LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE Review of Camden Medium Term Financial Strategy (CS/2018/13)	
REPORT OF Cabinet Member for Finance and Transformation	
FOR SUBMISSION TO Children Schools and Families Scrutiny Committee Culture and Environment Scrutiny Committee Resources and Corporate Performance Scrutiny Committee Cabinet	**DATE** 19th July 2018 23rd July 2018 24th July 2018 25th July 2018

SUMMARY OF REPORT

The report is coming to Cabinet to update on the financial position of the council and the use of resources in support of Camden 2025 and Our Camden Plan objectives. This includes an update on how the council is preparing for the future anticipated deficit caused by a combination of expenditure and funding pressures and the mechanisms through which allocation of resources will be done on an outcomes and Our Camden Plan priority approach.

The report also provides Cabinet with detail on the 2017/18 outturn for capital and revenue, and proposes allocations to reserves.

Additionally, the report provides an update for Cabinet on the Capital Programme and requests agreement for the re-profiling of projections and areas for increased investment in the revised Programme.

Local Government Act 1972 – Access to Information

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

- 2017/18 Outturn Report: July 2018

Contact Officer Ahmed Ali
Head of Finance – Corporate Services
Corporate Finance
5th Floor
5 Pancras Square

	London N1C 4AG
Telephone	020 7974 2040
Email	Ahmed.AliFinance@camden.gov.uk

RECOMMENDATIONS

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

Cabinet is recommended to:

(a) Note the continued challenging and uncertain funding outlook for councils, and the forecast medium-term deficit projections set out in paragraphs 2.2 to 2.13 of the report.

(b) Note plans for the development of a new financial strategy to close the projected deficit as set out in paragraphs 2.14 to 2.16 of the report.

(c) Note the 2017/18 revenue and capital outturn positions set out in paragraphs 2.17 to 2.19 and 2.25 to 2.26 of the report respectively.

(d) Agree the allocations to and movements in earmarked reserves and the allocation of the final 2017/18 underspend as set out in paragraphs 2.19 to 2.24 of the report for inclusion in the Statement of Accounts.

(e) Agree the revised Capital Programme, funding and capital receipts targets summarised paragraphs 2.27 to 2.36 and presented in Appendices A to C of the report.

(f) Note the position of the Housing Revenue Account as presented in paragraphs 2.37 t0 2.41.

(g) To agree to the allocation of a budget of £0.33m from 2019/20 to fund the core High Speed 2 team to be met from the unavoidable pressures budget as set out in paragraphs 2.42 to 2.44.

(h) Note the risks outlined in section 4 of the report.

Agreed by Jon Rowney, Executive Director Corporate Services

Date: 12th July 2018

1.0 CONTEXT AND BACKGROUND

1.1 Cabinet receives regular financial updates throughout the year. These allow Cabinet and residents to understand the financial position of the council and the decisions required to ensure that the council makes the most of its investments and help deliver Our Camden Plan priorities

2.0 PROPOSAL AND REASONS

2.1 This report provides an update on a number of financial matters:

- The outlook for council funding and spending, which is very uncertain in the medium- term
- Plans to develop a new financial strategy for years 2019/20 to 2021/22 to close the expected funding gap and the mechanism through which allocation of resources will be done on an outcomes and Our Camden Plan priority approach
- 2017/18 revenue outturn and proposed allocations to reserves
- 2017/18 capital outturn and the shape of the revised capital programme following a review of expenditure and income profiles

Economic Environment and Medium-Term Financial Outlook

2.2 Since 2010/11, central government funding to local authorities has halved in this era of austerity. Camden's like-for-like funding has reduced by £118m, whilst overall costs such as those arising from supporting an ageing population and inflationary impacts have increased.

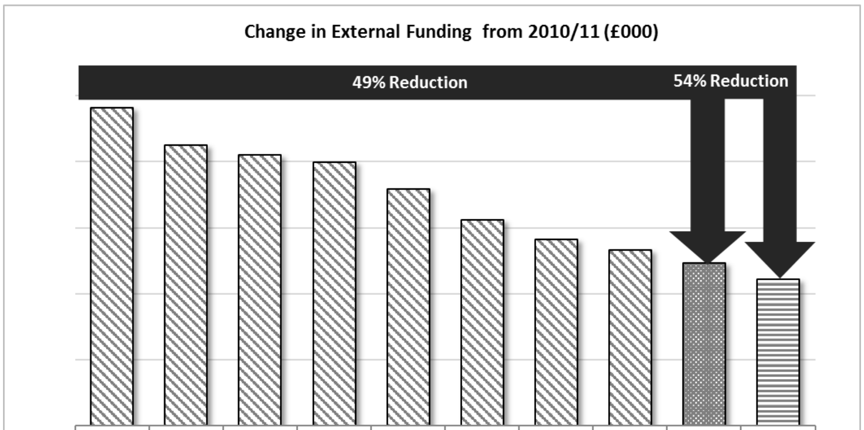
2.3 With such reductions in budget the Council has had to think radically to ensure it can achieve its Camden Plan priorities. The council's experience is that reducing budgets across the board is not an effective way to meet that level of cuts and therefore the Council took a planned, longer-term approach.

2.4 2018/19 officially marks the end of the current 4-year MTFS period, which has successfully delivered a range of innovative and transformational change through an outcomes based approach that has enabled us to maintaining good services that still delivers the right outcomes for the residents whilst dealing with the budget deficit.

2.5 However, despite already saving £169m since 2010/11 through two successful MTFS savings programmes, a new deficit is expected to open up as costs increase without the necessary government funding required to support it. Current forecasts are that the council is expecting a budget deficit of £23m in 2019/20, rising to £40m by 2021/22, with a new medium-term financial strategy required to manage it.

2.6 Chart 1 shows that the council's like-for-like funding has been decreasing since 2010/11; it fell by 49% by 2018/19, and this will fall further, to 54% by 2019/20.

Chart 1 – Reduction in council's external funding 2010/11 – 2019/20



2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
241,124	212,535	205,141	199,753	179,226	155,885	140,928	133,208	123,079	110,965

NOTE: 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 in 2019/20.

2.7 In the medium term, the council is facing a large level of uncertainty in its funding outlook. We are in the penultimate year of the agreed multi-year settlement, which sets out the main elements of funding until 2019/20. This gives a degree of funding certainty for the council for 2019/20. However, there will be a new spending review next year that will set the overall quantum of funding to be allocated to government departments from 2020/21. As the government has consistently failed to reduce borrowing in line with its targets, there is an increased risk that it will seek further savings from departments without protections, e.g. Local Government.

