2% reduction for Reception and a 7.2% reduction for Year 7.³
- 2.49. During the 2025/26 financial year the forecast in year deficits would have led to a drawdown of on average c£12m however with the support given, the final outturn was an improved £8m reduction. The programme of works is expected to continue for 2026/27, and Schools Forum in June will be updated on the detailed plan of action to formalise Camden's annual school finance monitoring cycle, ensuring timely oversight, early intervention, and clear expectations for schools for the new financial year.

Pressures and Financial Risks in Adult Social Care

- 2.50. Increasing pressure within Adult Social Care has been highlighted nationally for a number of years. In Camden, these pressures have become increasingly evident since the end of the pandemic.

³ [1741 5b Managing School rolls in London - final report_1.pdf](#)

- 2.51. Both national and local government recognise that pressures within the sector are being driven by people living longer, often with increasingly complex care needs. Alongside this, rising demand for social care services has resulted in significant growth in the overall cost of care. Like many local authorities, Camden has experienced continued increases in Adult Social Care expenditure while maintaining its statutory responsibilities under the Care Act to provide support to residents with eligible care needs.
- 2.52. Nationally, the social care system continues to face significant challenges in delivering positive outcomes for residents whilst responding to wider market pressures. Care providers are experiencing increasing operating costs driven by inflation, energy prices and ongoing increases to the National Living Wage and London Living Wage. At the same time, the sector continues to face workforce recruitment and retention challenges, with high turnover rates linked to low pay and workforce instability. In addition, pressures within the NHS continue to impact Adult Social Care, particularly through hospital discharge pathways, where residents are often requiring higher levels of care following hospital stays than they did previously.
- 2.53. These pressures are not limited to older people's services. The highest area of growth within Adult Social Care is increasingly among adults aged 18–64, particularly relating to learning disabilities, autism and mental health support needs. More younger adults are requiring long-term, complex and often accommodation-based support, which places additional pressure on council budgets over the medium to long term.
- 2.54. The national picture is reflected locally within Camden, where demand for Adult Social Care services continues to increase, particularly in relation to home care, supported living and extra care accommodation. Camden remains committed to delivering an outcomes-focused, strengths-based approach to care that supports residents to live independently within their communities for as long as possible. This approach underpins the Council's Care at Home Strategy and broader ambitions around prevention, independence and community-based support.
- 2.55. The Council also continues to play an active role in supporting a sustainable local care market that is able to meet the needs of Camden residents. Our ongoing commitment to paying the London Living Wage and implementing the Ethical Care Charter supports provider sustainability, workforce stability and improved outcomes for residents receiving care locally.
- 2.56. Over the medium term, Adult Social Care expenditure is expected to continue increasing, largely driven by demographic growth, increasing complexity of need and continued demand for support across learning disability and mental health services. Nationally, the outcome of the Casey Commission is likely to begin reshaping the relationship between health and social care, with a stronger focus on the long-term sustainability of the sector. This is expected to include consideration of funding and affordability of care, prevention and early intervention, workforce reform and support for unpaid carers.

- 2.57. In addition, planned reforms to the Better Care Fund from 2027/28 are expected to impact pooled funding arrangements between local authorities and Integrated Care Boards. Early indications suggest the review will place greater emphasis on intermediate care, hospital discharge pathways and neighbourhood health models, potentially repositioning the Better Care Fund more directly as a mechanism for supporting NHS outcomes and wider system integration.
- 2.58. Overall, there remains significant uncertainty regarding the future direction of Adult Social Care over the medium term. However, in the minimum, it is expected that the sector will continue to experience increasing demand, ongoing financial pressure and continued policy reform. Changes to funding arrangements, greater integration with health partners and a stronger focus on maintaining the long-term sustainability of the care market are all likely to shape the future landscape of Adult Social Care.

The Council's response to Maintaining Financial Resilience

- 2.59. The Council continues to operate in a tough financial environment, which is causing significant financial challenges. In the face of these on-going issues, it is important that the Council continues to protect its financial resilience and adopt quickly to the fast-changing financial landscape. Maintaining this financial resilience is underpinned by a number of key controls which include:
- The tracking and monitoring of income streams and debt levels to determine the short and medium impact of inflationary pressures and how the on-going impact of the cost-of-living crisis affects residents and 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.
 - Monthly updates to the Corporate Management Team giving an overview of Directorate pressures, the actions taken to address these, including emerging pressures and data insights into specific spend patterns across the Council's income and expenditure.
 - Recruitment freeze where such a decision has been taken where the corresponding budget will be removed and held in a contingency to reduce overall expenditure.
 - Creation of a MTFs strategic group to aid in the development process and support the Council's leadership in ensuring successful development of the organisation's Medium Term Financial Strategy (MTFS) 2027-30.
 - 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.

- 2.60. The Council has been able to set a balanced budget for 2026/27, 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.
- 2.61. The Council's financial strategy remains focused on delivering the key priorities of the Council and ensuring we make best use of available resources to meet the outcomes of We Make Camden and the Camden Missions.

