London Borough of Camden – Wider Economic Environment and Medium-term Financial Forecasts

17th July 2017

Summary of the Report:

This report provides an overview of the macro-economic environment in which the council is operating. The report notes that there is significant economic uncertainty following the Brexit referendum, and this is likely to continue into the medium-term.

The report sets out the effects of rising inflation on costs, discusses the latest position on council funding, and illustrates the overall impact on the council's medium-term financial forecasts.

The current levels of earmarked reserves are set out alongside future projections for their usage.

Finally, there is a summary of the council's inflationary assumptions for 2017/18 onwards.

Contact Officer:
Chandrika Joshi and Jana Simoes
Strategic Finance

Telephone: 020 7974 8552
Email: chandrika.joshi@camden.gov.uk

1 WIDER ECONOMIC ENVIRONMENT

Introduction

1.1 The council is facing a large degree of uncertainty in the medium term. Our levels of funding may be impacted by the outcomes of Brexit negotiations and any changes to government policy following the General Election, as well as by the impact of the introduction of a reformed business rate retention system if implemented as planned towards the end of the decade. Simultaneously, our spending projections are heavily impacted by our assumptions regarding inflationary cost increases, which will be closely linked to the economic outcomes of Brexit negotiations and could therefore change significantly. This makes forecasting of the deficit that is expected to open after 2018/19 very difficult.

1.2 It is too early to say with any confidence what the result of the General Election will mean for the council's financial settlement. The outlook for Brexit negotiations remains uncertain after the General Election, and Brexit continues to weigh down on the UK's economic outlook. There is a risk that the uncertainty around negotiations of the exit deal, and the final exit deal itself, could result in lower economic performance and potentially decreased tax revenues and make it more difficult for the government to deliver the current plans on growth. Should this be the case the government could choose to increase borrowing, raise taxes, or reduce public spending over that already planned.

Four-year settlement and medium term funding forecasts

1.3 The council was able to set a balanced budget for 2017/18 due to its decision to set a comprehensive medium-term financial strategy. We forecast that, subject to council tax decisions and the successful delivery of the current programme, the council is in a strong position to deliver a balanced budget in 2018/19. However, after this, a new deficit is expected to open up as costs increase while government funding continues to fall. We currently forecast we will have to deliver a further £36m of budget reductions in the three years to 2021/22.

1.4 However, as set out above, this forecast is subject to many unpredictable developments. The local government finance settlement for 2017/18 confirmed that annual cuts to core government funding will continue year on year up to 2019/20. It remains unclear what the potential impact of the General Election will be on the Settlement. Even if councils' funding plans remain unchanged, the detail of the latter years of the settlement remain uncertain[1], as material elements of our funding were not subject to the multi-year offer and the government is planning to overlay the last year (2019/20) with significant changes to local government funding in the shape of 100% business rates retention.

[1] The main funding within the 4 year settlement relevant to Camden were revenue support grant and retained business rates multipliers. Excluded were public health grant, new homes bonus and the improved better care fund.

1.5 The planned changes to business rates retention are a prime area of uncertainty. The previous government was planning to allow local government to retain 100% of business rates by 2019/20. This was to be accompanied by potentially fundamental change in resources and the introduction of the reformed system with potentially increased risks and rewards and increased exposure to income volatility. However, the Queen's speech that followed the General Election and outlined the legislative programme for the government for the next two years omitted to include the Local Government Finance Bill, which would underpin the business rate reform. It is unclear if these changes will go ahead under the new government. See section 5 for more detail.

1.6 In its March Budget, the previous government confirmed its plans to conduct a departmental efficiency review, which will help deliver additional £3.5 billion of savings from public spending by 2019/20, while maintaining the protections for certain areas set out at the Spending Review and Autumn Statement. The Treasury will lead the efficiency review, which will report in 2018. This will review the efficiency of all departmental spending to inform future expenditure decisions. It is not clear what this will mean for local authorities, but given the protection of spending in a number of departments, it is possible that this may lead to further funding reductions.