2.8 Additionally, there will be a 'Fair' Funding Review for 2020/21, which will review the metrics that dictate the distribution of central government resources to local government, with a new formula planned to be introduced. Although there has been an initial consultation on 'fair' funding, it was focused on establishing common cost drivers, therefore it remains impossible at this stage to say what the likely impact on Camden will be and how its share of the overall quantum of funding could change, as these factors are still to be determined. However, the general expectation across London is that funding allocations will remain the same or be disadvantageous for London as a result. The review is also likely to result in a reset in business rates baselines in 2020/21, which implies business rates growth to date would be reset nationally. This will further change the funding landscape for the council and adds to the uncertainty in funding post 2019/20, with the potential this will have a significant negative impact on the Council's funding, and could see the projected £40m deficit increase greatly.

Inflation

2.9 The Office for Budget Responsibility forecasts that UK inflation, as measured by the Consumer Price Index (CPI), will dip slightly from 2.2% in 2018/19 to 1.8% in 2019/20, and then settle at 2% (the government's target inflation rate) for the foreseeable future. The Retail Price Index (RPI) is expected to be 3.4% in 2018/19, and then forecast to settle at 2.9% - 3.0% in 2019/20 and beyond.

This is consistent with what was expected in July 2017, when the council's inflation assumptions were revised to be slightly higher.

2.10 Table 1 below provides details of the council's inflation assumptions used as part of its financial forecast, these are below or are in line with CPI and RPI.

Table 1 – Council inflation assumptions

	Inflation (%)		
		2019/20	2020/21 onwards
Expenditure	Employees	2.0%	2.0%
	Premises	2.0%	2.0%
	Transport Related Expenditure	2.0%	2.0%
	Supplies And Services	2.0%	2.0%
	Contracts	2.5%	2.5%
Income	Fees & Charges	2.0%	2.0%
	Sales	2.0%	2.0%
	Rents	2.0%	2.0%
	Retail Price Index	3.0%	2.9%
	Consumer Price Index	1.8%	2.0%

2.11 The council remains committed to paying London Living Wage (LLW) on all its contracts, to improve the quality of services and the daily lives of those who work for Camden and its supplier organisations. As such, inflation on contracts remains at the slightly higher 2.5%, to acknowledge that LLW rates increase at a much higher rate than CPI.

2.12 If the inflation applied is increased further, this would significantly impact upon the projected deficit of £40m by 2021/22. For example, increasing inflation on contracts by an extra 1% would result in an additional £2.2m pressure each year on average. This would increase the 2021/22 forecast deficit to £46.6m.

Medium-Term Projection Assumptions

2.13 For modelling purposes, built in to the medium-term forecast position is an assumption of a 2% increase in Council Tax each year. However, it should be noted that Council Tax is set by Council on an annual basis in February when setting the budget for the following financial year. Should the final decision on this differ in any year the projected deficit position would change. Additionally, current modelling also assumes significant funding sources such as the Revenue Support Grant (RSG), improved Better Care Fund (iBCF) and New Homes Bonus (NHB) will remain at their 2019/20 levels in the medium-term. Should the government cut any of these funding sources the medium-term position would worsen.

The New Financial Strategy

2.14 2018/19 is the fourth and final year of the current MTFS programme, which will have delivered £76m of budget reductions. However, as highlighted above, a new budget deficit is set to open up from 2019/20.

2.15 Building on the success of the previous MTFS programme, officers from across the council have been taking a collaborative approach to develop early proposals. They have been looking through three lenses to do this - Achieving outcomes, delivering efficiencies and value for money and taking a whole system approach. There will be further progressive thinking in line with Camden 2025 and Our Camden Plan over the coming months, with proposals set to be presented to Cabinet later in the year.

Achieving Outcomes

Aligning our limited resources towards the achievement of Camden 2025, Our Camden Plan and key organisational outcomes.

Achieving outcomes involves prioritising/de-prioritising our resources to best achieve our key outcomes. This gives a mechanism of how to determine which activities should see reduced investment or cease altogether. In some cases, a portion of this saving may be reallocated to services considered more effective at achieving preferred outcomes.

Efficiencies / Value for Money (VFM)

Embedding cost consciousness and an 'every pound counts' mentality to everything we spend our time on and do.

Efficiencies projects will involve changing the teams and activities that help deliver services (both back office and front line) in a way that has minimal impact on residents' experience.

Whole Systems Approach

Ensuring services are customer focussed and achieve ongoing benefits by reducing waste and prioritising early intervention

Projects will have a distinct scope and be chosen as the services and activities mean that there will be significant benefits from undergoing a cross- cutting systems-thinking approach: for example, because there a large number of processes across different services, or because getting things right for residents earlier can save costs later on by reducing the demand on services

2.16 Whilst the initiatives will be progressed to address the projected medium-term deficit, due to the medium term uncertainty this deficit is liable to move during the process. Therefore, there is an increased emphasis on the need to advance initiatives that will deliver year one savings and relieve the more immediate, and definitive £23m pressure in 2019/20.

2017/18 Revenue outturn and allocation of surplus

2.17 In 2017/18, the final revenue outturn after recommended transfers to reserves is an underspend of £(0.484)m, which is 0.2% of the final budget.

Table 2 – 2017/18 Final general fund revenue outturn

	Full Year Budget £m	Outturn £m	Final Outturn Variance £m
Directorates:			
Supporting People	191.258	189.296	**(1.962)**
Supporting Communities	45.105	46.533	**1.428**
Corporate Services	(9.966)	(6.821)	**3.145**
Public Health	22.614	22.614	**0.000**
Cross-Cutting Budgets:			
Financing and Interest	3.402	4.243	**0.841**
Government Grants	(54.007)	(53.997)	**0.010**
Pensions	15.749	15.403	**(0.346)**
HRA share of corporate support costs	1.888	0.000	**(1.888)**
Other Items	19.813	18.101	**(1.712)**
	235.856	**235.372**	**(0.484)**

2.18 After taking into account largely anticipated transfers to reserves, which are set out by type and nature in Appendix D, there are a number of departments with notable year-end variances. The main contributor to the overall underspend is Supporting People, offset by overspends in Corporate Services and Supporting Communities. More detailed analysis of the outturn position can be found in the online report 2017/18 Outturn Report: July 2018.

2.19 The year-end outturn means that there is an underspend of £(0.484)m to be allocated. It is proposed that the underspend is allocated to the Cost of Change reserve, to support the high level of change taking place at the council and will be required as part of the next financial strategy.

Earmarked Reserves

2.20 The council holds one-off balances in specific earmarked reserves, which are funds that are committed to finance known or predicted future costs and to manage corporate and medium term risks. The opening 2017/18 earmarked reserves balance was £75.8m. A net movement into earmarked reserves of £10.2m took place during 2017/18. With the proposed reserve transfers (as set out in Table 3), there will be revised earmarked reserves of £85.9m as at 31st March 2018.

