LONDON BOROUGH OF CAMDEN	WARDS: ALL

REPORT TITLE

Review of Camden Medium Term Financial Strategy (FIN/2015/12)

REPORT OF

Cabinet Member for Finance and Technology Policy

FOR SUBMISSION TO	DATE
Culture and Environment Scrutiny	15th July 2015
Children Schools and Families Scrutiny Committee	16th July 2015
Resources and Corporate Performance Scrutiny Committee	21st July 2015
Cabinet	22nd July 2015

SUMMARY OF REPORT

This report provides an overview of the Council's financial position. It provides a progress report on the implementation of the 3 year £73m financial strategy that was agreed in 2014 and was shaped by the Camden Plan following continuing government funding cuts. The report sets out the outlook for council funding following the general election in May and subsequent government announcements including in-year departmental funding cuts and the July Budget, and notes that the Council should prepare for the possibility that the forthcoming Comprehensive Spending Review will require further cuts above and beyond those currently planned for.

The report also provides detail on the 2014/15 outturn and an update on the Council's Capital Programme. It asks Cabinet to agree the re-profiling of the Capital Programme and agree the areas for increased investment in the revised Programme. Cabinet is further asked to agree the allocation of year-end balances and the reallocation of balances previously highlighted to reserves.

Local Government Act 1972 – Access to Information

No documents required to be listed were used in the writing of this report.

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WHAT DECISIONS ARE BEING ASKED FOR?

The Scrutiny Committees are asked to consider the report and forward any comments to the Cabinet.

The Cabinet is recommended to:

(a) Note the challenging funding outlook for councils following the General Election
   - i. the impacts of announcements made in the July 2015 Budget, as set out in section 4.1 - 4.5.
   - ii. the announcement of in-year 2015/16 government funding cuts and the potential impact on Camden as set out in 4.6 – 4.7; and
   - iii. the corresponding potential need for further savings above those agreed in the financial strategy and the progress towards developing further outcomes based initiatives, as set out in sections 4.36 - 4.39 and appendix F.

(b) Note the progress towards implementing the financial strategy as set out in section 4.8 - 4.13.

(c) note the 2014/15 outturn revenue and capital position set out in sections 4.40 – 4.43 and 4.51.

(d) agree the allocations to and movements in earmarked reserves set out in sections 4.40 – 4.43 for inclusion in the Statement of Accounts.

(e) agree the revised Capital Programme, funding and capital receipts targets summarised sections 4.52 - 4.63 and presented in appendices A, B and C.

Agreed by Mike O'Donnell, Director of Finance

Date: 10th July 2015

1.0 WHAT IS THIS REPORT ABOUT?

1.1 The Cabinet receives regular financial updates throughout the year. These allow the Cabinet and residents to understand the financial position of the Council and the decisions required to ensure the Council makes the most of its investments.

1.2 This report provides an update on a number of financial matters. Following the agreement of the 3 year financial strategy in 2014, the report provides the first update on the progress towards implementing the programme of projects. The report updates Members on the outlook for council funding following the general election and subsequent government funding announcements such as the July Budget, and sets out the implications of revised medium-term funding and cost modelling. The report also presents the 2014/15 revenue outturn and makes proposals for the allocation of the final balances to reserves, as well as making proposals for the reallocation of existing reserve balances where these have been identified as no longer required. Finally, the report considers the capital outturn and updates on the shape of the agreed Capital Programme following a review of expenditure and income profiles.

2.0 WHY IS THIS REPORT NECESSARY?

2.1 Effective financial strategy and governance are necessary to ensure that an organisation functions well. It is important that Members and the public are aware of the major financial issues facing the Council and are able to make informed financial decisions.

2.2 2015/16 is the first year of the implementation of the Council's radical outcomes-based financial strategy, and a comprehensive monitoring framework is in place to ensure early sight of any issues or risks in delivery. The Council regularly reviews its underlying medium-term financial assumptions, and this report updates Members and the public of changes to cost and income profiles and the funding outlook following the general election and subsequent government announcements.

2.3 The Council is entering a critical phase in the delivery of its large-scale capital strategy, with many major projects now on site. The report provides an update of changes within CIP and the wider capital programme.

3.0 OPTIONS

3.1 The report proposes the allocation of 2014/15 year end revenue balances to earmarked reserves, and the reallocation of surplus reserve balances to the Cost of Change reserve in order to support the implementation of the financial strategy. The Cabinet could make allocations to other reserves to finance alternative future spend.

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

4.0 WHAT ARE THE REASONS FOR THE RECOMMENDED DECISIONS?

The Outlook for Council Funding following the General Election

4.1 The funding outlook for local Authorities following the General Election in May and the Budget in July remains very challenging. Although a detailed understanding of the medium-term financial implications for Camden will not be possible until the Comprehensive Spending Review, expected in the autumn, it seems likely that the government's commitment to eradicate the budget deficit by 2019/20 while delivering on a range of spend commitments made in the manifesto will mean that at a minimum the Council will have to deliver the £73m financial strategy agreed in 2014 over the next 3 years, while planning for an additional £20m of cuts in 2018/19. Despite a slowing in the deficit reduction target nationally, the increased spending resulting from new spending commitments in Departments such as the NHS and Defence may mean that the outlook for unprotected departments remains no better than previously assumed.

4.2 Therefore the Council must plan on the basis that it may have to deliver further cuts at short notice. If further savings are necessary, the Council will continue its strategy to align saving and investment decisions with the priorities of the Camden Plan.

Headlines from the July 2015 Budget

4.3 The July Budget, announced just prior to this report's publication, contained a range of announcements and policy initiatives that may have either a direct or indirect impact on the council and its policy objectives. It is still too early to be definitive about the implications for the Council and further information will emerge over time. There are also some issues that will be subject to consultation and further refinement. Following an initial assessment, the following represents the key headlines for Camden.

4.4 The Budget announced public expenditure figures for the five years up to 2020/21. Overall national departmental spending will be higher than previously announced; however this represents an overall rise of less than 1% in departmental revenue cash spending between now and 2018/19. Within this total, the government has committed to funding an extra £10bn of spend in the NHS, and announced funding protections for Defence spending, which will now rise by 0.5% per annum in real terms over the life of the parliament. These commitments, in addition to existing protections for education and international development, suggest that continuing savings will need to be made from a smaller range of non-protected departments like local government. The Budget gave no indication that the funding trajectory for local government will alter dramatically from that previously anticipated and a multi-year settlement for local government is expected in the autumn.

4.5 Other notable policy initiatives include:

- Significant proposals regarding the council's social housing function (HRA), set out in paragraphs 5.19 - 5.23.

- The provision of 30 hours of free childcare for working parents of 3 and 4 year olds, which is likely to lead to further pressure on Camden's current 25 hours provision (see paragraph 5.12).
- Significant changes to welfare, such as a reduction in the Benefit Cap in London by £3,000 to £23,000; a four year freeze in many working-age benefits such as a number of tax credits from 2016/17; the removal of automatic housing benefit for 18-21 year olds from 2017/18; and the limiting of Child Tax Credit to two children for children born after April 2017/18. £12bn of savings to working age welfare budgets will be made by 2019/20. By the time Cabinet meets, the Welfare Bill is expected to have been published (due on 10th July).
- The Budget announced that there will be a new 'living wage' from April 2016 of £7.20. This compares to the current national living wage of £6.50 for over 21s. The 'living wage' will be set nationally by the Low Wage Commission towards a target of £9 per hour in 2020. The current London Living Wage is £9.15, and it is not known whether there will be any regional variation to take into account the increased living costs in London.
- While there were indications of further devolution to regional cities, there was no announcement on plans to further devolve power to London boroughs.

In-year Budget Reductions for 2015/16

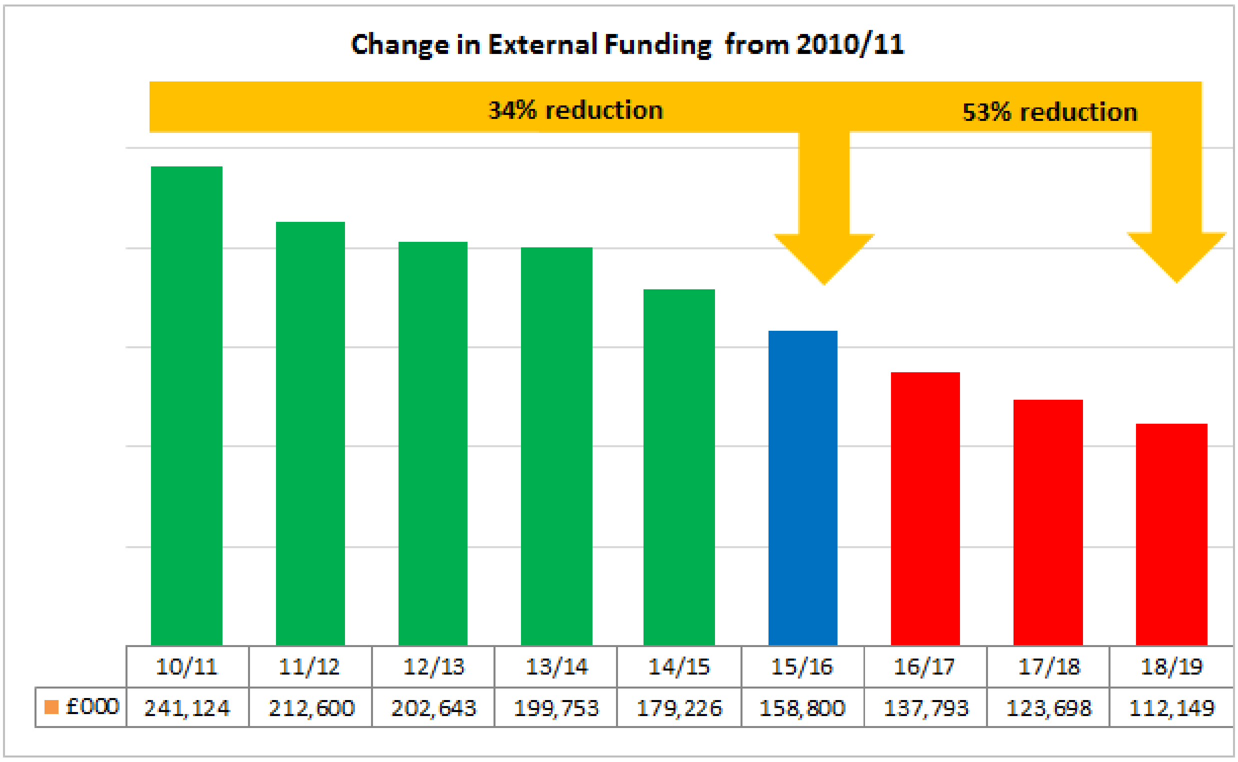
4.6 On 4th June, the Chancellor announced in year budget reductions for 2015/16 of £3bn from government departments. Although the local government settlement is not being re-opened, some of the budget reductions in other departments will have a direct impact on the Council's funding.