2025/26 Revenue Outturn

- 2.62. The last financial year has seen significant level of financial pressure on the Council, driven by inflationary and demographic pressures across services which have placed huge pressures on the Council's budgets.
- 2.63. In setting the budgets for 2025/26 the Council recognised the expected pressures and uncertainty on services and set budgets with contingencies to support additional expenditure. However, the budgets demand for services has continued to increase more quickly than forecast and has meant a significant overspend of £14m for the year in the General Fund and an overspend of £2.8m in the Housing Revenue Account.
- 2.64. 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 Accommodation).

Table One: General Fund Outturn

Directorate	Budget £m	Outturn £m	Variance £m
Corporate Services	93.91	94.21	0.30
Investment, Place and Opportunity	75.51	68.43	(7.08)
Homes and Communities	44.88	60.33	15.46
Adults and Health	158.27	167.58	9.30
Children & Learning	87.41	90.72	3.31
Cross-Cutting Budgets	(118.31)	(125.57)	(7.26)
General Fund Total	341.67	355.70	14.03
Housing Revenue Account	0.00	2.87	2.87
Housing Revenue Account Total	0.00	2.87	2.87

2.65. These unsustainable pressures represent a threat to the Council's financial resilience, and it is vital that the Council continue works to control expenditure wherever possible. Officers have already taken a number of actions to this end. These include increased recruitment controls for both permanent and agency staff 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 2026/27 budget includes an increased level of investment targeted at 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 are shrinking the Council's ability to invest in other general services and deliver the Camden Missions over the medium term.

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

- The Children and Learning Directorate is reporting a overspend of **£3.3m**. This is due to a £3.9m 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 care cost due to market pressures and challenges of moving from the YP Pathway into housing. In all, there has been an increase of circa £3.4m (15%) in placement costs from the position in 2024/25.
- The Adults and Health Directorate is reporting an overspend of **£9.3m**. 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. Care spend between

2024/25 and 2025/26 has increased by £13.8m with roughly a third of this being due to inflationary increases.

- The Homes & Communities Directorate is reporting a **£15.5m** overspend. The primary driver of this position as was the case in 2024/25 was a £17.1m overspend on Temporary Accommodation, the largest of any service across the Council. 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 all of which are contributing factors to a higher spend on nightly paid accommodation.
- The Investment, Place Opportunity Directorate is reporting a **£(7.1)m** underspend which is largely driven by a one-off prior year accounting adjustment relating to the Council's main waste contract and overachievement on income within its Parking Operations.
- The Corporate Services Directorate is reporting a **£0.3m** overspend. This is primarily due to an overspend of £0.9m across Customer, Technology & 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. This is offset by an underspend in Finance and Internal Audit due to an overachievement in court and summons related costs relating to Council Tax collection and underspends against staffing budgets across the Division.
- Cross-cutting budgets are reporting an **£(7.3)m** 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.

2.67. The HRA overspent by **£2.8m**, driven largely by a £9.9m 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 (£5.7m) underspend in Housing Services, which is due to leaseholder services (especially heating charges) being lower than budget. HRA non departmental budgets underspent by £(1.3)m, largely as a result of lower Bad Debt Provision from improved rental collection.

2.68. 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.

2.69. The cost pressures that the Council experienced in 2025/26 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.

2025/26 Use of Reserves

- 2.70. 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.
- 2.71. 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.
- 2.72. It is proposed that the Council draws down £14.03m from General Fund reserves and £2.87m from Housing Revenue Account reserves to meet the cost of the service overspend in 2025/26. In addition, this report recommends a drawdown from schools' reserves of £8.07m to support additional expenditure in schools and a net draw down of £4.20m against the Dedicated Schools Grant reserve, with the latter largely driven by the need to fund the £6.31m overspend against the High Needs Block.
- 2.73. In addition, the Council makes planned contributions to and from reserves in order to support planned investments and risk mitigations.
- 2.74. 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 £19.86m (or roughly 5.9% of our net budgeted expenditure) and our General Fund earmarked reserves stand at £100.27m (or 29.8% of net expenditure). Earmarked reserves include a number of reserves that are funded from grants and payments with conditions that limit how the Council can utilise them.

2.75. Cabinet 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 remains challenging with the Council's having to develop and deliver a significant level of savings over the medium term.
- 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.