2.21 Within this, the most significant earmarked general fund reserves include £20.8m for capital schemes committed within the current capital programme, £4.8 for the Accommodation Strategy and Town Hall Refurbishment that will generate future revenue income, £15.3m to manage inherent risks for Business Rates, of which £10.0m is already required in 2018/19, and £5.5m for self-insurance, which is set to a level advised by the actuary.

2.22 Reserves are a vital part of prudent financial management in local authorities including their ongoing ability to meet the balanced budget requirement. As part of the authorities approach to prudent financial management all reserves will be regularly reviewed. Earmarked reserves are expected to decrease in future years as projects are delivered.

2.23 The most significant movements between reserves for 2017/18 relate to the mitigation of future corporate risk. This is due to the need to transfer additional resource to the business rates safety net reserve, which is forecast to be depleted as a result of the £10m business rates collection fund deficit in 2018/19. Further detail regarding reserves is provided in Appendix D.

Table 3 - Summary of 2017/18 changes to earmarked reserves

Earmarked Reserves	Actual Reserves 31/03/17 £m	Movement Out of Reserves £m	Transfer Into Reserves £m	2017/18 Outturn Adjustments £m	Reserves 31/03/18 £m
To Support Key Revenue Outcomes	19.617	(10.200)	8.794	6.740	24.951
To Support the Council's Remodelling Programmes	7.735	(4.689)	6.379	0.484	9.909

Earmarked Reserves	Actual Reserves 31/03/17 £m	Movement Out of Reserves £m	Transfer Into Reserves £m	2017/18 Outturn Adjustments £m	Reserves 31/03/18 £m
Ongoing Capital Activity and Asset Management	32.548	(11.350)	7.445	0.184	28.827
Mitigation of Future Corporate Risk	15.869	-	-	6.373	22.242
Total Earmarked Reserves	**75.769**	**(26.239)**	**22.618**	**13.781**	**85.929**

2.24 The council also holds one-off money for the specific purposes detailed below. These totalled £68.1m at the start of 2017/18 and decreased by £(6.8)m during 2017/18, leaving a closing balance of £61.3m. Table 4 summarises the movement. It is not proposed to change the council's main General Balances. The HRA reserve was significantly reduced in 2017/18, due to the Chalcots evacuation and other related costs.

Table 4 – Summary of movements to other reserves and general balances

Earmarked Reserves	Reserves 31/03/17 £m	Reserves Adjustment £m	Reserves 31/03/18 £m
General Balances	13.624	-	13.624
Housing Revenue Account	38.387	(7.200)	31.187
Schools Balances	16.054	0.405	16.459
Total General Reserves	**68.065**	**(6.795)**	**61.270**

Capital Outturn 2017/18

2.25 The council's capital programme spent £189.8m in 2017/18 compared to the budgeted £202.7m, which is 94% of budget. This gave an underspend of £(12.9)m, which is a result of slippage in capital expenditure in future years and partially due to reduced costs in year. The funding element of the Capital programme also underachieved in 2017/18 by £71.5m, shown in Table 8. This underachievement reflects the cooling of the housing market and general market stagnation following Brexit. Further details on the outturn position can be found in Table 5 below and in 2017/18 Outturn Report: July 2018.

Table 5 - 2017/18 Capital outturn

Directorate/ Service	Budget £m	Outturn £m	Variance to Budget £m
Corporate Services - ICT	**4.795**	**1.992**	**(2.803)**
Supporting Communities:			
Property Management	68.861	61.802	(7.059)
Community Services	0.613	0.022	(0.591)
Development	107.383	108.627	1.244
Place Management	11.854	11.738	(0.116)
Regeneration and Planning	9.191	5.629	(3.562)
Supporting Communities Total	**197.902**	**187.818**	**(10.084)**
Total	**202.697**	**189.810**	**(12.887)**

2.26 The capital programme carries significant risks, as set out in Section 4 of this report. As part of the management of this risk, the Capital programme is reviewed each year to ensure capital budgets are re-profiled to reflect delivery expectations/schemes' progress, in-light of the previous year's outturn position, cost estimate reviews on major projects in light of the latest economic projects, as well as adding new projects that deliver against the Camden Plan outcomes and where resources are available and new funding secured. In April and May 2018 officers worked to review the capital programme in light of the above.

Review of the Capital Programme 2018/19

2.27 The council's capital programme has plans to spend over £1,322m from 2017/18 to 2027/28. This consists of maintaining and enhancing its assets including schools, roads and council housing, as well as a number of large self-contained programmes such as the Fire Assessment works, the Better Homes programme, the Homes for Older People Strategy and the Community Investment Programme comprising a number of large regeneration projects.

2.28 This revised capital programme, shown in Tables 6 and Table 7, represents an increase of £7.380m in budget from the previously agreed amount and is the net balance of movements in the capital programme.

2.29 The most significant movements include increases in funded projects as a result of additional funding of £82m of Affordable Housing Fund (AHF) to ensure that affordable housing in the borough is delivered in line with plans and resources are utilised in strategic and efficient ways in a climate of uncertainty and increasing capital demands. As well as in increase of £9.3m of Transport for London (TfL) allocations in 2018/19 and 2019/20, and an additional £2.1m of High Speed 2 (HS2) contribution to various green spaces and public realm projects.

2.30 These are offset by a reduction in the amount of capital receipts expected and repurposing of ICT budgets to reflect a change in the nature of spend for ICT, however this does not reflect a change what is available overall for ICT expenditure.

Table 6 – Capital Programme Changes since Last Approved Budget

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23 to 27/28	Total
	£000	£000	£000	£000	£000	£000	£000
Total Revised Budget	189,811	246,866	257,894	179,324	142,775	305,033	**1,321,703**
Last Approved Budget	202,697	251,768	237,847	188,925	136,919	296,167	**1,314,323**
Change in £000	(12,886)	(4,902)	20,047	(9,601)	5,856	8,866	7,380
Change in %	**(6)%**	**(2)%**	**8%**	**(5)%**	**4%**	**3%**	**1%**

2.31 The revised Capital Programme has been profiled to account for the capital expenditure slippage against its budget in 2017/18 and increases in capital demand in the next two years. It also aligns expenditure budgets to the latest plans of works and funding intentions, which resulted in bringing some costs for fire safety works forward and moving some non-contracted budgets further into future years.