4.7 The reductions of £200m in the Department of Health will be targeted at Public Health budgets that are devolved to local authorities. The basis of apportionment is not yet clear, but if the reductions are applied on a pro-rata basis across all councils in 2015/16, Camden would see its Public Health grant reduced by £1.9m. However, if the formula applied seeks to apportion the cuts towards the councils deemed as over-resourced in the formula derived by the Advisory Council of Resource Allocation, the cut for Camden may be far more significant. The service is considering a range of options as to how it can respond to the cuts ahead of a short government consultation expected in August, including holding vacancies and reviewing where contracted and project activity may be restrained. Following the July Budget, it remains unclear whether cuts to other government departments such as the £450m reduction in Education funding, will be passed on to councils. It is also currently uncertain whether these cuts are in addition to savings expected in 2016/17 and beyond or represent early implementation of forthcoming budget cuts.

Implementing the Medium-term Financial Strategy

4.8 Camden is heavily dependent on grants from the central government, which have been cut year on year since 2010. As grant funding used to be linked to levels of deprivation, areas of high historical need like Camden have seen more significant cuts to their grant funding and overall spending power. It is likely that the cuts beyond 2015/16 will continue to affect Authorities more reliant on grant funding, like Camden, disproportionately. Chart 1 shows how government funding to the Council decreased since 2010/11.

Chart 1 - Percentage Decrease in like-for-like Government Funding to Camden since 2010/11*



**Change in like for like external General Fund funding: e.g. excludes funding for new services like Public Health Grant for new service from 2013/14, and ring-fenced schools funding. Figures are projected from 2016/17*

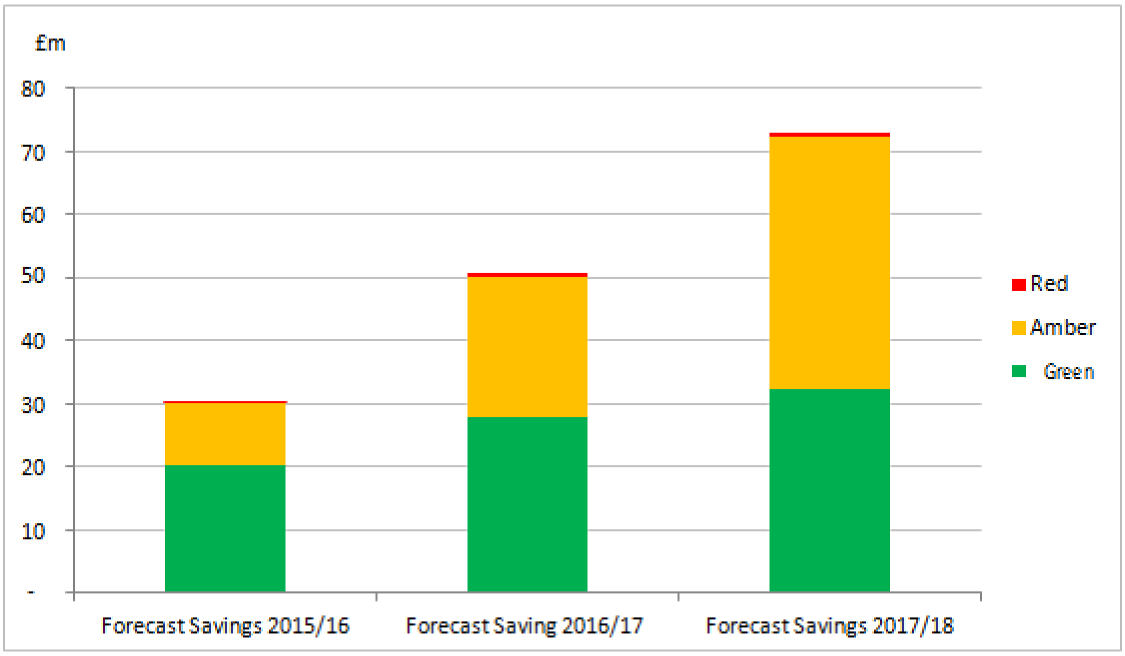
4.9 Due to the continuing reduction to core government funding, as well as unavoidable demographic pressures, the December 2014 MTFS identified an expected gap of £73m between the Council's income and expenditure by 2017/18, on top of the £93m savings delivered between in the four years to 2014/15.

4.10 In the September and December Cabinet reports we presented an innovative financial strategy programme to close the funding gap by focussing our increasingly limited resources on the delivery of our Camden Plan outcomes. Instead of annual, arbitrary, reductions to budgets across the board, the Council took a planned, longer-term approach to achieving the required budget reductions by focusing on the things that contribute most to key outcomes. This outcome based budgeting process resulted in over 100 projects set to deliver a net £73m of budget reductions from 2015/16 – 2017/18.

4.11 Since the financial strategy was agreed in September and December MTFS reports, the Council has made a strong progress towards implementing the first year of savings. However, we are conscious that delivery is in the very early stages. A number of projects are only in the planning phase. For these initiatives whether and how they are implemented is subject to a number of factors, including further decision making, consideration of equalities impacts, or engagement with service users and staff. Therefore a large proportion of projects have amber ‘RAG’ status, acknowledging the further work required prior to delivery.

4.12 There is only one project currently rated as high risk (red RAG) – maximising income from arts and events. There is ongoing work to mitigate this risk. Chart 2 below shows forecast savings to be delivered in each year of the current MTFS and the level of risk associated with the savings.

Chart 2 – Forecast Savings per Year and RAG Rating (£m)



4.13 Following a large pre-budget engagement exercise, the Council is now into the next phase of consultation and engagement. The Council has already held consultations on a number of major proposals: targeted consultation on short breaks for disabled children ended in March, a wide-ranging consultation on housing allocation was completed in April, and the consultation on libraries took place in June. Other engagement exercises, such as engagement with the local voluntary and community sector, are taking place in July. The Council is also holding a consultation on changes to early education and childcare and children's centre services.

Effects on Staffing

4.14 The realisation of the Council’s last Savings Programme meant the Council lost valuable and experienced staff who had worked hard over the years to build up highly respected public services. From April 2010, there were 645 redundancies, of which 378 were compulsory and 267 voluntary. In addition to those appointed to new or different roles as part of service changes, there were also 69 redeployments to other parts of the Council, which would otherwise have led to redundancy.

4.15 The current savings programme is estimated to result in a reduction of around 600 posts, around 80% of which are estimated to result in redundancy. Since April 2014 there have been 46 redundancies, of which 34 have been compulsory and 12 voluntary. These redundancies have mainly come from restructures being implemented during 2014/15 in Parking, Human Resources, Finance and Strategy.

4.16 Wherever possible, redundancies will be minimised through the use of a variety of measures including holding vacancies, not replacing leavers, the use of voluntary redundancy where appropriate, and redeployment wherever possible. In the situations where redundancies occur, support and training will be offered to staff through counselling, career planning and advice services, as well as skills based workshops designed to support their search for alternative employment.

Cumulative Impacts of the Financial Strategy

4.17 We signalled our intention to undertake assessment of cumulative impacts in the December 2014 MTFS Cabinet report. There is no legal requirement to undertake the cumulative impacts analysis – we have chosen to do this as an additional assessment on top of individual equality impact assessments (EIAs).

4.18 We have considered possible impacts on those on low incomes in addition to the protected characteristics, and considered impacts on young people and old people (subsets of the age protected characteristic) separately as the issues are very different for these two groups.

4.19 We have undertaken an analysis looking across MTFS proposals for cumulative impacts as of March 2015. It is worth emphasising that these proposals are at different stages of development, many are in early stages and are subject to change. On the current analysis of proposals we do not anticipate pronounced cumulative impacts on those with protected characteristics. Furthermore, the proposals have been considered in terms of direct and indirect discrimination and it is not considered that they are discriminatory. The impact of individual projects will continue to be monitored via project-level EIAs.

4.20 With the exception of projects in earlier stages of development, there is evidence that savings projects have been developed with reference to the investment test of tackling inequality. Where impacts are identified, mitigation is already being built into proposals.

4.21 However, wider impacts on those with protected characteristics linked to national government’s welfare reform and housing agenda remain a significant concern. We will continue to monitor and look for ways to help mitigate these impacts locally, especially where there are links to MTFS savings proposals.

4.22 Because of a greater focus on the needs of the most vulnerable and a focus on prevention, there is evidence from the analysis of a range of areas where services will likely be improved through better targeting of resources, and in some cases, additional investment.

4.23 The analysis points to some areas where experience of change from the service user perspective could usefully be monitored in order to enhance and support effective mitigation and service improvement activity, especially given wider context of public service and welfare reform.