Economic forecasts

1.7 Change in gross domestic product (GDP) is the main indicator of economic growth. The Office for National Statistics estimate GDP grew just 0.2% in the first quarter of 2017, a marked change of pace from the 0.7% growth in the final three months of 2016. It was the slowest rate of growth since the first quarter of 2016, and is down to services output expanding at a slower pace. UK GDP growth is expected to ease in 2017 mainly due to slower consumer spending as rising inflation squeezes household budgets.

1.8 In the March Budget, the Office for Budget Responsibility (OBR) upgraded its GDP growth forecast from 1.4% to 2% in 2017. However, the forecast for the following years is lower than previously expected - 1.6% in 2018, and then 1.7% in 2019, 1.9% in 2020 and 2.0% in 2021. The 2016 Autumn Statement forecast was for the GDP to grow by 1.7% in 2018, 2.1% in 2019 and 2020, and 2% in 2021.

1.9 The Office for Budget Responsibility forecast that borrowing will be £58.3bn in 2017-18, £40.6bn in 2018-19, £21.4bn in 2019-20 and £20.6bn in 2020-21. Borrowing is expected to fall to 1.9% of GDP in 2018-19 and then reduce every year to 0.7% of GDP by 2021-22. Therefore, at the time of March Budget, the OBR expected that the Government will be able to meet its latest fiscal target of reducing borrowing as a percentage of GDP to below 2% two years early.

1.10 The Consumer Price Index 12 month inflation rate was 2.9% in May 2017, up from 0.3% in May 2016. The rate has been steadily increasing following a period of relatively low inflation in 2015 and is at its highest since June 2013. Above target inflation is expected to continue, and this will have consequences for council’s financial outlook, as set out in section 4.

1.11 The outcome of the General Election and the European Union referendum are likely to have a significant impact on how these indicators of economic activity develop in the future. Prior to the referendum, a number of experts warned of negative potential consequences of Brexit – including lower GDP growth and loss of jobs.

2 Earmarked Reserves

2.1 The council currently has 18 separate earmarked reserves to support key revenue budget outcomes, the council's service remodelling programme, on-going capital activity, to mitigate future corporate risk, and to support charitable activities. The opening 2016/17 earmarked reserves balance was £96.104m. The net movement out of earmarked reserves, including the end of year surplus transfer to reserves was £(20.335)m during 2016/17.

2.2 A summary of the impact of these movements is presented in Table 1. A forecast of future year balances can be found at the end of this report in Appendix C.

Table 1 – Earmarked Reserves in Year Movements 2016/17

Earmarked Reserves	Actual Reserves 31/03/16 £m	Movement Out of Reserves £m	Transfer Into Reserves £m	Reserves 31/03/17 £m	2016/17 Net Movement £m
To Support Key Revenue Outcomes	32.065	-14.467	2.019	19.617	-12.448
To Support the Council's Remodelling Programmes	13.585	-8.168	2.317	7.734	-5.851
Ongoing Capital Activity and Asset Management	28.528	-12.762	16.782	32.548	4.020
Mitigation of Future Corporate Risk	21.891	-13.165	7.143	15.869	-6.022
Charitable Activity	0.034	-0.034	0.000	0.000	-0.034
Total Earmarked Reserves	**96.103**	**-48.596**	**28.261**	**75.768**	**-20.335**

2.3 The council also holds General Reserve Balances, Schools Balances and the Housing Revenue Account Reserve, for which forecast in year movements are detailed in Table 2.

Table 2 – Summary of General Reserves 2016/17

Earmarked Reserves	Actual Reserves 31/03/16 £m	Movement Out of Reserves £m	Transfer Into Reserves £m	Reserves 31/03/17 £m	2016/17 Net Movement £m
General Balances	13.624	0.000	0.000	13.624	0.000
Housing Revenue Account	39.166	-0.779	0.000	38.387	-0.779
Schools Balances	16.370	-0.316	0.000	16.054	-0.316
Total General Reserves	**69.160**	**-1.095**	**0.000**	**68.065**	**-1.095**

3 Inflation

3.1 Following the contraction of council funding from 2011, the council has taken active steps to reduce costs by minimising inflation requirements in budget setting.

3.2 The standard indices applied from 2012/13 onwards are set out in Table 3 (including revised rates for 2018/19 and 2019/20 discussed below).