Table 7 – Revised Capital Programme 2017/18 – 2027/28

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23 to 27/28	Total
	£000	£000	£000	£000	£000	£000	£000
Community Services	22	765	1696	800	0	0	**3,283**
Development - CIP & Major Projects	108,627	98,009	107,673	79,991	77,701	168,758	**640,759**
ICT	1,992	2,874	800	0	0	0	**5,666**
Place Management	11,738	12,566	12,628	967	542	6,963	**45,404**
Property Management	61,802	110,097	112,874	95,676	64,268	128,104	**572,821**
Regen & Planning	5,630	22,555	22,223	1,890	264	1,208	**53,7705**
Total Capital Expenditure	**189,811**	**246,866**	**257,894**	**179,324**	**142,775**	**305,033**	**1,321,703**

2.32 Further details on the main proposed changes to the programme are set out in Appendix A.

Capital Receipts and Disposal Programme

2.33 The revised programme remains predicated on challenging CIP receipts targets, with capital receipts funding 47% of the total anticipated capital spend from 2017/18 to 2027/28. Dependence on the income from capital receipts comes with significant delivery and other risks. These are outlined in paragraphs 4.14 – 4.15.

2.34 For the ten years from 2017/18 to 2027/28, capital receipts are forecast to be £902m. This is a 4% reduction compared to the previously approved target of £943m. The reason for this reduction is due to lower sales income forecasts prompted by a less buoyant housing market and lower assumptions regarding inflation rates reducing receipts expectation in longer-term and uncontracted projects and phases.

2.35 The receipts expectations have also slipped into future years beyond 2022 due delayed projects completion. Of the total forecast receipts £375m are in respect of projects not yet in contract. The Right to Buy (RTB) sales have also shown marked reduction with the council's share of the sales proceeds at 46% of the total sales in the previous year. This continues the downward trend observed in the sale of RTB homes over the last three years but now at a higher reduction rate than previously forecasted.

2.36 Detail regarding risks in the capital programme and the range of mitigations available to manage these is set out in paragraphs 4.9 to 4.27.

Table 8 – Projected Capital Receipt Changes since Last Approved Budget

Capital Receipts	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23 to 27/28	Total
	£000	£000	£000	£000	£000	£000	£000
Revised Targets	113,985	146,440	94,113	71,302	67,217	409,114	902,170
Last Approved Targets	185,438	116,061	117,338	94,489	133,239	296,881	943,445
Change:	**(71,453)**	**30,379**	**(23,225)**	**(23,187)**	**(66,022)**	**112,233**	**(41,275)**

Housing Revenue Account Update

2.37 The budgetary context for the medium term is challenging with the council needing resources to meet three key priorities: 1) building homes; 2) maintaining high quality housing stock; and 3) delivering a new standard in resident safety. The Government have not responded sufficiently to these challenges and since April 2016 have imposed annual rent reductions of 1% resulting in the need for savings, simply to balance the HRA Budget.

2.38 The costs associated with evacuation of the Chalcots estate during 2017/18 meant that the Housing Revenue Account (HRA) drew down £7.2m leaving a balance of £31m to cover all planned future liabilities and to manage risk.

2.39 The HRA Medium Term Financial Strategy agreed by Cabinet in January 2017 would have meant that the council would be well placed to deal with the financial challenges of the coming years. The tragic events at Grenfell Tower, however, will have a profound impact on council housing finances into the future. The council has already had to take swift and costly action to ensure the safety of residents on the Chalcots estate. Camden and London Councils collectively have urged that costs of this magnitude should be met by central Government, either through funding to the affected Councils or through additional financial flexibilities.

2.40 The estimated additional costs associated with resident safety in Table 9 below relate to staff costs to deliver additional support across the stock to ensure resident safety procedures are met and to fund the maintenance and testing of additional resident safety equipment. We are confident the council will receive a share of the £400m funding announced nationally for costs relating to the removal and replacement of unsafe cladding from buildings and we have also applied for an increase in our borrowing cap to ensure we can fund wider fire safety works while delivering our ambitious CIP Programme. Every additional £10m that the Council borrows will cost the HRA approximately £270k per annum in interest payments, in addition the Council will need to consider the repayment of the principle loan amounts. However, the council is facing an increase in capital costs across our stock over the next few years to deliver the new standard of resident safety.

Table 9 – Projected Housing Revenue Account position

HRA Medium-Term Financial Position	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Budget Gap	2,234	7,705	14,972	17,652	20,397
Agreed MTFS Savings	(2,234)	(7,705)	(14,972)	(14,972)	(14,972)
Additional Pressures					
Fire Safety	-	1,000	2,500	2,500	2,500
	-	**1,000**	**2,500**	**5,180**	**7,925**

2.41 From April 2020 the Government mandated 1% annual rent reduction will come to an end and the council will have the option to raise rents by up to CPI plus 1%. A rent rise of CPI inflation should allow the HRA cover salary and cost inflation from 2020 onwards. The additional 1% rent increase would equate to approximately £1.3m additional income each year, and could be used to fund some of the additional pressures associated with resident safety.

High Speed 2 Budget

2.42 The High Speed 2 (HS2) Core Team ensures that a strong strategic, operational and political relationship is maintained with HS2 Ltd, so that the interests of our communities and businesses are voiced and protected. As part of this, the HS2 Core Team monitors the delivery of, and escalates concerns in relation to, over 150 commitments from the Department of Transport (called assurances) that mitigate the impacts of the HS2 scheme locally. Additionally, the HS2 Core Team is responsible for leveraging funding from HS2 Ltd. Achievements that the Core Team has secured over the past year include:

- Convincing HS2 to engage residents on their Prolonged Disturbance Compensation Scheme
- Ensuring that the first Lorry route application that the Council approved addressed transport and safety concerns
- Securing £2.4m from the Department for Transport's Road Safety Fund.

2.43 HS2 is a 17-year construction programme and it is considered that some level of internal staffing resource will be required throughout this period to coordinate the Council's involvement in the scheme. However, it is anticipated that over time the current level of resource will reduce over the lifetime of the construction programme as the demands of the HS2 scheme will become more knowable. The aim would be, over time, to embed some of the functions of the core team as business as usual, without making this a sizeable additional burden to services.

2.44 In previous years the core team has been funded by allocating underspends in the previous year to the HS2 reserve for use in the following year (or remaining surplus from budget setting has been allocated as a one-off). Contextually, this process was set up because HS2 had not been given the green light by government, therefore this approach meant that the council could cease funding of a core team should the bill have not been made law. It is now recommended that a permanent budget is allocated to fund officers in the HS2 Core Team in recognition of the fact that a central function is needed for the foreseeable future and because this is a more sustainable and predictable funding mechanism. It is requested that £0.330m is allocated for 2019/20, which is lower than previous years. This will be funded from the £5m budget set aside in medium-term financial plans for unavoidable pressures in 2019/20. Officers will be looking to further reduce costs in the future, which will include pursuing opportunities to leverage further funding from HS2 Ltd. If there are any changes to requirements for next year these will be set out in December MTFS.