4.24 More detail is provided in the online report: *Cumulative impacts of the MTFS: Update and initial analysis July 2015*.

Review of Medium-term Assumptions

4.25 The following section presents an update on various cost and income factors that impact of the council's medium-term financial projections.

Inflation

4.26 Following the contraction of council funding from 2011, the Council has taken active steps to reduce costs by minimising inflation requirements in budget setting. Nevertheless, inflation increases have remained a significant contributor to rising service costs. Three amendments to previous inflation allowances are proposed from 2016/17. Given the low rates of general inflation in the economy, assumptions on pay awards have reduced from 2% to 1% for 2016/17 and 2017/18. Reflecting the continuing strong work from services and procurement in challenging uplifts in external contracts, it is proposed to maintain the allowance for external contracts at 1% (down from 1.5%). Thirdly, the standard index for fees and charges inflation has been reduced from 3.0% to 1.5% for 2016/17 and beyond. The cumulative impact of these three changes is a reduction in additional costs of £2m over the next 3 years.

4.27 There is considered little scope to further increase fees and charges income inflation. This is because income maximisation already forms a key tenet of OBB proposals such as advertising and planning, and because fees and charges inflation outstripped general cost increases in many areas for a number of years. The Council will nonetheless seek to ensure fees and charges income is maximised in specific areas where there is scope to do so. The Council only seeks to maximise fees and charges where it is legally allowed to and supports our wider policy agenda. For example, parking fees and charges, where not set by external bodies, are reviewed in line with Transport Strategy objectives and not part of the wider corporate review of fees and charges. Full detail of medium-term inflation assumptions is provided in the online paper '*Wider Economic Forecasts and Medium-term Modelling: July 2015'.*

London Living Wage

4.28 The Council is working to implement the London Living Wage for all our contractors. We believe that being accredited as a LLW employer is a positive example of how we are helping to tackle inequality and it is a crucial tool in making work pay in the borough. While it may take us some time to introduce the LLW across all new contracts, subject always to the Council deciding that paying the LLW presents best value for those contracts to the Council, we firmly believe that it is an investment that will improve the quality of services and the daily lives of those who work for Camden. To fund this commitment, we included within the medium term projection a budget for £0.690m for 2015/16 increasing to £2.862m by 2017/18, which represents the identification of a further £0.273m of costs since December 2014. Additionally, by 2017/18 we will increase budgets by £2.250m to improve terms and conditions in homecare contracts.

Retained Business Rates

4.29 Business Rates retention was introduced by the government in 2013/14 and replaced an element of grant funding. The government claimed that the system was intended to incentivise economic growth by allowing Authorities to retain a portion of any growth in their local business rates base. For Camden the proportion was low, with the borough theoretically able to retain 17p in every additional £1 generated, but liable for the first 7.5% of decreases in receipts collected below the baseline starting point.

4.30 It has become clear that the starting position for Camden was significantly overstated, as we have suffered the impact of consistently high levels of appeals from businesses to the Valuation Office, which when successful have resulted in retrospective rebates for businesses. This led to a £2.7m deficit on the Business Rates Collection Fund in 2014 and a budgeted deficit of £18m in 2015/16, which was largely addressed through the business rates safety net reserve established to provide resilience given such shocks from the system. By the time of closing the 2014/15 accounts the situation had deteriorated further as there was a large influx in additional appeals towards the end of the year following the announcement that the government will only backdate rebates from successful appeals to the end of March 2015. As at 31st March 2015 there were 3,688 outstanding appeals. Furthermore, this influx was predominantly from businesses with higher rateable values who are likely to benefit more from any rebate, and have the resources to pitch their case to the Valuation Office. This has meant that the collection fund deficit at the end of 2014/15 is now worse than anticipated in budget setting, and the council is facing an additional deficit of £10m to be made up in 2016/17 budget setting. The 2014/15 position was sufficiently bad to mean that the Council is due a £7m safety net payment from the government which will be allocated to the safety net reserve and used to offset the £10m deficit in 2016/17.

4.31 Successful appeals have a two-fold impact: the council must pay back retrospective ‘overpayments’ and suffer the ongoing effect of a lower receipt in future years – a permanent depreciation of the business rates base. Given the turbulence in the system and as increases in the ‘retained share’ index are linked to RPI, which is currently low, medium-term modelling now assumes no growth in the retained business retained share up to 2018/19.

4.32 An analysis of the overall impact of the business rates retention scheme from implementation in 2013/14 to the forecast projections for 2016/17 suggests that the scheme has made very little difference to the Council’s business rate income compared to income had the grant system remained, despite the increases in our base. It is hoped that once the appeals are finally cleared Camden will see the benefits from the increase in the underlying base, but it remains to be seen whether this will outweigh the permanent ongoing cost of successful appeals and whether the next revaluation, scheduled for 2017, will simply start this process over again.

Pressures

4.33 While the Council constantly endeavours to limit costs and increase efficiency, there are areas in which demographic, economic or legislative changes mean that the Council has limited or no scope to reduce costs – for example in relation to demographic trends such as an increase in the number of older residents' entitlements, such as Concessionary Fares for public transport. Such costs have tended to rise at rates significantly in excess of inflation in recent years, particularly as the Council has borne down so effectively on its own budgeted inflation allowances. In its medium-term modelling, the Council allows for an additional £4m per annum to respond to these unavoidable pressures.

4.34 The latest projections for 2016/17 include full utilisation of the £4m budget. The majority of this is expected to be required to cover the increased National Insurance costs from April 2016. This increase is a result of the abolition of the National Insurance Contracted Out Rate, which will remove the reduced contribution employers pay for employees in the pension scheme. Current modelling suggests that this will increase annual costs by c£2.045m (on average 1.67% of those in the pension scheme). There is no indication that the government is to provide additional funding for this new burden. The Council also agrees a sum with its actuary to be paid into the pension fund each year to make up the backfunding deficit projected in the scheme. This sum is set to be £1.250m per year for the next 3 years. Another significant pressure arises from projected increases in the North London Waste Authority contract, for which the uplift is forecast to be around 14%, resulting in a pressure of £0.784m.

4.35 While officers will continue to review options for reducing the indicative pressures highlighted, even at this early stage it is estimated that the full £4m budget for unavoidable pressures will be required. Even if these pressures can be reduced slightly, our ability to manage any further pressures within this resource will be challenging.

Conclusions and Next Steps

4.36 The combination of factors set out above means that the Council must prepare for the potential that further budget reductions are required over the next three years, while continuing to keep sight of the additional savings requirement of around £20m in 2018/19.

4.37 While the funding outlook will remain unclear until the Comprehensive Spending Review, there is the potential that further cuts over and above those already planned may be announced. While the progress towards implementing the £73m strategy has been strong, the Council must be mindful that many projects remain in the planning stage, and others subject to the outcomes of public consultation. Furthermore, there remain a number of areas of potential cost pressures, including levies, national insurance rises, changes to adult social care, and business rates appeals.

4.38 Additionally, it is expected that there will be further cuts beyond 2017/18. The Council previously indicated it may need to save further £20m in 2018/19 alone. Therefore further work will be necessary to deliver the Financial Strategy.

4.39 With these factors in mind, a number of proposals under development were presented to Cabinet for information alongside the £73m programme in December 2014, with the intention that these would be worked up for agreement by Cabinet towards the end of 2015. With the challenging funding outlook in mind, Cabinet agreed the first of these additional savings in June - to save an additional £2m through an outcome focused procurement strategy for the environment services contract. This brings the total value of the 3 year savings programme to £75m. Appendix F provides an update on the progress towards implementation across the proposals under development.

2014/15 Revenue Outturn and Allocations of Surplus

4.40 In 2014/15 some areas of the Council spent less than originally budgeted. The final revenue outturn prior to reserve allocations is an underspend of £(5.155)m. After allowing for recommended transfers to reserves, the outturn is an underspend of £(0.460)m, which is 0.17% of the net budget.

Table 1– 2014/15 Final Outturn

	Gross Budget £m	Net Budget £m	Outturn £m	Outturn Variance to Budget Pre Reserves £m	Reserves Endorsed for Approval £m	Outturn Variance Post Reserves £m
Directorates						
Law & Governance	8.478	3.613	2.248	(1.365)	0.884	(0.481)
Strategy & Organisation Development	14.867	2.758	2.832	0.074	0.000	0.074
Finance Department	274.952	8.127	5.677	(2.450)	1.435	(1.015)
Culture & Environment	131.569	57.397	57.051	(0.346)	0.987	0.641
Children, Schools & Families	322.065	90.315	88.412	(1.903)	0.377	(1.526)
Housing & Adult Social Care	176.892	124.801	124.422	(0.379)	0.000	(0.379)
Public Health	26.740	26.368	25.356	(1.012)	1.012	0.000
Corporate Budgets						
Financing and Interest	6.622	5.079	4.427	(0.652)	0.000	(0.652)
Government Grants	0.000	(42.512)	(42.617)	(0.105)	0.000	(0.105)
Insurance	0.104	0.104	0.000	(0.104)	0.000	(0.104)
Pensions	17.769	15.525	15.149	(0.376)	0.000	(0.376)
Under-recovery from HRA Recharge	0.000	(0.444)	0.000	0.444	0.000	0.444
Other Items	40.805	(25.313)	(25.894)	(0.581)	0.000	(0.581)
General Fund Total	**1,020.863**	**265.818**	**257.063**	**(8.755)**	**4.695**	**(4.060)**
Allocations agreed in December Cabinet						
High Speed 2 Reserve			0.800	0.800		0.800
Capital Investment in places for 2-year-olds			2.800	2.800		2.800
General Fund Total	**1,020.863**	**265.818**	**260.663**	**(5.155)**	**4.695**	**(0.460)**

4.41 After taking into account largely planned reserve transfers, there are a number of departments with notable year-end variances. The main contribution to the underspend in Finance is higher than expected income (for example from disposals of property), and lower than budgeted staff costs. Culture and Environment had a final overspend. This was due to lower than budgeted income in certain areas, such as Building Control. Another reason for the Culture & Environment overspend was that income from parking was used to fund a parking transformation programme, which reinvested in parking assets, such as updating pay and display machines, that will reduce costs in the future. Children, Schools and Families has seen a significant decrease in the number of placements for Looked After Children, which resulted in the final underspend. The Council did not utilise all of its cross-cutting budgets; the main underspend was due to interest payable on the loan portfolio being lower than budgeted.