Table 3 – Standard Inflation Rates 2012/13 to 2019/20

Type	Description	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Expenditure	Employees	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	2.00%
	Premises	0.00%	3.00%	1.00%	1.00%	1.00%	1.00%	1.50%	2.00%
	Supplies & Services	0.00%	3.00%	0.00%	0.00%	1.00%	1.00%	1.50%	2.00%
	Transport	0.00%	3.00%	0.00%	1.00%	1.00%	1.00%	1.50%	2.00%
	Contracts	3.00%	3.00%	1.00%	1.00%	1.00%	1.00%	2.00%	2.50%
Income	Fees & Charges	1.30%	3.00%	3.00%	3.00%	1.50%	1.50%	1.50%	2.00%
	Sales	1.30%	3.00%	3.00%	3.00%	3.00%	3.00%	1.50%	2.00%
	Rents	1.30%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

3.3 Significant exceptions to the standard indices listed above are summarised in Table 4. In our medium-term modelling, we have continued to apply inflation to the below exceptions at the level stated up to 2019/20 and beyond, and are currently undertaking a review with procurement and the relevant services. Therefore, the categories and rates may change, with a corresponding impact on the deficit, by the time of the December 2017 MTFS update.

Table 4 – Exceptions to Standard Inflation Rates Applied

		Reason	Category	Standard Inflation	Revised Inflation
Expenditure	Electricity	Forecast contracted charges are due to rise.	Premises	1.00%	5.50%
	Gas	Forecast contracted charges are due to rise.	Premises	1.00%	8.00%
Income	Statutory Fees	Set by statute or to reflect challenging economic conditions.	Reimbursements & Contributions	1.00%	0.00%
	Housing Rents	Ability to increase charges linked by caps in benefits system.	Rents	2.00%	0.00%
	Library Income (F&C)	Income F&C and Sales are currently struggling to meet budget.	Fees & Charges	1.50%	0.00%
	Library Income (Sales)	Income F&C and Sales are currently struggling to meet budget.	Sales	3.00%	0.00%

3.4 Historically, the council has aimed to maintain moderately low inflation rates (below CPI and RPI levels) to encourage efficiencies within the services.

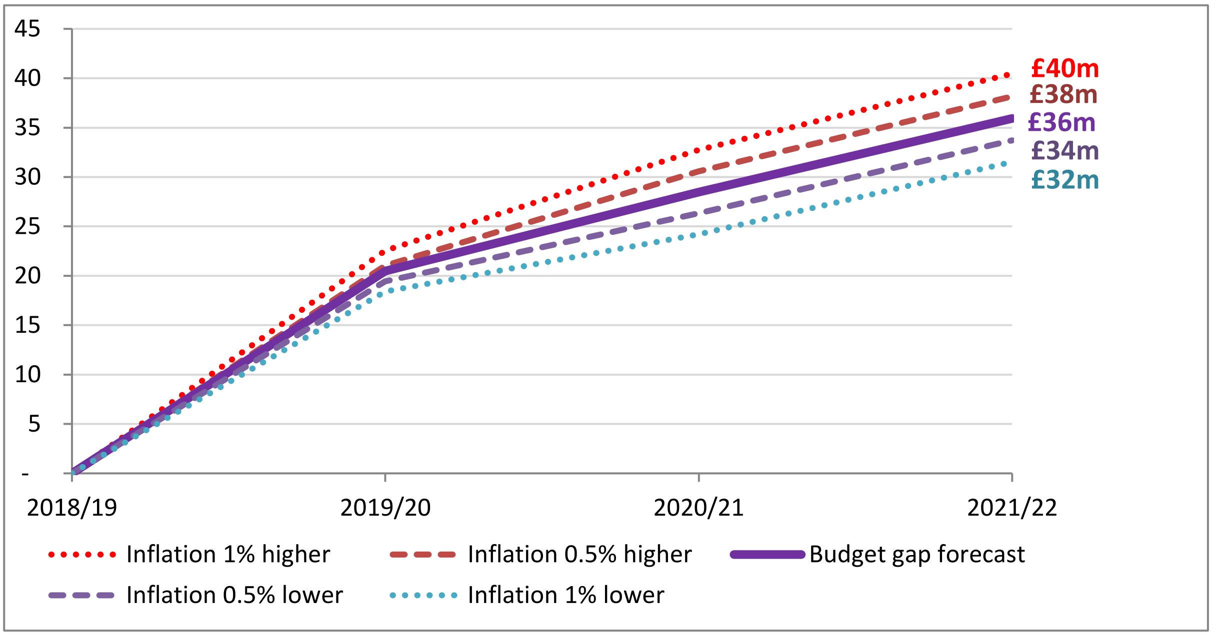
However, there is now high uncertainty over inflation, especially since the outcome of the EU referendum. As a result, the current medium term financial forecasts, (which include balanced budgets up to 2018/19 assuming full delivery of savings in the current MTFS), now reflect higher inflation assumptions from 2018/19 onwards. This also reflects current forecasts from the Office of Budget Responsibility, which projects that inflation will exceed 2% in 2017/18 when measured against CPI, and will steadily grow by 2% year-on-year from 2018/19. Changes to the council's inflation forecasts are reflected in Table 5 below.