3.0 OPTIONS APPRAISAL

3.1 The report proposes the allocation of 2017/18 year end revenue balances to earmarked reserves. Cabinet could make allocations to other reserves to finance alternative future spend, however, if different allocations were made, this would impact upon funding of the council's strategic priorities.

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 KEY IMPACTS / RISKS? HOW WILL THEY BE ADDRESSED?

Impact of the Council's Medium Term Financial Strategy

4.1 Uncertainty around the economy and the future of funding for local authorities, both in terms of quantum of funding, allocations and business rates growth, makes it difficult for councils to plan in the medium-term. Therefore, councils across the country have to build in various assumptions in their modelling. As a result, the projected medium-term deficit, although based on the best information available, could shift significantly.

4.2 The council continues the challenging process of reducing its budget while achieving transformational service change. The organisation will need to deliver a further budget reduction of £23m in 2019/20, rising to an estimated £40m by 2021/22. In order to meet this deficit, there will be a number of proposals, including many transformative projects that have to be delivered. A balanced budget needs to be agreed for 2019/20 in February 2019. Should the proposals put forward later in the year not meet the £23m deficit in year one, alternative means by which to balance the budget will need to be considered.

Government Funding Reductions and the Impact of Brexit

4.3 As set out in paragraphs 2.2 to 2.13, the council continues to face a challenging financial outlook with significant uncertainty around the health of the UK's economy and the impact that this could have on the government's future plans for public finances, including the funding of local public services.

4.4 There remains huge uncertainty regarding the reaction of the economy to the eventual terms of any Brexit deal. According to the Office for National Statistics, business investment in the UK decreased by 0.2% between the last quarter of 2017 and the first quarter of 2018, and this has been attributed to the lack of certainty over the outcome of the Brexit negotiations. The Bank of England (BoE) has signalled that it is prepared to freeze or even cut interest rates in order to support the UK economy if the result of negotiations with the EU is a "disorderly Brexit". Indeed, in May 2018 the BoE delayed raising interest rates, triggering a fall in the value of sterling. Clearly, should there be a significant economic downturn, this will further impact on public finances and the government may seek to revisit existing funding commitments.

Business Rates - Appeals

4.5 There are currently 2,591 appeals outstanding against the 2010 list and we can only estimate which appeals will actually be successful and of those that are, by how much. We have a provision of £17.0m to cover the remaining appeals, but it is entirely possible that this will require a top up, of which the council will have to contribute 30p in every pound added.

4.6 From 2017/18 an extra provision of £43.6m has been made for the new 2017 list with a further sum contributed to the London Pool for 2018/19. The new process for determining appeals is still bedding in at the Valuation Office Agency, so it is too early to comment on the adequacy of this provision.

Collection Fund

4.7 The final business rates outturn position for 2017/18 was worse than expected, resulting in a deficit carried forward to 2018/19. The collection rate this year is looking better than expected, however, with entry into the London-wide Business Rates retention pool for 2018/19 any growth will be shared with the pool, and distributed based on the four agreed objectives. These are 15% based on incentivising growth (by allowing those boroughs with growth to keep some proportion of it), 35% for recognising the contribution of all boroughs (through a per capita allocation), 35% based on recognising need (through the needs assessment formula), with 15% facilitating collective investment with a strategic investment pot.

4.8 Although projections earlier in the year were forecasting a deficit, the final council tax collection fund outturn for 2017/18 was on target with only an immaterial variance. The council tax for 2018/19 contains a number of assumptions regarding developments and discounts and whilst the collection rate is below profile at the end of May, the experience of 2017/18 has been factored in to the collection fund target.

Risks within the Capital Strategy

4.9 The council's current capital programme stands at £1.3bn, of which around half represents planned spend on the Community Investment Programme (CIP), the council's ambitious programme to create new social housing, schools, and community facilities. 2017/18 was a year of significant delivery in the programme, with projects completed at Maiden Lane, Bacton Low Rise, the Bourne estate, Holly Lodge and Liddell Road, delivering 115 new council homes and a new building for Kingsgate Primary School. 2018/19 will be another milestone year with a further 121 council homes due to complete and the new community resource centre at Greenwood Place to open in the Autumn.

4.10 Inherently, a programme of this size and ambition carries risks. Less than 3% (£38m) of the expenditure is set to be funded from government grant, with the programme reliant on the generation of future receipts. The combination of the need to provide essential funding for fire safety works at Chalcots and across our estates, and increases in costs on some CIP schemes alongside a less buoyant receipts market has put pressure on the HRA side of the capital programme. The council is taking a series of steps to ensure we can fund the essential works and continue to deliver our ambitious housing programme, as set out below. Without these additional resources, the council would come close to its HRA borrowing capacity limit assuming it is able to generate the significant receipts expectations set out in paragraph 2.31 and Appendix B. While there is confidence that the council will be able to access additional resources as set out below, the phasing of non-contracted CIP phases will be subject to an assessment of available resources at point of entering contract

Construction industry & housing in London

4.11 The state of the London construction market is a function of a complex mix of factors. The outlook for the construction sector in the wake of Brexit continues to be uncertain, with reports offering an often ambiguous or contradictory mix of views. While some commentators suggest the weakened pound could see increased activity from foreign investors, it will also increase import costs with the possible effect of escalating contract prices.

4.12 Challenges in the market meant that some schemes have become unviable in their current form. Officers have been undertaking significant work to present revised schemes at Tybalds, the second phase on Central Somerstown, and the latter phases of Abbey Road. This work will look to build on and incorporate as much of the positive work undertaken to date as possible. Officers are also looking at ways to make non-contracted schemes more efficient and to improve cashflows, for example by breaking down phases or investigating whether receipts could be generated up front.

Project delays

4.13 Delays have meant that several schemes, have completed significantly later than originally intended. While delays can sometimes prove financially beneficial in a market in which house prices are rising, we have seen a more turbulent and uncertain market in which generating expected receipts has proved more difficult, while project delays also caused corresponding cost increases such as construction, financing (borrowing) and client-side fees such as surveyors and marketing.

Reliance on receipts

4.14 The capital programme is increasingly funded from capital receipts as demonstrated by the table below. The council's ability to fund the capital programme will in turn become increasingly reliant on the timely delivery of receipts and house prices maintaining targeted levels. As set out in Appendix C the council is anticipating £312m in total receipts over the next 3 years, with over £220m of this in the HRA.