4.42 Overall, the underspend is due to a combination of factors, not least the early delivery of savings initiatives as services responded proactively to implementing the required budget cuts 2015/16. Further information, including directorate narratives, is provided in the online document '*2014/15 Outturn Report: July 2015*'.

4.43 The year-end outturn means that there are now surplus resources to be allocated to enable the Council to close the accounts for the financial year 2014/15. Following the allocations listed in table 1, there remains a final revenue underspend of £(0.460)m. It is proposed to allocate this sum to the Cost of Change reserve, to enhance the funding available to cover costs of implementing the 2015-2018 MTFS savings.

Earmarked Reserves

4.44 A number of transfers to Earmarked Reserves are proposed at year end resulting in a final surplus of £(0.460)m for 2014/15. This surplus will be transferred to the Cost of Change Reserve.

4.45 The Council holds one-off balances in earmarked reserves to finance known future costs and to manage corporate risks. The opening 2014/15 earmarked reserves balance was £106.789m. A net movement out of earmarked reserves of £(1.285)m took place during 2014/15. With the proposed reserve transfers (as set out in table 1) there will be revised earmarked reserves of £110.659m as at 31st March 2015.

4.46 The most significant movements between reserves for 2014/15 related to planned capital expenditure financed from revenue and asset management. These were mainly a result of Revenue Contributions to Capital to invest in capital projects aimed at delivering key Camden Plan objectives and projects within the savings programme. The most significant of these were £5.800m to fund the purchase of the freehold for the York Way Depot and a contribution to the ICT Programme of £3.699m. There was also a significant drawdown to support key revenue outcomes in year, including £1.438m allocated to HS2 and £2.022m for Homes for Older People.

4.47 Following the final allocations of Customer Access Strategy funding from the Invest to Save reserve, there is a £1.656m remaining balance. As the Cost of Change reserve is now the primary funding source used to facilitate the one off costs of delivering the financial strategy's transformational change and ongoing savings, it is proposed to allocate the remaining balance on the Invest to Save Reserve to Cost of Change.

Table 2 - Summary of 2014/15 Changes to Earmarked Reserves

Earmarked Reserves	Actual Reserves 31.03.14 £m	Movement Out of Reserves £m	Transfer Into Reserves £m	2014/15 Outturn Adjustment £m	Forecast Reserves 31.03.15 £m
To Support Key Revenue Outcomes	34.479	(6.742)	1.933	4.685	34.355
To Support Council's Remodelling Programmes	22.695	(4.685)	2.660	0.460	21.130
On-going Capital Activity and asset Management	32.144	(21.115)	18.304	0.000	29.333
Mitigation of Future Corporate Risk	17.395	(2.715)	11.129	0.000	25.809
Charitable Activity	0.076	(0.054)	0.000	0.010	0.032
Total Earmarked Reserves	**106.789**	**(35.311)**	**34.026**	**5.155**	**110.659**

Other Specific and General Reserve Balances

4.48 The Council holds one-off money for specific purposes detailed below. These were £65.662m at the start of 2014/15 and increased by £5.528m during 2014/15, leaving a closing balance of £71.190m. Table 3 summarises the movement. It is not proposed to change the Council's main General Balances.

Table 3 – Summary of Movements to General Balances

General Reserves	Actual Reserves 31.03.14 £m	Reserves Adjustment £m	Reserves 31.03.15 £m
General Balances	13.624	0.000	13.624
Housing Revenue Account	34.915	6.051	40.966
Schools Balances	17.123	(0.523)	16.600
Total General Reserves	**65.662**	**5.528**	**71.190**

Financial Outturn Forecast: Month 2 (May)

4.49 As at month 2 (May) the General Fund is reporting a net overspend of £0.377m, equivalent to 0.1% of budget. The largest General Fund departmental overspend is in the Culture & Environment directorate. The main contributor to this overspend is the forecast underachievement of Commercial Waste and Building Control Income due to the competitive market in which the services are operating. The other main contributor to the overall overspend is in the Housing and Adult Social Care Directorate, where Mental Health Services have forecast an overspend due to increased activity and unit costs. There are a number of offsetting underspends across the organisation that counter this.

4.50 It should be noted that this is the first forecasting month of the financial year. It is expected that this position will change as forecasts are refined further and work is undertaken to address any overspend. Finance will continue to regularly monitor the position and a more detailed update will be provided later in the year.

Capital Outturn 2014/15

4.51 The outturn for the year is £213.734m which is £56.481m (20.9%) below the budget of £270.215m. The main variance was in the Housing & Adult Social Care directorate in respect of slippages in the Decent Homes district heating programme, the lifts programme and in energy efficiency projects now expected to be carried out in 2015/16. Another major contributor to the underspend was a slippage in regeneration projects. Further information is provided in the online document *'2014/15 Outturn Report: July 2015'.*

Review of the Capital Programme 2015/16

4.52 The Council has plans to spend over £1.4bn from 2015/16 to 2024/25. The Capital Programme consists of maintaining and enhancing its assets including schools, roads and council housing, as well as a number of large self-contained projects such as the Homes for Older People Strategy and the Community Investment Programme (CIP) regeneration programme.

4.53 The programme has increased by £205.920m since to the last approved budget, mainly because of higher projected costs on several estate regeneration schemes (funded from higher grant and capital receipts from sales) and new grant funding from the Education Funding Agency, Lottery and Transport for London. The revised programme means that total investment in schools and children's services from CIP since 2011 will total £161m by 2019/20, despite extensive government grant cuts. A full breakdown is shown in appendices A, B and C. There has also been slippage of expenditure from 2014/15 and 2015/16 to 2016/17.

Table 4 – Capital Programme Changes since Last Approved Budget

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 to 2024/25 £m	Total £m
Last Approved Budget	270.215	282.114	245.175	169.556	120.637	104.744	68.981	**1,261.422**
Revised Capital Programme	213.734	240.151	308.974	229.349	175.107	176.826	123.201	**1,467.342**
Change	**(56.481)**	**(41.963)**	**63.799**	**59.793**	**54.470**	**72.082**	**54.220**	**205.920**

4.54 The Council has also revised its resource forecasts. Appendix B sets out the levels of funding for the Capital Programme. This shows that the Council is heavily dependent on the generation of capital receipts to maintain its capital programme and is set to fund over half of the total expenditure. This includes £700m from the sale of new private sector housing but also includes the disposal of some Council assets within the HRA and within the General Fund. A breakdown of the capital receipts targets is shown in appendix C.

4.55 There has been a decrease of £11.8m in the Capital Receipts that are expected to be delivered during 2015/16 compared to the previous target set by Camden in July 2014. Receipts expected from the Estate Regeneration CIP projects have increased overall but have been re-profiled into future years to reflect the planned schedule of delivery.

4.56 The total capital expenditure budget for CIP schemes has increased from £760m to £895m, an increase of £135m. The reasons are diverse and include:

- Application of a consistent inflation policy where all capital budgets are profiled on an outturn basis, affecting Abbey and Agar budgets primarily,
- Increase to Gospel Oak budgets of £30m following a change in funding strategy approved by Cabinet in April 2015,
- Change in strategy at Liddell Rd which will see enabling works carried out by the Council,
- Higher than previously anticipated construction costs at Bacton Low Rise and Greenwood,
- An increase in scope of works at Greenwood and a higher specification of interior fittings to maximise sales receipts at Bourne and Abbey

4.57 The increases in expenditure are primarily met from increases in sales receipts. The profiling of CIP schemes has been significantly adjusted. This in part reflects decisions made by the Council to manage expenditure at a programme level to ensure that programmed delivery is achievable and also affordable (i.e. that the HRA debt cap is not breached).

4.58 Work has continued to procure a permanent depot facility for use by the borough's contract Environment Services fleet as well our Transport Services vehicles. Although temporary provision has now been made for the start of the new contract in 2017, we are now exploring the redevelopment of the York Way depot recently purchased by Camden. Feasibility work and a business case are being developed within 2015, but it is likely that additional Capital resources will be required to deliver the project.

Capital Receipts and Disposal Programme

4.59 The overall forecast for capital receipts over the period 2014/15 to 2025/26 rises from £929.8m to £1,193.4m - an increase of £263.6m. It is proposed that £160.7m of that increase is used to fund the capital programme with the remaining surplus subject to future decisions and dependent on the progress of generating the revenue anticipated.

Table 5 – Projected Capital Receipt Changes since Last Approved Budget

Total Capital Receipts	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	TOTAL £m
First Review Targets	234.3	141.1	181.3	134.7	106.0	54.3	342.4	**1,193.4**
Last Approved Targets	237.2	152.9	175.7	122.2	63.1	36.5	142.2	**929.8**
Change	**(2.9)**	**(11.8)**	**5.6**	**12.5**	**42.9**	**17.8**	**200.2**	**263.6**

4.60 The main increases are in respect of the development projects where capital receipts have been updated for inflation and in line with latest business cases and the addition of two new large development projects – Regents Park and Gospel Oak. Some of the disposals planned with the highest increases are listed in table 6.