Table 5 – Previous and Current Inflation Assumptions to 2023/24

Inflation (Previous %)							
Year	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Employees	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Premises	1.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Transport Related Expenditure	1.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Supplies And Services	1.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Third Party Payments	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Customer & Client Receipts	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Sales	3.00%	3.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Rents	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Inflation (Revised %)							
Year	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Employees	1.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Premises	1.00%	1.50%	2.00%	2.00%	2.00%	2.00%	2.00%
Transport Related Expenditure	1.00%	1.50%	2.00%	2.00%	2.00%	2.00%	2.00%
Supplies And Services	1.00%	1.50%	2.00%	2.00%	2.00%	2.00%	2.00%
Third Party Payments	1.00%	2.00%	2.50%	2.50%	2.50%	2.50%	2.50%
Customer & Client Receipts	1.50%	1.50%	2.00%	2.00%	2.00%	2.00%	2.00%
Sales	3.00%	1.50%	2.00%	2.00%	2.00%	2.00%	2.00%
Rents	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

3.5 Should there be any dramatic changes in inflation, it could cause pressures on the projected position. As way of illustration, an additional 0.5% inflation increase would mean that the budget gap reaches £38m in in 2021/22 and additional 1% inflation would increase the gap to £40m. Should we need to apply 4% across all expenditure (excluding staffing costs), these pressure pressures could be £7.5m in 2017/18, increasing to £15.3m in 2018/9 and £22.9m in 2019/20. Chart 1 illustrates the impact of changes to inflation upon the deficit forecasts.

Chart 1 – Forecast budget deficit to 2020/21 and impact of different inflation allowances (£m)



London Living Wage

3.6 The council is working to implement London Living Wage (LLW) in all our local contracts, as we believe that being accredited as a LLW employer allows us to contribute to tackling inequality and it is a crucial tool in making work pay in the borough. LLW is being implemented across all new contracts, always subject to the council deciding that paying the LLW presents best value for those contracts to the council. £3m was set aside as part of the current financial strategy to take contracts on to LLW and to improve conditions in homecare contracts. We firmly believe that investment will improve the quality of services and the daily lives of those who work for Camden and its supplier organisations.

3.7 Forecasting the required budget increases for LLW is a very complex task, with a number of interlinked factors to consider:

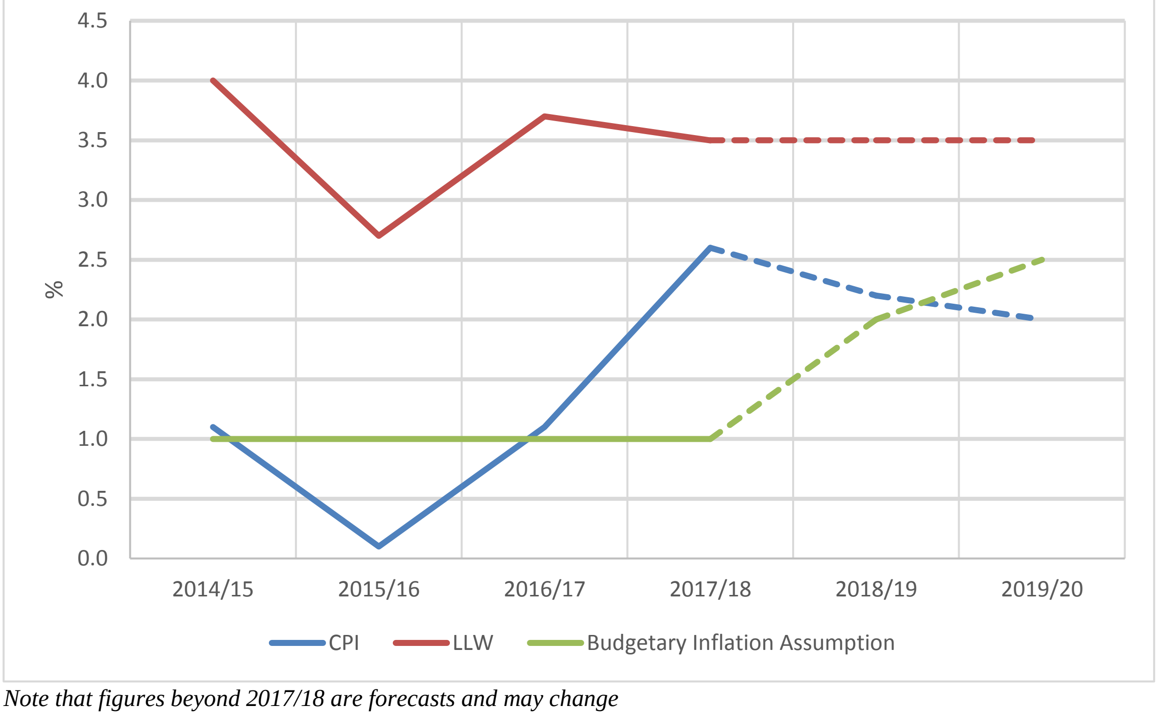
- the rate of LLW, which is only determined on an annual basis and as set out above does not always bear direct correlation with general inflation,
- the expectation in many contracts that contractors look to share the increased costs, or find offsetting efficiencies,
- that many applicable contracts are demand based and so costs won't necessarily increase directly in line with the new rates,
- that increases in LLW may have a knock-on effect on supervisory staff salaries.

3.8 This means a large number of council contracts need to be reviewed on a case-by-case basis to assess whether funding for LLW is required. Further work is currently being undertaken by the council with the aspiration of developing more accurate forecasts, the results of which will be reported on in

December 2017 MTFS.

3.9 LLW has increased by 17% since its introduction in November 2011, with annual increases well above CPI inflation each year. In order to better plan for the likely pressures created by funding LLW prior to exploring the granular work set out above, we have increased our inflation allowance on contracts from 1% to 2% in 2018/19 and to 2.5% in 2019/20 and beyond. It is currently assumed that any increase above this will be funded from the annual corporate pressures budget. Chart 2 below lays out trends for CPI, LLW and council budgetary inflation assumptions for contracts, emphasising how LLW has always remained much higher than CPI, and how forecast inflation assumptions seek to mitigate the gap.

Chart 2 – CPI, LLW and Council Budgetary Inflation Assumptions since 2012/13



Note that figures beyond 2017/18 are forecasts and may change

Forecast Deficit

3.10 This significant increase in inflation has made a large impact on our forecast deficit for 2021/22, which is now forecast to be £36m, a movement of £11m. This is reflected in Table 5, alongside other items contributing to the change in forecast including:

- Early Years Funding – A new plan for the provision of childcare was approved by Cabinet in April 2017, which will continue to ensure Camden provides an enhanced local offer focussing on the most disadvantaged children. This will require an ongoing contribution from the council's General Fund, and this will require funding as part of the next financial strategy

- Minimum Revenue Position – this is the amount the council sets aside to finance borrowing for the Capital programme. Capital receipts generated in previous years are now being utilised to fund the council's regeneration programme. As such, projections for MRP are now £2m less favourable by 2021/22.