	2017/18	2018/19	2019/20	2020/21	2021/22
Percentage of capital expenditure funded from capital receipts	54.4%	37.3%	50.9%	54.7%	49.4%

4.15 There is the potential that economic uncertainty may come to bear on demand in central London markets at the same time as a significant number of pipeline schemes (including CIP) increase supply, with the potential effect of depressing sales volumes and prices. Significant work has taken place to assess potential developments in local housing markets, and the council's exposure to house price risk. Although the receipts expectations over the coming years are very substantial and essential to fund the programme, the more prudent receipts expectations and profiling and included in the current review are felt to be attainable. Furthermore, our latest market advice is that while property prices may stagnate over the next couple of years they should rise at the start of the next decade, during the period when a number of CIP schemes should complete. Nevertheless, where the viability of approved schemes is directly threatened by falling sales prices, mitigation options are being explored. This could pose difficult decisions for the council, for example reviewing the tenure mix of developments, the level of community assets provided by a scheme, timing of delivery or re-design.

HRA debt cap

4.16 The maximum amount the HRA can borrow is restricted by the government set HRA borrowing cap. It is only through stringent monitoring of both expenditure and use of resources that enables us to manage the risks of breaching our legal debt cap limit. Based on the revised programme there will be around £40m to £45m of HRA borrowing headroom over the next 3 years before a pinch point of £15m to £20m of headroom in 2021/22.

4.17 The Government have recently announced the timetable for Local Authorities to bid for an increase in their respective debt caps to help fund additional house building. The Government has made an additional £1bn of borrowing capacity available to Local Authorities, a summary of which is shown in the table below.

	2019/20	2020/21	2021/22	Total
The maximum additional Housing Revenue Account borrowing available	£400m	£300m	£300m	£1bn
of which:				
Additional Housing Revenue Account borrowing available to London Boroughs	£200m	£150m	£150m	£500m
Additional Housing Revenue Account borrowing available to local authorities outside London	£200m	£150m	£150m	£500m

4.18 The administration of the borrowing available to London authorities has been delegated to the Greater London Authority (GLA) and they have not yet released the conditions for bidding for additional borrowing capacity. However, the conditions for bidding for the rest of the country have been published and it is expected that the conditions for London authorities will be substantially the same.

4.19 Successful bids for additional borrowing will need to demonstrate that a local authority will incur additional expenditure in the year that the borrowing capacity is awarded. Local authorities will also have to demonstrate good value for money and a proven track record of homes delivery.

4.20 In order to successfully bid for additional borrowing capacity a Local Authority will need to show that it will help to deliver additional house building beyond those that they currently have planned. This means that the additional borrowing cannot be used to manage risks in the current programme.

Fire Safety Measures

4.21 The headroom available to the Council to help fund the CIP programme has been also been impacted by the need to borrow money to help fund urgent fire safety work across the Council's existing housing stock. A total of approximately £135m has been added to the programme to cover the capital costs of the removal and replacement of cladding on the Chalcots estate and associated works, and to provide funding for additional fire safety works, including those in response to enhanced building regulations, across the estate. It should be noted that both the cost and timing of fire safety measures is subject to significant uncertainty due to unusual nature of the works at Chalcots and the need to respond to an evolving regulatory framework.

4.22 The government recently announced that councils would be entitled to claim the reasonable costs of cladding works from a dedicated £400m national pot. The council is optimistic its claim for funding will be agreed, and once confirmed this will be added to the programme and provide significant mitigation.

Risk mitigations

4.23 It is crucial that we retain some flexibility within the programme, both in expenditure and resources planning and that we continue to consider the phasing of projects and/or alternative delivery models to mitigate some of the inherent risks of a capital programme of this size and ambition. The headroom of £15m to £20m in 2021/22 means that any loss of capital resources may affect the ability to progress the capital programme at the planned pace. This level of headroom is considered prudent and manageable given the risks and mitigations above and below, but leaves the council little scope to consider expanding the programme through borrowing in the immediate future.

4.24 If the programme were to deliver according to the revised plans, there would be a balance of income generated in the years beyond 2021/22 that could be utilised, for example to pay down debt, increase the volume of social housing on schemes in development, or to fund new schemes.

4.25 As indicated above, the council has a number of mechanisms and processes to respond to this range of risks:

- Prudent receipts estimation: for all schemes delivering in the next two years, prudent assumptions have been made regarding sales receipts values.

- Application for grant support: the council has applied for a share of the £400m national pot to reimburse councils for cladding works. If agreed this would contribute around c£40m to the programme based on current estimates.

- The council has also applied to MHCLG for an uplift in its borrowing capacity to offset the effect of essential fire safety works. Though the borrowing would need to be paid back from HRA rents in the long-term, it would reduce the risks around breaching the borrowing cap.

- The council is also continuing to investigate the potential for a bespoke housing deal with the government and/or deal with the GLA to lever in flexibilities and resources to continue and expand our CIP programme. An example of the flexibility we would like is the ability to combine our right to buy receipts with government grant on new social housing.

- We will also consider how an application to access the new borrowing cap uplifts set out in paragraphs 4.16 to 4.20 may help support agreed projects that are yet to enter contract.

- The council could use a wholly owned company to purchase homes intended for private sale from the HRA and rent them out for general fund returns as investment properties, subject to a detailed assessment of the viability and risks of this approach.

Next Steps

4.26 The council operates a robust governance framework through the Gateway Review Panel, in which key officers review projects at critical decision points and provide a further level of scrutiny and challenge in the context of the overall funding position.

4.27 The council is continuing to work up and develop agreed projects that are not yet in contract with the intention of progressing these as quickly as possible and in line with the profiles set out in this paper. As set out officers are looking for ways to enhance the viability and cashflows of the schemes, while also proactively seeking additional funding capacity. The ability to enter into these contracts will be taken at the relevant point in the context of the overall funding position for the council.

Homelessness Reduction Act

4.28 The new Homeless Reduction Act has placed additional responsibilities on the council in relation to the volume and scope and recording of work associated with homeless approaches and the need to provide emergency accommodation.

4.29 It was announced that the Government will provide additional funding of £0.878m to Camden spread over three years to meet the new burdens costs associated with the Act. However, this funding will not continue after 2019/20 at which time the Council will be expected to meet the cost from its existing resources.

Universal Credit

4.30 By December 2018, full service of Universal Credit will have been rolled out across the borough. Temporary Accommodation claims will stay on Housing Benefit for the foreseeable future, and new claims for families with three or more children will remain on Housing Benefit until January 2019. The transition of existing Housing Benefit claimants to Universal Credit will start from July 2019. When implemented, these changes have potential to impact on temporary accommodation costs and demand, rent collection and residents ability to pay other debts. This is evidenced by the fact that 74% of the small number of tenants that currently receive Universal Credit, are already in rent arrears and there is an increasing demand for support.