Table 6 – Change in Projected Capital Receipts – Main Areas of Increase

Change in Capital Receipts 2015/16+	Approved £m	Revised £m	Increase £m
Holly Lodge	13.1	**15.9**	2.8
Maiden Lane	70.2	**88.4**	18.2
Bacton Low Rise	93.4	**102.5**	9.1
Abbey	86.7	**122.0**	35.3
Bourne	32.4	**35.6**	3.2
Agar	142.1	**202.2**	60.1
Gospel Oak Infill	0.0	**48.9**	48.9
Kingsgate expansion (Liddell Rd.)	21.2	**26.8**	5.6
Regents Park	0.0	**47.1**	47.1

4.61 The reliance on future capital receipts to fund the capital programme carries a level of risk and the disposals programme will be closely monitored and scrutinised to ensure receipts projections remain realistic and that robust measures are in place to mitigate the risks of underachievement.

Capital Monitoring – Expenditure and Receipts

4.62 Capital expenditure including accruals at month 2 is £10.6m. This is higher than the profile for the month and is mainly due to accruals in CSF CIP programme. The projected outturn is £241.747m, which represents an increase of £1.594m compared to the budget for the year of £240.152m. Although work was done to review capital budgets during April and May variances within Housing & Adult Social care have been identified. The increase in spend relates to Boundary Wall repair costs, and Better Homes Externals works, which have both carried over from delays in 2014/15.

4.63 There were no capital receipts generated form the planned disposals programme as at month 2. The major 2015/16 disposals, such as West End Lane (£26.5m), St. Margaret's (£14.0m) and Maiden Lane (est. £27.8m), are due to take place in the second half of the year. At this stage the projection is that the target capital receipts of £141.1m for 2015/16 will be achieved. As at month 2 there were 30 properties sold under the RTB bringing a total of £6.6m in sale proceeds. These proceeds are subject to the pooling arrangements and a large proportion of that receipt will be paid to the Treasury with Camden's share currently estimated to be around £1.6m.

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

Government Funding

5.1 The Chancellor announced a new budget on 8th July this year. This was the second budget in 2015 and sought to implement pledges from the Conservative manifesto. The Budget indicated a significant increase in total spending across government departments compared to the figures presented in the March Budget. However, this is unlikely to translate to an improved funding position for local government.

5.2 The Budget reaffirmed a range of spending commitments made in the manifesto, and announced new protections for certain departments. This will increase the squeeze in non-protected areas like local government. It is likely future cuts to the local government will be focused on the same local authorities that have experienced the largest cuts over the previous parliament. This means the Council could face pressures above and beyond the current savings programme. However, the precise impacts on local government direct funding will remain unclear until the Comprehensive Spending Review, expected in the autumn.

5.3 The Government's plan to eradicate deficit by 2019/20 is partly dependent on the success of revenue generation plans, such as reducing tax avoidance. If this does not generate the required revenue, the government may seek to make up the shortfall with further cuts.

5.4 Additionally, it is expected that there will be further cuts beyond 2017/18. The Council expects it may need to save further £20m in 2018/19 alone. Therefore further work will be necessary to deliver the Financial Strategy and it is important to continue to progress the savings under development, as set out in the Appendix F.

Demand-Led Risks

5.5 Demand-led pressures result from changes in the demographics of the Borough, for example the rise in the number of older people, or other changes such as decreasing Penalty Charge Notice income in Parking Services. Other demand-led pressures include areas where external agencies have the statutory right to charge the Council, such as the GLA for Concessionary Fares and the North London Waste Authority levy.

5.6 Parking income from Penalty Charge Notices (PCN) is expected to continue to follow the decline seen in recent years as less PCNs are being issued year on year due to increases in compliance. There is the risk that the rate of decline in income will accelerate following the Deregulation Act 2015 coming into force as of 1st April 2015. Section 53 of the Act looks specifically at the prohibition on the use of CCTV for enforcement of Civil Parking Contraventions and the mandatory requirement that a “grace period” be granted to motorists where no PCN is to be issued for overstaying by no more than 10 minutes. A potential increase in compliance is expected from this.

5.7 Pressure on council services continues following welfare changes and will increase as a result of further changes announced in the Queen’s Speech and July Budget. The further reduction in the Benefit Cap and removal of automatic entitlement to Housing Benefit for 18-21 year olds may cause significant financial pressures, particularly for temporary accommodation rent arrears.

Adult Social Care and the Care Act

5.8 From April 2015, care and support in England is changing. The Care Act will change the way care and support is funded and how services are delivered – putting greater emphasis on prevention, integration with health, extending care assessment to a wider group of adults, and making significant changes to the approach to charging for and paying for care. Phase 2 of the care Act, currently anticipated to come into force in April 2016, is expected to place an increased cost on the Council from enhanced duties towards individuals who currently fund their own care as well as an immediate loss of income from changes to charging regulations. The introduction of a cap on care costs has the potential to cause a significant cost pressure in future years. The Council continues to work with the Department of Health to model potential numbers of self-funders who might approach the Council for support and the potential associated costs.

5.9 The Council has offered Deferred Payment Agreements (DPA) for a number of years, however phase 1 of the Care Act introduced a Universal Deferred Payment Agreement which necessitated some minor changes to the Council’s existing scheme. Recent legal advice received by NAFAO (National Association of Financial Assessment Officers) has raised concerns that the Council’s ability to collect debt may be hampered by a requirement to offer a DPA on assets other than land and property, with an associated requirement from the Consumer Credit Act to register such arrangements with the Financial Conduct Authority. The Council will continue to work with NAFAO and the Department of Health to seek clarification. See appendix E for further information.

5.10 The Council continues to face increasing demand pressures from an aging population as well as increasing costs of children with complex needs transferring into ASC services.

Schools Funding Risks

5.11 The manifesto of the new government reconfirmed the objective from the previous parliament to move towards a national system for the distribution of the Dedicated Schools Grant (DSG) through a “fairer funding” initiative. Such a move is likely to impact negatively on Camden schools and early years provision, which have historically been better funded than most other local authorities. The manifesto also made a commitment to maintain funding levels for schools in cash terms. However, it is not yet clear how the government intends to fulfil this commitment whilst at the same time introducing a fairer funding system nationally. There is a risk that better funded areas like Camden may see their school funding reduced to compensate less well funded areas. In addition, the manifesto did not extend a commitment to maintaining funding at cash levels to sixth forms, where funding has already been reduced significantly in recent years. These factors point towards a challenging few years where costs will increase at a rate above inflation, allowing for pensions and other cost changes, while funding is at best likely to remain at current levels and at worst could reduce. Significant changes were made for 2015/16 to the distribution of funding within Camden's local formula to bring the funding of schools closer to the averages for all authorities in England. It is expected that this action will reduce the changes required when a national funding formula is introduced and provides a longer period to phase in the changes.

5.12 Alongside this, the Conservative manifesto contained a number of other educational proposals that will require funding at a time when public sector finances will continue to contract. The most significant of these is to introduce 30 hours of child care for working parents of three and four year olds. For historical reasons, Camden's receives funding for early years at a high level compared to other authorities. We use this funding to provide 25 hours nursery provision in schools and other elements of early years services. However, as part of the fairer funding initiative, the level of funding that Camden receives is unlikely to be maintained, with 2017/18 being the most likely timing for a significant reduction. Early years funding is not included in the government's protection of funding to schools and as a consequence is at greater risk of reduction in order to pay for pressures elsewhere within the educational system such as the government's commitment to extend free child care for working parents. This may impact on Camden's funding for the 25 hour nursery provision and other early years services. Although no figures are yet available from the government, the possible reduction could eventually be as much as £6m out of a total of £18m early years funding within the DSG.

5.13 There are also risks regarding future funding in the 'High Needs' block of DSG that funds special educational needs provision. The previous government completed a recent 'call for evidence' as part of its work to establish a funding formula for the distribution of high needs funding. Designing a funding formula that takes account of the various different needs will be extremely challenging for the government as the distribution of pupils and young adults requiring support do not match any particular index of needs. From a simple per head of population calculation, Camden has one of the highest levels of funding and, although we do not know any details yet, our working assumption is that we may lose some £5m per annum out of a total of £32m high needs block funding. It is not clear how quickly such a reduction would be made.

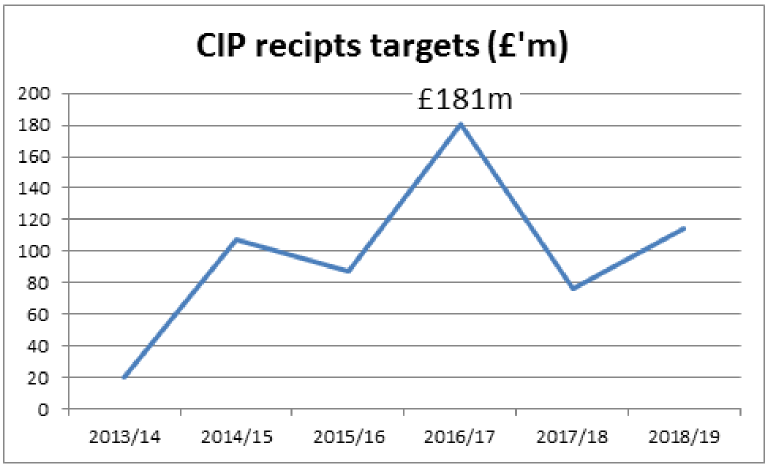
Risks within the Capital Strategy and Community Investment Programme

5.14 Capital receipts from the sale of existing and new build properties are funding 57% of the capital programme. This is an increase on previous years, as illustrated in table 7.

Table 7 – Increase in Capital Receipts as a Source of Funding the Capital Programme

MTFS date	capital receipts funding expenditure	% of total programme funded by receipts
July 2013	£519m	50.5%
July 2014	£708m	53.7%
July 2015	£835m	56.9%

5.15 The bulk of these receipts are generated by the Community Investment Programme (CIP), with a challenging target to generate £344m over the next 3 years.