- Business Rates – An uplift of 1% has been applied to forecast retained business rates in order to allow for growth and inflation up to 2021/22. This has contributed £5m additional revenue from business rates.

- Other – This comprises of minor adjustments made to the forecasts for changes such as updated grants and council tax forecasts.

Table 5 – Changes to Forecast Deficit for 2021/22 since December 2016

Deficit Forecast	£m	Reason
Feb 2017	**25**	
Inflation	13	Higher inflation assumption to reflect CPI and LLW
Early Years	2	Ongoing contribution to fund new plan for provision of childcare
MRP	2	Updated forecast in light on capital receipts now being utilised
Business Rates	(5)	Uplift to allow for growth and inflation
Other	(1)	Minor adjustments such as updated grants and council tax forecasts
July 2017	**36**	

4 Chalcots Estate Evacuation

4.1 Following an inspection of the Chalcots Estate, the council was required to undertake an emergency evacuation of four of the towers after unequivocal advice from the London Fire Brigade that the blocks were not safe. The full costs of an operation of this scale are varied and considerable, and in many areas not yet quantifiable. Due to the nature of the issues, it is likely that much of the costs incurred will inherently fall on the HRA. However, there will also be material implications for the General Fund, such as the loss in Council Tax.

4.2 Due the successful financial management of the council through the recent period of unprecedented austerity, the council has the reserves in place to manage this large spike in short-term costs without any requirement to slash service provision or increase rents. However, clearly incurring costs of this scale are not without consequence, and the council is investigating all available routes to try and assuage the impact – including legal where we feel these issues have arisen due to third party failures, and speaking to the government to explore opportunities for financial aid.

5 Business rates: Developments in the transition to 100% retention

5.1 The existing Business Rates retention scheme was introduced by the government in 2013/14. The system was intended to incentivise economic growth by allowing local authorities to retain a portion of any growth in their local business rates base. However, the impact of a large number of successful appeals in Camden has meant the council has not benefitted from this system as much as it would have liked despite a large level of development in the area.

5.2 Before the General Election, the government was planning to implement 100% Business Rates Retention by 2019/20, and, at the same time, update the relative needs formulae that would be used to establish the starting position. In exchange for increased rates retention, local authorities would assume a number of new responsibilities. The introduction of 100% retention was to be underpinned by the Local Government Finance Bill, this was to provide the framework for the reforms. This piece of legislation 'fell' as a result of the early election.

5.3 The Queen's speech that followed the General Election and outlined the legislative programme for the government for the next two years omitted to include the Local Government Finance Bill. It is not known whether the government will look to reintroduce aspects of the 100% business rate retention system through a different route (other than primary legislation).

5.4 An important element of the previously announced funding reform was the Fair Funding Review intended to set new funding baselines (i.e. decide how resources are distributed between councils) for every authority alongside the introduction of 100% business rate retention in 2019-20. This change would not require primary legislation and the government did not confirm whether it will pursue the review. London Councils have however stated that it is likely that the proposed review of the needs assessment will continue.

5.5 There is a risk that this could have a negative impact on the level of resources allocated to Camden. By the time the new allocations are implemented, the relative need amounts used will have been frozen for seven or eight years, and it is impossible to know whether the changes in the borough's funding need since then will, under the revised distribution methodology, benefit or disadvantage us relative to other Authorities. In addition, the amounts used since 2013/14 do not reflect the actual relative need amounts calculated for that year, as damping to prevent large movements in any single year, which benefited Camden, has never been unwound.

5.6 Alongside the Spring Budget, the government published a Memorandum of Understanding (MoU) on further devolution to London. The government committed to 'exploring options' for granting 'London government' greater powers and flexibilities over the administration of business rates. This includes supporting the voluntary pooling of business rates within London, subject to appropriate governance structures being agreed. Camden supports the principle of collaborative devolution arrangements within London where they can help address the challenges faced across the capital. There are a number of local authorities that are piloting (or planning to pilot) 100% business rate retention and it is unclear whether these will be terminated or extended, and whether the potential for a London-wide pool still exists.