Schools Emerging Funding Pressures

4.31 The September 2017 announcements regarding the national funding formula reversed proposals that would have seen a cash reduction of almost 3% in funding for Camden schools. Instead, Camden will receive an increase in schools funding of around 0.5% for 2018/19 and a further 0.5% for 2019/20. However, with inflation of around 3% this still amounts to a real terms reduction in spending power and it may be a number of years before Camden schools benefit from any further cash increases. This is because their national formula funding calculations are effectively protected at baseline funding levels in nearly all cases.

4.32 Pressures on schools budgets are expected to come from recent revaluation in business rates, an expected teachers' pay increase of 2% from September 2018 (although this is still to be agreed and there is the potential for it to be more than 2%), and potential pressures from future MTFS savings on services and support provided by the Council to schools. These pressures will need to be contained within the 0.5% increase in DSG which given an expected level of pay inflation at 2% represents is a real terms reduction.

4.33 The government has also confirmed that it will now proceed with a two year 'soft' formula under which funding calculated per schools under the national formula is aggregated and distributed to councils, before issuing funding directly from 2021/22.

4.34 The government has also confirmed there will be no cash reductions in high needs with a nominal increase of 0.5% also expected in 2018/19. However, further pressures on the High Needs budgets are expected due to the extension of responsibility for high needs to include young adults up to age 25 and the commensurate costs from the growing numbers continuing with Educational Health Care plans from school to college. In addition, the rise in children and young people placed in high cost independent provision is expected to continue in 2018/19. From April 2018 the National Funding Formula will introduce a new import/export adjustment to compensate Camden for place funding paid out of Camden's High Needs Block for where those places are occupied by children and young people from other authorities with this being offset by the number of children and young people placed in other borough's provision. However, this adjustment will be based on census returns submitted by schools and colleges from both Camden and other boroughs where there may be quality issues.

4.35 Last April the Cabinet agreed a new strategy for early years services that will continue to support the most disadvantaged pupils despite the significant government cuts to early years funding resulting from the national formula. Camden is allocating £2.7m of additional resources in 2018/19 and £1.7m from 2019/20 onwards to support this.

4.36 The Education and Skills Funding Agency (ESFA) have also indicated that Dedicated Schools Grant (DSG) spending plans beyond 2019/20 will be set in a future government Spending Review.

5.0 LINKS TO OUR CAMDEN PLAN

5.1 The new outcomes-based Financial Strategy is planned to allow the organisation to maximise the deployment of its increasingly limited resources towards the achievement of Our Camden Plan outcomes.

5.2 As proposals are developed for the MTFS, we will continue to use this approach of implementing savings and deciding investment priorities to ensure our limited resources are used in line with Our Camden Plan.

6.0 CONSULTATION/ENGAGEMENT

6.1 There has been no formal public consultation.

7.0 LEGAL IMPLICATIONS

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

8.0 RESOURCE IMPLICATIONS

8.1 The comments of the Executive Director Corporate Services are included within this report.

9.0 TIMETABLE FOR IMPLEMTATION

9.1 Implementation of proposals will occur as outlined in the body of the report, with reserve allocations being agreed in line with timescales for the Statement of Accounts.

10.0 APPENDICES

10.1 Further information is provided in the attached appendices:

A. Further Detail on the Capital Programme
B. Further Detail on Capital Funding
C. Further Detail on Capital Receipts
D. Reserves Allocations

REPORT ENDS

APPENDIX A – FURTHER DETAIL ON THE CAPITAL PROGRAMME

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

Table AA – Proposed Departmental Capital Budgets

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 to 2027/28 £000	Total £000
Community Services	22	765	1,696	800	0	0	**3,283**
Development - CIP & Major Projects	108,627	98,009	107,673	79,991	77,701	168,758	**640,759**
ICT	1,992	2,874	800	0	0	0	**5,666**
Place Management	11,738	12,566	12,628	967	542	6,963	**45,404**
Property Management	61,802	110,097	112,874	95,676	64,268	128,104	**572,821**
Regen & Planning	5,630	22,555	22,223	1,890	264	1,208	**53,770**
Total Capital Expenditure	**189,811**	**246,866**	**257,894**	**179,324**	**142,775**	**305,033**	**1,321,703**

A2. The table below sets out the changes to the expenditure 2017/18 onwards and the associated funding.

Table AB - Changes to Expenditure and Funding

Expenditure category	Total Exp. £000	Changes £000	Reasons
Sports Centres	2,857	(137)	Reduction in sports grants
Libraries Open Plus	426	340	Addition of corporate reserves to update and refresh "Open Plus" self-service technology
Community Investment Programme (CIP)	157,059	3,923	Increase in construction costs for Highgate Newtown project
Estate Regeneration	434,701	(14,406)	Change in inflation in later years of projects not yet in contract
HRA Hostels	1,164	600	Holmes Rd. hostel increased costs
Accommodation Strategy	47,835	329	Increase in costs due to Tavistock house fit out to be funded from Accommodation reserve
ICT Investment	4,799	(2,400)	De-capitalisation of corporate reserve contributions now to be used to fund HR Finance system implementation
Parking	867	198	Increase in external contribution towards on-line parking programme development
Green Spaces	10,013	2,668	Increase in S106 contributions and addition of HS2 mitigation measures contribution
Planned Highways Maintenance	22,760	-	No change

APPENDIX A

Expenditure category	Total Exp. £000	Changes £000	Reasons
Environment Service	8,214	-	No change
Developer Contribution funded schemes	4,417	1,858	S106 contributions towards local improvements
Better Homes	455,796	1,836	Addition of new projects costs funded from block provision
Other HRA capital expenditure	46,804	(3,196)	Virements within approved budget limits to other areas of the programme
Homes for Older People	14,839	2,589	Increase in Better Care and virement within approved budget limits from other areas of the programme
Education Property Maint & Improvement; Schools projects	37,757	448	Virements within approved budget limits
Corporate Props Maint & Improvement	17,625	132	Virements from Sustainability and Carbon reduction block provision
West End Project	31,403	-	No change
TfL Funded Schemes	17,295	12,730	TfL grant
Euston Road CHP (Combined Heat and Power)	2,768	-	No change
Sustainability	2,304	(132)	Interdepartmental virement to individual project
Total	**1,321,703**	**7,380**	

APPENDIX B – FURTHER DETAIL ON CAPITAL FUNDING

Table BA – Total Capital Funding

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 to 2027/28 £000	Total £000
Government Grants	4,067	3,907	3,584	2,586	106	0	**14,250**
GLA/TfL grants	5,823	9,862	8,591	0	0	0	**24,276**
Section 106 contributions	8,098	35,269	22,763	10,208	11,195	30,718	**118,251**
Community Infrastructure Levy	5,949	6,120	5,656	1,555	0	0	**19,280**
Other Grants & Contributions	1,571	3,728	2,038	200	0	0	**7,537**
Prudential borrowing	14,809	34,891	39,533	24,812	12,976	19,815	**146,836**
Councils Reserves	46,326	60,962	44,433	41,811	48,003	126,103	**367,638**
Capital receipts	103,169	92,127	131,296	98,152	70,495	128,397	**623,636**
Total	**189,812**	**246,866**	**257,894**	**179,324**	**142,775**	**305,033**	**1,321,704**