5.16 A high dependency on capital receipts to fund the Council's capital expenditure programme carries inherent risk, particularly the risk of slippage in the delivery of these sales and the risks that the anticipated sales values will not be achieved.

5.17 The construction industry in London remains at high capacity albeit with evidence of a cooling period prior to the general election. This will impact on prices tendered and the viability of tenders received when procuring main works contractors. In such an environment monitoring of scheme viability and reviewing the business cases for schemes is essential. CIP schemes are on-site across the borough and monitoring delivery is a key priority. Employers' side requirements are being reviewed and expenditure budgets for monitoring (e.g. clerk of works services) have been bolstered for a number of schemes.

5.18 The HRA debt cap places a legal limit on the amount of borrowing the council can undertake in relation to the housing capital programme (including housing related CIP schemes). It is only through stringent monitoring of both expenditure and use of resources that we can manage the risks of breaching the legal debt cap limit. For this reason it is crucial to build in and retain flexibility within the CIP programme, both in expenditure and resource planning. The council will consider the phasing of projects and the programme as a whole in order to manage cashflows within our legal limits. Work is ongoing to consider alternative delivery models which may be necessary to deliver our ambitious CIP targets and to mitigate some of the inherent risks of a programme of this size.

Housing

5.19 The July Budget made a range of announcements regarding housing that may affect the Housing Revenue Account (HRA), the budgets ring-fenced for the council's social housing function.

5.20 **Reductions in social rents** – The Budget indicated that the government will reduce rents in social housing by 1% for the next 4 years to reduce their housing benefit expenditure, and that this will apply to local authorities as well as housing associations. Our current 30 year business plan for the HRA is predicated on annual income rises of CPI + 1% + £2 for the next two years, so this shift could have a potentially large impact on rental income and therefore the ability of the council to use income to continue to invest in stock, for example through Better Homes works. However there is currently insufficient detail to model the impact. For example, the Council's rents are currently around £10 per week below the government's target and if the reduction is applied to the target rather than the councils actual rents then the medium term impact could be zero (although that would depend on members views in setting rents). However, if the reduction was applied on current rents this could have a large cumulative impact of at least £9m by 2018/19 compared with existing planning assumptions. The move could also have a big impact on Housing Associations whose loan covenants may depend on assumed rental increases.

5.21 **Lifetime tenancies -** The government has again indicated that it will look to review the use of lifetime tenancies. No further information was presented.

5.22 **Enforced Sales of Voids -** The Housing Bill in May confirmed the Queen's Speech announcement that Right to Buy would be introduced to tenants in Housing Association properties, with replacement housing funded from 'expensive' local authority properties as they fall void. At least 38% of Camden properties fall into this definition. No further detail was announced in the July Budget.

5.23 **'Pay to Stay' -** As signalled previously, the Chancellor announced plans to enforce market or near market rents on tenants with household income above £40k in London (£30k elsewhere). The additional rent raised by councils will be passed to the government and used towards national deficit reduction. The mechanism for introducing this policy is unclear and the government has said it will consult on the proposals along with setting out the detail. The impact is again potentially large. There may be a large administrative burden in monitoring incomes. In some cases it may encourage Right to Buy, and reduce the supply of affordable housing. If rents treble for tenants with incomes above £40k in many cases rent will become unaffordable. If they then vacate the property there is the further implication that the property may become void and have to be sold as part of the announcements relating to RSL RTB announced in the Queen's Speech (see bullet above). Government estimates that 9% of tenants nationally will be affected – this would be around 2,000 in Camden.

Kingsway Fire

5.24 The fire that started in Kingsway Tunnel near Holborn on 1st April caused structural damage to the service tunnel which is not insured. The repairs will initially be funded by the council although it may be possible to recover these costs from the ‘at fault’ party once liability is established. The current estimated cost of repairs is £0.4m. Additionally, if Camden Council is found to be liable, third party claims, relating for example to commercial tenants who were denied access to their property, would be incurred by Camden up to the value of the council’s insurance excess of £0.5m per claim. Should such costs arise the council will use the insurance provision and reserve set aside to cover such unforeseen liabilities.

6.0 WHAT ACTIONS WILL BE TAKEN AND WHEN FOLLOWING THE DECISION AND HOW WILL THIS BE MONITORED?

6.1 The Council operates a robust financial governance and monitoring process. Chief Officers receive regular reports on the financial position, and regularly review the Capital Programme and the medium term assumptions that underline the Council’s modelling.

6.2 We will continue to monitor the implementation of the financial strategy closely. While the Financial Strategy update presented in this report indicates that projects currently underway are not adversely affecting residents with protected characteristics, and that taken in aggregation the strategy will not produce cumulatively disproportionate equalities impacts, we are mindful that the implementation is still in the early stages and that regular review will be required throughout the three year Programme.

6.3 The report has highlighted the potential need for further savings during the period of the current strategy (up to 2017/18) and the likelihood of additional savings being required beyond, and notes the agreement of the first £2m of additional savings, relating to the waste contract. The Council will continue to work up the remaining proposals under development in the December 2014 report and presented in appendix F with a view to presenting these and other new initiatives that may be required in the December 2015 report.

7.0 LINKS TO THE CAMDEN PLAN OBJECTIVES

7.1 The outcomes-based Financial Strategy exists to allow the organisation to maximise the deployment of its increasingly limited resources towards the achievement of Camden Plan outcomes.

7.2 Should further savings be necessary in the course of the current MTFS, we will continue to use this approach to implementing savings and deciding investment priorities to ensure the limited resources are used in line with the Camden Plan.

8.0 CONSULTATION

8.1 There has been no formal public consultation.

9.0 LEGAL IMPLICATIONS

9.1 The comments of the Borough Solicitor are included within the report.

10.0 RESOURCE IMPLICATIONS

10.1 The comments of the Director of Finance are included within this report.

11.0 RESOURCES USED IN THE PREPARATION OF THIS REPORT

11.1 The following resources have been used in the preparation of this report and are available online through the hyperlink below or via the web address www.camden.gov.uk/MTFS:

- 2014/15 Outturn Report: July 2015
- Wider Economic Environment & Medium-term Financial Forecasts: July 2015
- Capital Projections 2015/16 to 2024/25: July 2015
- Cumulative impacts of the MTFS: Update and initial analysis July 2015

11.2 Further information is provided in the attached appendices.

Appendices:

A Further Detail on the Capital Programme
B Further Detail on Capital Funding
C Further Detail on Capital Receipts
D Reserves Allocations
E Care Act and Better Care Fund
F Proposals under Development

REPORT ENDS

APPENDIX A – FURTHER DETAIL ON THE CAPITAL PROGRAMME

A1. The table below shows the current departmental budgets for each year.

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 - 2024/25 £000	Total £000
ICT	4,807	5,668	5,000	2,295	1,800	1,800	0	**22,170**
Property Services	38,259	15,127	28,417	17,469	13,500	11,800	1,000	**125,571**
Culture & Environment	18,985	21,863	27,258	19,556	17,269	8,241	0	**113,172**
Children, Schools & Families	34,314	44,879	56,913	28,900	7,479	6,400	0	**178,885**
Housing & Adult Social Care	117,369	152,614	190,586	161,129	130,059	148,585	122,201	**1,027,543**
Total Capital Expenditure	**213,734**	**240,151**	**308,974**	**229,349**	**175,107**	**176,826**	**123,201**	**1,467,341**

A2. The table below sets out the changes to the exp. and the associated funding.

Expenditure category	Total Exp. £000	Changes £000	Reasons
ICT	22,170	403	
CIP – Netley, Camden/Plender St, Greenwood, Surma	68,701	3,577	Greenwood £1,996k, Plender St, £1,501k. Additional S106 and capital receipts
Kings Cross Accom. Strategy	21,728	0	
Other Property schemes	35,142	280	Lauderdale House – Lottery grant funded works
Planned Highways Maintenance	43,849	165	
New Depot	9,319	(681)	To fund temporary provision of depot from revenue
Euston Rd CHP	4,744	64	
Other C&E schemes	55,260	21,735	TfL grant funded schemes £6,021k, S106 funded expenditure £15,376k
CIP – Schools schemes	138,404	11,829	Kingsgate £9,559k additional capital receipts, £1,147k additional S106, £900k New Homes Bonus
New Kings Cross Primary School	10,099	0	
Other CSF schemes	30,382	5,713	Primary & Secondary schools: STEM £3,000k S106
CIP – Estate Regeneration	600,100	144,267	See below
Hostels	7,530	587	
Better Homes	385,494	9,405	
Homes for Older People	22,362	6,667	Charlie Ratchford Centre funded from £5,838k additional capital receipts
Hsg. Renovation & Disabled facilities grants, Adult Social Care	12,057	1,910	Community Capacity Grant
Total	**1,467,341**	**205,920**	

A3. The table below shows the changes within the Community Investment Programme (CIP) – Estate Regeneration programme.