5.7 In updating our medium-term projections, as set out above we have decided to increase our anticipated business rates retained receipts by 1% each year rather than maintained anticipated flat cash balances. This is considered prudent when balancing the opportunities and risks – principally that rates rise by CPI each year but there is the potential for continuing reductions due to appeals.

6 Conclusions – Revised Medium-term Financial Forecasts

6.1 As set out above, the impact of the complex dynamics of Brexit and the recent elections on council resources resulting from potential legislation, funding changes, and rising costs, are very difficult to predict with any accuracy.

6.2 It is therefore considered prudent to increase our inflation assumptions as previously described. Increased costs of the Minimum Revenue Provision and early years funding are also contributing to the higher budget gap, which is now expected to be £36m by 2021/22. This deficit is subject to council tax decisions and successful delivery of our current MTFS budget reduction programme.

Appendix A – London Borough of Camden – Medium Term Financial Forecast (MTFF) as at July 2017

	2017/18 Budget £m	2018/19 Projection £m	2019/20 Projection £m	2020/21 Projection £m	2021/22 Projection £m
Departmental Expenditure:					
Supporting Communities	61.625	59.591	60.781	62.006	63.268
Supporting People	160.826	170.195	169.872	172.183	175.695
Corporate Services	22.068	19.719	19.937	20.165	20.404
Public Health	22.308	22.786	23.394	24.017	24.655
DEPARTMENTAL EXPENDITURE	**266.827**	**272.291**	**273.984**	**278.371**	**284.022**
Non Departmental Expenditure:					
Corporate Growth	0	3.472	8.472	13.472	18.472
Pressures & Priority Funding	4.135	8.811	14.402	15.908	17.428
HRA Recharge	-10.941	-10.941	-10.941	-10.941	-10.941
Revenue Contribution to Capital from Reserves	-10.022	-10.864	-9.667	0	0
Transfers to Reserves	25.954	8.301	8.065	8.065	8.065
Transfers from Reserves	-2.879	-16.527	-9.797	-0.13	-0.13
Contribution to Pensions	15.749	16.293	16.293	16.293	16.293
Interest Receivable/Payable	0.593	0.886	0.32	0.32	0.32
Minimum Revenue Provision	2.809	3.263	4.771	4.636	4.469
Levies	1.894	1.894	1.894	1.894	1.894
Net Other Items	2.478	14.602	12.145	2.478	2.478
Depreciation	-23.434	-23.434	-23.434	-23.434	-23.434
Direct Revenue Financing	10.022	10.864	9.667	0	0
Government Grants	-51.801	-49.566	-50.765	-48.948	-48.948
NON-DEPARTMENTAL EXPENDITURE	**-35.443**	**-42.946**	**-28.575**	**-20.387**	**-14.034**
TOTAL EXPENDITURE	**231.384**	**229.345**	**245.409**	**257.984**	**269.988**
Funded by:					
Revenue Support Grant (RSG)	-41.114	-31.874	-22.318	-22.318	-22.318
Business Rates Retained	-89.269	-90.162	-91.064	-91.975	-92.895
Garden Squares	-0.026	-0.026	-0.026	-0.026	-0.026
Collection Fund (Surplus)/Deficit	-0.368	0.000	0.000	0.000	0.000
Business Rates (Surplus)/Deficit	0.000	0.000	0.000	0.000	0.000
Proposed Council Tax	-100.607	-107.283	-111.525	-115.203	-118.821
TOTAL FUNDING	**-231.384**	**-229.345**	**-224.933**	**-229.522**	**-234.060**
Shortfall/(Surplus)	**0.000**	**0.000**	**20.476**	**28.462**	**35.928**
Tax Base	88,450	89,837	91,567	92,732	93,769
Collection Rate (%)	98.00%	98.25%	98.50%	98.50%	98.50%
Council Tax (Camden Element)	£1,137.44	£1,194.20	£1,217.96	£1,242.32	£1,267.17
Percentage Increase **(For modelling purposes)**	4.99%	4.99%	1.99%	2.00%	2.00%

Appendix B - London Borough of Camden – Earmarked Reserves Forecast Balances 2017 to 2020