Table BB – Reasons for Funding Changes since Last Approved Budget

Funding	Total Funding £000	Changes £000	Reasons
Government Grants	14,250	1,193	Increase in Better care and Education grants
GLA/TfL grants	24,276	11,290	Future years allocation approved for Highways, Corridors etc and grant towards Abbey development
S106 contributions	118,251	88,088	Addition of AHF to support delivery of affordable housing units and increase in transport & green spaces allocations
Community Infrastructure Levy	19,280	0	No change
Prudential borrowing HRA	95,202	0	No change
Prudential borrowing	51,634	112	Additional borrowing to fund schools' IT equipment
Other Grants and Contributions	7,537	2,752	Mainly HS2 contribution to mitigation measures (public realm and green spaces) and small new contributions from third parties.
Councils Reserves	367,638	(3,463)	Decapitalising budgets to be used for the HR/Finance system and use of grant reducing the need for reserves
Capital receipts	623,636	(92,592)	Use of capital receipts substituted by AHF contribution to eligible schemes
Total	**1,321,704**	**7,380**	

APPENDIX C – FURTHER DETAIL ON CAPITAL RECEIPTS

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 to 2027/28 £000	Total £000
General Fund							
General Fund Disposals	3,456	32,800	22,265	1,340	24,580	35,535	**119,976**
Homes for Older People	0	17,600	0	18,300	0	0	**35,900**
Accommodation Strategy - disposals	22,193	0	0	0	13,049	2,990	**38,232**
General Fund sub-total	**25,649**	**50,400**	**22,265**	**19,640**	**37,629**	**38,525**	**194,108**
Housing Revenue Account							
HRA Small Sites	454	1,355	5,519	1,891	0	0	**9,219**
Right to Buy Receipts	10,418	6,445	4,193	3,751	3,313	0	**28,120**
Estate Regeneration Developments	77,464	88,240	62,136	46,020	26,275	370,589	**670,724**
HRA sub-total	**88,336**	**96,040**	**71,848**	**51,662**	**29,588**	**370,589**	**708,063**
Total	**113,985**	**146,440**	**94,113**	**71,302**	**67,217**	**409,114**	**902,171**

APPENDIX D – 2017/18 OUTTURN RESERVES ALLOCATIONS

D1. There have been a number of requests for transfers to earmarked reserves from the year-end underspend that are recommended for approval.

D2. Requests were made on the basis that the transfer supported the Council's priorities and where the investment would make an effective return.

D3. The following table presents the proposed reserve allocations by Directorate and type.

Table DA – Year End Requested Allocations to Reserves 2017/18

	Funds held on behalf of other organisations £m	Grants Unspent / Received in Advance £m	On-going Projects £m	Total Allocations £m
Supporting People	0.862	0.972	1.654	3.488
Supporting Communities	0.038		1.044	1.082
Corporate Services				-
Public Health			0.553	0.553
Cross-Cutting Budgets			1.800	1.800
Council Funding		6.373		6.373
	0.900	**7.345**	**5.051**	**13.296**

D4. Council funding consists of business rates, revenue support grant and council tax. The underspend is due to the business rates levy to government as the business rates outturn was lower than expected. This balance is being transferred to the business rates safety net reserve to help manage the corresponding significant deficit on the collection fund in future years. The total allocations excluding this sum is £6.923m, set out by department in Table 2 of the main report.

D5. The remaining year-end surplus of £(0.484)m will be allocated to the Cost of Change reserve, to support the Council's remodelling work.

Table DB – Proposed Allocation of 2017/18 Surplus Resources

Earmarked Reserves	Actual Reserves 31/03/17 £m	Movement Out of Reserves £m	Transfer Into Reserves £m	2017/18 Year End Requested Allocations to Reserves £m	Outturn Surplus Allocations £m	Reserves 31/03/18 £m
Earmarked Reserves						
To Support Key Revenue Outcomes	19.617	(10.200)	8.794	6.740	-	24.951
To Support the Council's Remodelling Programmes	7.735	(4.689)	6.863	-	0.484	10.393
Ongoing Capital Activity & Asset Management	32.548	(11.350)	7.445	0.184	-	28.827
Mitigation of Future Corporate Risk	15.869	-	-	6.373	-	22.242
Total Earmarked Reserves	**75.769**	**(26.239)**	**23.102**	**13.297**	**0.484**	**86.413**

D6. 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.

APPENDIX D

Table DC – Proposed Allocations of 2017/18 Surplus Resources

Earmarked Reserves	Actual Reserve 31/03/17 £m	Total Planned Usage £m	Forecast Reserves 31/03/18 £m	Proposed Movement to Reserve £m	Proposed Reserve Balance 31/03/18 £m
Reserves to support key revenue budget outcomes					
Dedicated Schools Grant	7.339	(3.020)	4.319	-	4.319
Multi Year Budget Reserve	8.760	1.614	10.374	6.740	17.114
Education Commission	0.948	-	0.948	-	0.948
Supporting People Specific Reserves	2.570	-	2.570	-	2.570
	19.617	**(1.406)**	**18.211**	**6.740**	**24.951**
Reserves to support the councils service remodelling programme					
Workforce Remodelling/Cost of Change	5.729	(0.405)	5.324	0.484	5.808
Camden Plan	2.006	2.095	4.101	-	4.101
	7.735	**1.690**	**9.425**	**0.484**	**9.909**
Reserves to support on-going capital activity and asset management					
Future Capital Schemes	24.499	(3.670)	20.829	-	20.829
Commercial and other property	0.776	-	0.776	-	0.776
Haverstock PFI Funding Reserve	1.759	(0.130)	1.629	-	1.629
Schools PFI Equalisation Reserve	1.500	0.167	1.667	0.184	1.851
Building Schools for the Future	0.464	-	0.464	-	0.464
Accommodation Strategy	3.550	(0.272)	3.278	-	3.278
	32.548	**(3.905)**	**28.643**	**0.184**	**28.827**
Reserves to mitigate future corporate risk					
Self-Insurance Reserve	5.477	-	5.477	-	5.477
Contingency Reserve	1.512	-	1.512	-	1.512
Business Rates Safety Net	8.880	-	8.880	6.373	15.253
	15.869	**-**	**15.869**	**6.373**	**22.242**
Total Earmarked Reserves	**75.769**	**(3.621)**	**72.148**	**13.781**	**85.929**