2.76. Table One 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 Two: Forecast Reserve Balances

Earmarked Reserves	Reserves	Reserves	Reserves	Reserves	Reserves	Reserves
	31/03/25	31/03/26	31/03/27	31/03/28	31/03/29	31/03/30
	£m	£m	£m	£m	£m	£m
Reserves to support Council Priorities	34.981	26.809	27.123	29.714	30.754	33.343
Reserves with Conditions	53.624	43.977	34.526	32.070	31.401	29.406
Reserves to Support Ongoing Capital Activity & Asset Management	19.539	12.386	12.206	18.480	24.744	31.038
Reserves to Mitigate Future Risk	14.419	17.095	6.547	10.547	14.547	18.547
Total GF Earmarked Reserves	122.563	100.268	80.403	90.811	101.447	112.334
General Balances	18.358	19.863	21.363	22.863	24.363	25.863
Business Rates Reliefs Local Share	38.947	52.487	0.000	0.000	0.000	0.000
Total GF Reserves	179.868	172.617	101.766	113.674	125.810	138.198
Housing Revenue Account - Earmarked Reserves	9.280	11.300	12.100	13.800	14.600	15.400
Housing Revenue Account - Unearmarked Reserves	14.178	16.332	16.332	19.332	24.332	29.332
Total HRA Reserves	23.457	27.631	28.431	33.131	38.931	44.731
Schools Balances	15.204	7.132	1.348	0.000	0.000	0.000
Total Revenue Reserves	218.529	207.381	131.545	146.806	164.741	182.929

2025/26 Capital Outturn**Table Three: Capital Outturn**

Division	Budget (£m)	Outturn (£m)	Variance (£m)
Investment, Place & Opportunity	169.49	172.62	3.12
Corporate Services	1.97	11.58	9.61
Homes and Communities	109.48	109.71	0.23
Children & Learning	2.45	5.5	3.05
Total	283.4	299.41	16.01

- 2.77. Across the Council, there has been a concerted effort to improve capital forecasting in year and profile more prudently during the Council's annual Capital Review process, where budgets are realigned to delivery timelines. This means that the Council has not seen the large level of capital slippage experienced in previous years. Whilst this is positive from a capital project management point of view, it also means that projects are delivering closer to profiled expenditure and in year underspends on revenue interest payable budgets (from the financing costs of borrowing) are less likely.

- 2.78. In 2025/26 there was a small overachievement against the capital budget of £16m. This is driven by projects progressing quicker than budgeted for in year.

Review of Capital Budgets from 2026/27

- 2.79. 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.
- 2.80. 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.
- 2.81. There are a number of capital bids which are currently undergoing officer due diligence, such as the rollout of electric vehicles in Camden Accessible Transport Services (CATS), future temporary accommodation opportunities and investment in corporate buildings. These bids are all being assessed in light of Camden's priorities and financial pressures. The capital programme is being reviewed to ensure committed projects reflect current priorities.
- 2.82. A summary of the Capital Programme and the changes made following the review of existing capital schemes are shown in Appendix B.

3. OPTIONS APPRAISAL

- 3.1. This report proposes the transfer of resources to and from earmarked reserves, allocating 2025/26 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.

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

- 4.1 The Key risks to the Council's medium term financial position are discussed in detail in section two of the report.

5. CONSULTATION/ENGAGEMENT

There has been no formal public consultation.

6. LEGAL IMPLICATIONS

- 6.1 This report provides a further update on the Council's current Medium Term Financial Strategy (the MTFS), which was initially agreed by Cabinet in January 2023.
- 6.2 The Council's statutory Chief Finance Officer (s151 Officer) has a statutory duty to ensure the proper administration of the Council's financial affairs, including the robustness of estimates and adequacy of reserves. As is stated throughout the report, the Council is under a legal obligation to set a balanced budget for each financial year.
- 6.3 The Local Government Act 2000 and the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 confirm that Full Council is responsible for setting the budget and policy framework of the Council.
- 6.4 Where an update of the Medium Term Financial Strategy anticipates any service changes, savings proposals, or transformation programmes that may impact service users or staff, the Council must ensure it meets any legal requirement to consult and to ensure any consultation is lawful, fair and proportionate.
- 6.5 Where the MTFS plans include any workforce-related savings the Council will be required to continue to comply with all employment law requirements, including collective consultation obligations, fairness in dismissal processes, and any applicable contractual or policy commitments.
- 6.6 The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010).
- 6.7 The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

7. RESOURCE IMPLICATIONS

7.1. Comments of the Director of Finance

The comments of the Director of Finance are incorporated in this report.

8. ENVIRONMENTAL IMPLICATIONS

- 8.1 This report describes a tightening financial environment for the Council. Despite this the Council remains committed to tackling the climate emergency.
- 8.2 The Camden Climate Action Plan 2026-2030 (CAP) provides a framework for climate action across the borough for the next five years. It sets out how the Council, organisations and residents will continue to work together to tackle the climate crisis by further reducing carbon emissions whilst also building the borough's ability to cope with the growing climate impacts. It describes how we will lead by example and, responding to the urgency of the climate crisis, enable a zero carbon and climate resilient borough.
- 8.3 The Government's Climate Change Committee's 2025 report to Parliament notes that "The impacts of climate change are accelerating, and the need to strengthen the UK's resilience is more urgent than ever."
The elderly, children and young people, those living with disabilities and existing health conditions, and those living in poverty are most at risk. Despite these worsening environmental conditions, We Make Camden's prevention first approach and focus on equity driven transformation provides the right foundations to support continued and targeted investment in protecting those who are most vulnerable to environmental hazards.

9. TIMETABLE 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. Update on the Capital Programme

REPORT ENDS