Earmarked Reserves	Actual Reserves 31/03/2017 £m	Forecast Reserves 31/03/2018 £m	Forecast Reserves 31/03/2019 £m	Forecast Reserves 31/03/2020 £m
Reserves to support key revenue budget outcomes				
Dedicated Schools Grant	7.339	5.173	3.007	3.007
Support for Schools in Difficulty	0.000	0.000	0.000	0.000
Homes for Older People	0.000	0.000	0.000	0.000
Multi Year Budget Reserve	8.760	15.766	14.811	14.594
Education Commission	0.948	0.653	0.253	0.253
People Specific Reserves	2.570	1.778	0.986	0.586
Sub Total	**19.617**	**23.370**	**19.057**	**18.440**
Reserves to support the councils service remodelling programme				
Workforce Remodelling/Cost of Change	5.679	5.751	5.751	0
Camden Plan	2.056	3.669	0	0
Sub Total	**7.735**	**9.42**	**5.751**	**0**
Reserves to support on-going capital activity and asset management				
Future Capital Schemes	24.499	18.014	16.088	19.788
Commercial and other property	0.776	0.776	0.776	0.776
Haverstock PFI Funding Reserve	1.759	1.629	1.499	1.369
Schools PFI Equalisation Reserve	1.500	1.718	1.936	2.154
Building Schools for the Future	0.464	0.270	0.070	0.070
Accommodation Strategy	3.550	2.093	0.734	0.734
Sub Total	**32.548**	**24.500**	**21.103**	**24.891**
Reserves to mitigate future corporate risk				
Self-Insurance Reserve	5.477	5.477	5.477	5.477
Contingency Reserve	1.512	1.512	1.512	1.512
Business Rates Safety Net	8.880	7.380	7.380	7.380
Sub Total	**15.869**	**14.369**	**14.369**	**14.369**
Reserves to support the Mayors charity				
Mayor’s Charity Reserve	0.000	0.000	0.000	0.000
Total Earmarked Reserves	**75.769**	**71.659**	**60.280**	**57.700**
General Balances	13.624	13.624	13.624	13.624
Housing Revenue Account	38.387	36.887	35.387	33.887
Schools Balances	16.054	13.054	9.054	4.054
Total Reserves	**143.834**	**135.224**	**118.345**	**109.265**

Appendix C – Purpose of Reserves

Reserve	Purpose of Reserve
Dedicated Schools Grant	To hold unspent Dedicated Schools Grant which is reserved for the education budget and which may be carried forward over to future years.
Support for Schools in Difficulty	To provide funding to schools should they find themselves in financial difficulties.
Homes for Older People	To fund preparatory work on the Homes for Older People programme.
Multi Year Budget Reserve	To fund allocations in future years as part of multi-year budgeting.
Education Commission	To provide funding to help implement proposals to guide education in the borough.
People Specific Reserve	Hold various unspent Peoples Services monies that do not have conditions on its use.
Workforce Remodelling/Cost of Change	To fund costs that may arise from workforce remodelling and efficiency projects under the council's Better and Cheaper agenda.
Camden Plan	To provide funding to implement projects that support the plan's key priorities.
Future Capital Schemes	To provide funding to support the council's costs associated with various capital schemes.
Commercial and other property	To provide funding to meet the cost associated with dilapidations and other payments in respect of commercial and other property.
Haverstock PFI Funding Reserve	To hold the balance of funding in respect of the Haverstock School PFI project.
Schools PFI Equalisation Reserve	Reserve for the amortisation of the initial payment.
Building Schools for the Future	To provide funding for the preparatory work on the Building Schools for the Future Programme .
Accommodation Strategy	To provide funding to facilitate the office accommodation strategy.
Self-Insurance Reserve	To provide funding to cover insurance risks, this keeps insurance costs to a minimum.
Business Rates Safety Net	To provide funding to cover reduction in retained business rates.
Mayor's Charity Reserve	To hold donations from businesses to be allocated to charity.
General Balances	Unallocated reserves held to resource unpredictable expenditure demands.
Housing Revenue Account	Reserve budgets held by the council on behalf of the HRA – can only be spent on HRA activities.
Schools Balances	Reserve budgets held by the council on behalf of its schools – can only be spent by Schools.