CIP – Estate Regeneration	**Changes £000**
GLA affordable housing grant – Maiden Lane	1,550
GLA affordable housing grant – Bourne Estate	1,144
Higher costs funded from higher capital receipts projections	
Agar Grove	41,195
Gospel Oak	29,644
Abbey Road	23,911
Bacton Low Rise	2,970
Chester Balmore	1,911
Bourne Estate	1,191
Holly Lodge	866
HS2	39,635
Other	250
Total	**144,267**

APPENDIX B – FURTHER DETAIL ON CAPITAL FUNDING

Table 1 – Total Capital Funding

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 - 2024/25 £000	Total £000
Government grants	9,337	13,698	6,396	3,137	2,266	2,266	0	**37,100**
GLA/TfL grants	39,707	34,860	6,305	2,505	0	1,074	0	**84,451**
S106 contributions	6,387	17,292	13,052	5,689	6,000	2,400	0	**50,820**
Community Infrastructure Levy	0	1,000	3,000	6,000	6,000	6,000	0	**22,000**
GF revenue contribution	10,239	17,524	16,119	9,758	10,600	9,403	0	**73,643**
HRA	39,746	52,301	42,920	48,173	22,416	4,860	0	**210,416**
Capital Receipts*	74,757	75,517	212,638	153,475	116,399	117,831	84,834	**835,450**
Prudential Borrowing – HRA	22,097	22,273	8,113	537	11,426	32,992	38,367	**135,805**
Prudential Borrowing - GF	10,982	3,168	0	0	0	0	0	**14,150**
Other	482	2,519	431	75	0	0	0	**3,507**
Total	**213,734**	**240,151**	**308,974**	**229,349**	**175,107**	**176,826**	**123,201**	**1,467,342**

*Capital Receipts figures shown are utilisation of resources, and don't necessarily reconcile to when receipts are generated.
Note: totals may not agree due to rounding

Table 2 – Reasons for Funding Changes since Last Approved Budget

FUNDING	Total Funding £000	Changes £000	Reasons
Government grants	37,100	4,760	Department of Health, CLG
GLA/TfL grants	84,451	8,957	Transport for London, GLA affordable housing
S106 contributions	50,820	20,275	
Community Infrastructure Levy	22,000	0	
GF revenue contribution	73,643	1,899	
HRA (MRR, RCCO, Leaseholders' capital)	210,416	8,539	Increased HRA revenue contribution
Capital Receipts	835,450	160,707	Higher forecast receipts Estate Regen and CIP schemes
Prudential Borrowing – HRA	135,805	0	
Prudential Borrowing - GF	14,150	0	
Other	3,507	785	Lottery grants and other contributions
Total	**1,467,342**	**205,920**	

APPENDIX C – FURTHER DETAIL ON CAPITAL RECEIPTS

Capital Receipts	2014/15 Actual £000	2015/16 Target £000	2016/17 Target £000	2017/18 Target £000	2018/19 Target £000	2019/20 Target £000	2020/21 onwards Target £000	TOTAL Target £000
General Fund								
GF Disposals Programme	35,917	3,500	17,880	15,360	3,732	0	0	**76,389**
Homes for Older People	4,525	20,650	0	0	0	0	0	**25,175**
Greenwood redevelopment	0	0	0	0	0	4,160	25,190	**29,350**
Netley redevelopment	46,300	0	0	0	0	0	0	**46,300**
Surma redevelopment	0	0	0	0	8,900	0	0	**8,900**
Edith Neville School/ Somers Town redevelopment	0	13,000	6,160	0	0	0	0	**19,160**
Kingsgate School expansion/ Liddell Road development	0	0	26,800	0	0	0	0	**26,800**
Parker House	0	24,000	0	0	0	0	0	**24,000**
Kings Cross Accomm.Strategy - disposals	96,847	26,525	4,970	10,450	0	0	0	**138,792**
General Fund sub-total	**183,589**	**87,675**	**50,810**	**25,810**	**17,632**	**4,160**	**25,190**	**394,866**
Housing Revenue Account								
HRA Small Sites	11,769	5,684	1,993	0	0	0	0	**19,446**
Right to Buy (Camden's share)	4,990	1,800	1,800	1,800	1,800	1,800	10,400	**24,790**
Right to Buy (Retained receipts)	20,355	3,000	2,000	1,000	1,000	500	0	**27,855**
Estate Regen. - Holly Lodge	565	5,282	7,780	0	0	0	0	**13,627**
Estate Regen. - Chester/ Balmore	13,026	1,040	0	0	0	0	0	**14,066**
Estate Regen. - Maiden Lane	0	27,800	60,600	0	0	0	0	**88,400**
Estate Regen. - Bacton Low Rise	0	0	10,710	11,547	28,664	20,355	31,143	**102,419**
Estate Regen. - Tybalds	0	0	0	16,838	0	13,005	0	**29,843**
Estate Regen. - Abbey	0	0	0	22,034	42,255	0	57,744	**122,033**
Estate Regen. - Bourne	0	0	29,500	6,100	0	0	0	**35,600**
Estate Regen. – Agar Grove	0	0	0	0	7,892	5,261	189,072	**202,225**
Estate Regen. – Gospel Oak Infill	0	0	0	4,505	6,774	9,200	28,406	**48,885**
HS2	0	2,000	0	45,055	0	0	0	**47,055**
Camden/Plender St. - GF/HRA	0	6,825	10,000	0	0	0	0	**16,825**
Wells Court	0	0	6,100	0	0	0	0	**6,100**
HRA sub-total	**50,705**	**53,431**	**130,483**	**108,879**	**88,385**	**50,121**	**317,165**	**799,169**
Total capital receipts generated in year	**234,294**	**141,106**	**181,293**	**134,689**	**106,017**	**54,281**	**342,355**	**1,193,375**

APPENDIX D – 2014/15 OUTTURN RESERVES ALLOCATIONS

D.1. There have been a number of requests for transfers to earmarked reserves from the year-end underspend that are recommended for approval.

D.2. Requests were made on the basis that the transfer supported the Council's priorities and where the investment would make an effective return.

D.3. The following table presents the proposed reserve allocations by Directorate and type.

Table A – Proposed Allocations 2014/15 Surplus Resources

	Future Pressures £m	Trust Funding £m	Grants unspent / Received in Advance £m	On-going Projects £m	Total Allocations £m
Law & Governance				0.884	**0.884**
Finance			0.375	1.060	**1.435**
Culture & Environment	0.768	0.023	0.182	0.014	**0.988**
Children, Schools & Families			0.363	0.014	**0.377**
Public Health			1.012		**1.012**
	0.768	**0.023**	**1.932**	**1.972**	**4.695**

D.4. A detailed list of the reserve transfers requested and how they support the Council's priorities can found in the online document: *'Wider Economic Environment and Medium-term Financial Forecasts: July 2015'*.

D.5. The remaining year-end surplus of £(0.460)m will be allocated to the Cost of Change Reserve to support the Council's remodelling programmes, as indicated in the summary below.

Table B – Proposed Allocation of 2014/15 Surplus Resource

Earmarked Reserves	Actual Reserves 31.03.14 £m	Movement Out of Reserves £m	Transfer Into Reserves £m	2014/15 Outturn Adjustment £m	Forecast Reserves 31.03.15 £m
To Support Key Revenue Outcomes	34.479	(6.742)	1.933	4.685	34.355
To Support Council's Remodelling Programmes	22.695	(4.685)	2.660	0.460	21.130
On-going Capital Activity and asset Management	32.144	(21.115)	18.304	0.000	29.333
Mitigation of Future Corporate Risk	17.395	(2.715)	11.129	0.000	25.809
Charitable Activity	0.076	(0.054)	0.000	0.010	0.032
Total Earmarked Reserves	**106.789**	**(35.311)**	**34.026**	**5.155**	**110.659**

D.6. The impact of these adjustments to Individual Reserve balances is detailed in the following table alongside the net in year movements for each earmarked reserve.

Table C – Proposed Allocations of 2014/15 Surplus Resources

Earmarked Reserves	Actual Reserve 31.03.14 £m	Reserve Movement in Year £m	Forecast Reserves 31.03.15 £m	Proposed Movement to Reserve £m	Proposed Reserve Balance 31.03.15 £m
Reserves to support key revenue budget outcomes					
Dedicated Schools Grant	11.178	0.097	11.275	-	11.275
Support for Schools in Difficulty	0.442	-	0.442	-	0.442
Homes for Older People	6.308	(2.022)	4.286	-	4.286
Multi Year Budget Reserve	*8.939*	*(2.729)*	*6.210*	*4.685*	*10.895*
Education Commission	1.336	(0.155)	1.181	-	1.181
HASC Specific Reserves	*6.276*	-	*6.276*	-	*6.276*
	34.479	**(4.809)**	**29.670**	**4.685**	**34.355**
Reserves to support the councils service remodelling programme					
Pay Modernisation	0.360	(0.360)	-	-	-
Workforce Remodelling / Cost of Change	15.523	0.700	16.223	2.116	18.339
Camden Plan	3.146	(0.355)	2.791	-	2.791
Recovery Fund	0.109	(0.109)	-	-	-
Invest To Save Reserve	3.557	(1.901)	1.656	(1.656)	-
	22.695	**(2.025)**	**20.670**	**0.460**	**21.130**
Reserves to support on-going capital activity and asset management					
Future Capital Schemes	23.246	(1.828)	21.418	-	21.418
Commercial and other property	0.776	-	0.776	-	0.776
Haverstock PFI Funding Reserve	2.149	(0.130)	2.019	-	2.019
Schools PFI Equalisation Reserve	0.334	0.167	0.501	-	0.501
Building Schools for the Future	0.488	-	0.488	-	0.488
Accommodation Strategy	5.151	(1.020)	4.131	-	4.131
	32.144	**(2.811)**	**29.333**	**-**	**29.333**
Reserves to mitigate future corporate risk					
Self-Insurance Reserve	7.600	-	7.600	-	7.600
Contingency Reserve	1.512	-	1.512	-	1.512
Business Rates Safety Net	8.283	8.414	16.697	-	16.697
	17.395	**8.414**	**25.809**	**-**	**25.809**
Reserves to support the Mayors charity					
Mayor's Charity Reserve	0.076	(0.054)	0.022	0.010	0.032
	0.076	**(0.054)**	**0.022**	**0.010**	**0.032**
Total Earmarked Reserves	**106.789**	**(1.285)**	**105.504**	**5.155**	**110.659**

APPENDIX E – CARE ACT AND BETTER CARE FUND

Changes in Adult Social Care - Better Care Fund

E.1. The Council and the Clinical Commissioning Group (CCG) have agreed a s75 pooled budget in accordance with guidance from NHS England. The CCG is required to contribute a minimum of £12.9m to the pooled fund with a potential further £5.251m of performance funding which is dependent on achieving a 3.5% reduction in non-elective hospital activity. The CCG contribution includes funds that the Council previously received directly from NHS England. The Council (as all social services authorities) is becoming increasingly dependent on funding which is funnelled via the NHS/CCG. The services funded by the s75 pool include £9.2m of Adult Social Care services. There is no guarantee of continued NHS funding for Adult Social Care beyond 2015/16.

Changes in Adult Social Care - Care Act

E.2. Phase 1 of the Care Act came into force in April 2015. The financial impacts of phase 1 are associated with:-

- Introduction of national eligibility criteria
- Changes to the Adult Social Care charging policy
- Introduction of a Universal Deferred Payment Scheme
- Increased duties towards carers
- Preparation for increased duties towards self-funders

E.3. Care Act Phase 2 - The second phase of the Care Act is expected to come into force in April 2016.

E.4. Phase 2 reforms are the funding reforms and cover the introduction of the Care Cap and changed to the asset thresholds which determine the amount that people have to contribute towards the cost of their care.

E.5. The government's aim is that the Care cap will prevent people from facing "catastrophic care costs". The cap has initially been set at £72,000 although this is expected to be adjusted annually by reference to the Annual Earnings Index. Customers in residential and nursing care will still be required to contribute £12,000 per annum for daily living expenses. The financial impact of the care cap is unlikely to impact on the Council immediately as only eligible care costs from 1st April 2016 will count towards the cap. Financial modelling in Camden shows that, for most customers, it will take several years before they have paid sufficient eligible care costs to reach the cap. The Council will be responsible for undertaking eligibility assessments for self-funders in order to assess their eligible needs and will also be responsible for maintain a "Care Account" which monitors customer's financial progress towards the care cap.

E.6. The changes in asset thresholds will have an immediate impact on the Council. From 1st April 2016, anyone in residential care with assets below £118,000 will qualify for public funding. The current threshold is £23,250. For people receiving care at home the threshold is increased to £27,000. Modelling in Camden has identified an immediate cost of circa £617,000 in 2016/17.

E.7. The final regulations for phase 2 of the Care Act are not expected before October 2015.

E.8. The Government has committed to meeting the costs of the implementation of the Care Act however the latest affordability and impact assessment is currently being reviewed by Ministers and we are still waiting for a response. The Department of Health is expected to release another national modelling tool in the summer and is expected to develop metrics for measuring the impact of the Care Act during 2015/16. The Government has not yet consulted on a distribution methodology for funding to meeting Care Act phase 2 costs.

E.9. There remains a risk that the Government will not fully fund the costs of phase 2 of the Care Act.

APPENDIX F - BUDGET REDUCTION PROPOSALS UNDER DEVELOPMENT

F.1. In December 2014, alongside the £73m savings programme, the Cabinet agreed a set of proposals that could bring further savings if necessary. Given the high level of uncertainty inherent in the current Council's funding projections and the potential need to make further savings in 2018/19 and beyond, further work has been done to progress these proposals in readiness for implementation if needed. One of the proposals listed in the December 2014 MTFS - £2m from outcome focused waste and recycling contract- was agreed by Cabinet in June in response to the external pressures on the Council and is detailed in Table 1 below. Table 2 sets out the remaining budget reduction projects that are still in the development phase.

Table 1 - Agreed budget reduction proposal

Project Ref	Project Title	Potential General Fund Savings 2016/17 £	Potential General Fund Savings 2017/18 £	Proposal Summary	Comments on Progress
SAT2	Outcomes focussed waste and recycling contract	-	2,000,000	A model for future services that focuses on the achievement of Camden's desired outcomes, rather than a scheduled approach to service delivery. The services will be designed to deliver the outcomes that are needed – using the right policy and practical levers to maximise recycling and ensure a clean and attractive public realm. A new radical look at all approaches to maximise recycling, using the benefits of technology and community involvement and building on the successful "Clean Camden" approach (enforcement and community clean-ups) will enable Camden to achieve these outcomes. A procurement process will achieve a minimum of £3m, but we believe that additional savings are possible by providing the right community and policy response to maintaining a clean Camden and driving up recycling and driving down waste.	This proposal was agreed by Cabinet in June. Following the feedback received from the 'Camden Waste Challenge' (community engagement programme) and the policy options available for use in delivery, it is now expected that the Council can 'push the market' for the full £5m per annum savings, whilst maintaining service delivery through a smarter, better value contract. The estimated value of the new contract will therefore be c£18m per annum.

Table 2 - Budget reduction proposals under development

Project Ref	Project Title	Potential General Fund Savings 2016/17 £	Potential General Fund Savings 2017/18 £	Proposal Summary	Comments on Progress
R1	Rationalising our engagement mechanisms and approach to engaging residents	323,000	323,000	Further potential savings may be able to be made from our spend on resident involvement and engagement. We will continue to develop options and analyse how satisfied residents are with current arrangements and the value we are getting from our current investment	Savings from the Council's spend on engagement are currently being delivered as part of the agreed MTFS saving of £307k. We continue to monitor the effectives of the Council's current means of engagement and are considering whether these additional savings may be possible in the future.
RC6	Current Voluntary & Community Sector (VCS) investment and support programme is successfully brought to a close, and a new Community Resilience Investment programme is introduced from 1st April 2016	700,000	700,000	As part of the transitional proposals agreed in the July 2013 Cabinet report, it was agreed to extend the current programme until March 2016 on the provision that a £1m reduction was made to the overall budget for 2015/16. As part of the design process for the new Community Resilience Investment programme from 2016/17, the council will need to consider whether a further £700k per annum reduction could be made that both meets the wider financial challenge and also delivers on Camden Plan outcomes while supporting our local voluntary and community sector.	An engagement exercise is currently taking place with the sector to review options on approach with a view to informing the future relationship with the sector of which the application of the available funding through the Communities and Third Sector team will form a part including identifying where the additional £700k will be derived. An October Cabinet decision on the programme is tabled however this is currently under review.
DS3	Learning/Physical Disability - First Contact	250,000	250,000	Building on existing work to ensure that when people contact the council they are given the right service at the right time manage to live as independently as possible.	This is now integrated with the RFT review of the Assessment and Care Management service. The outcome of the review will determine how the project moves forward.

Project Ref	Project Title	Potential General Fund Savings 2016/17 £	Potential General Fund Savings 2017/18 £	Proposal Summary	Comments on Progress
OP2	Older People – First Contact	478,000	478,000	Building on the existing work to ensure that when people contact the council they are given the right service at the right time. Through a person centred approach people are helped to continue to live as independently as possible, using their existing support networks and signposted to a wide range of preventive voluntary and community support, so that social care services are able to be targeted to those most in need. By targeting and focussing on people meeting their own needs locally and not drawing into people into expensive Adult Social Care (ASC) services we will be able to make service reductions.	We are actively developing our plans to support our care managers to help to deliver savings in this area. We are working collaboratively to review the current homecare contract arrangements which will look at re-negotiating contract prices, look in depth at the volumes of 1:1 care we provide, more robust application of the Fair Access to Care Services criteria and better management of the panel process and the cost ceiling we use and how robustly we do this. To facilitate this we will look at the care placements finders taking on the procurement of domiciliary care packages and improving the management and reporting of the outcomes.
DS1	Learning/Physical Disabilities - Making sure people are in the right accommodation	250,000	250,000	Continue to work with providers and commissioning new services to support people to live locally and independently as possible.	Work is ongoing to identify people who can move into greater independence and work is ongoing as part of the developing Accommodation Strategy in HASC.
CR02	Change the approach to managing Anti-Social Behaviour (ASB) cases	283,000	283,000	Learning from the work progressed in the Crime Reduction outcome we will explore whether there are effective ways of further rationalising delivery of these services, allowing a focus on high risk cases and developing the use of mediation approaches where appropriate.	The work around re-designing a Community Safety service structure that provides direct interventions based on a consistent assessment of risk continues and will inform the development of this project going forward.

Appendix F

Project Ref	Project Title	Potential General Fund Savings 2016/17 £	Potential General Fund Savings 2017/18 £	Proposal Summary	Comments on Progress
CR03	Rationalise delivery on Youth Violence (YV)	325,000	375,000	Learning from the work progressed in the Crime Reduction outcome we will explore whether there are effective ways of rationalising delivery of resources that tackle Youth Violence (YV) and youth disorder. This could look at targeting those individuals who are at highest risk of causing harm to themselves, their families, their associates and the community. Prior to this and during the implementation period we will work closely with the 'Early Help' service in Children's Schools and Families to address any service gaps that emerge.	The work around re-designing a Community Safety service structure that provides direct interventions based on a consistent assessment of risk continues and will inform the development of this project going forward.
CR04	Reduce direct delivery on the Night Time Economy (NTE)	65,000	65,000	Learning from the work progressed in the Crime Reduction outcome we will explore whether there are effective ways of further rationalising delivery of these services, maintaining levels of licensing compliance and developing the use of community engagement approaches where appropriate.	The work around developing interventions with venues that maximise the impact of licensing compliance while encouraging community engagement continue and will inform the development of this project going forward.
CR05	Reduce investment in patrol services	250,000	250,000	Learning from the work progressed in the Crime Reduction outcome we will explore whether there are effective ways of further rationalising delivery of these services so that a focus can be retained on maintaining visible street based services where possible.	The work around re-designing a Community Safety service structure that provides direct interventions based on a consistent assessment of risk continues and will inform the development of this project going forward.
IM1	Recouping credit card transaction fees from customers	150,000	150,000	Review feasibility of recouping credit card fees in some areas.	We are working on a proposal to be presented to Members later this summer.
		3,074,000	**3,124,000**		