

	<p align="center">London Borough of Hammersmith & Fulham</p> <p align="center">FULL COUNCIL</p> <p align="center">27th February 2019</p>
<p>REVENUE BUDGET AND COUNCIL TAX LEVELS 2019/20</p>	
<p>Report of the Leader of the Council: Councillor Stephen Cowan</p>	
<p>Open Report.</p>	
<p>Classification - For Decision</p> <p>Key Decision: Yes</p>	
<p>Wards Affected: All</p>	
<p>Accountable Director: Hitesh Jolapara, Strategic Director Finance and Governance</p>	
<p>Report Author: Hitesh Jolapara – Strategic Director, Finance and Governance Emily Hill – Assistant Director, Corporate Finance</p>	<p>Contact Details: Tel: 020 8753 3145 E-mail: emily.hill@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

1.1. The 2019/20 revenue budget proposals are set out regarding:

- Council tax levels
- Savings and growth proposals
- Changes to fees and charges
- Budget risks, reserves and balances
- Equalities Impact Assessments.

2. RECOMMENDATIONS

That Council, for the reasons set out in this report and appendices, agree:

- 2.1 To note that the Council is entering the 10th year of government-imposed austerity. This year's reduction in government investment is £3.5m, meaning a total reduction of £73m.
- 2.2 To apply central government's modelled "adult social care precept" levy of 2% for 2019/20.
- 2.3 To note that in previous years this levy was covered by the council but due to continued government cuts this has become unsustainable
- 2.4 To adjust the Hammersmith & Fulham element of the council tax in line with inflation (2.7%) for 2019/20.
- 2.5 To set council tax for 2019/20 for each category of dwelling, as calculated in accordance with Sections 31A to 49B of the Localism Act 2011, as outlined in the table below and in full in Appendix A:
 - (a) *The element of council tax charged for Hammersmith & Fulham Council will be £762.02 per Band D property in 2019/20*
 - (b) *The overall Council Tax to be set at £1,082.53 per Band D property in 2019/20.*
 - (c) *The Adult Social Care Precept will be set at 2% and forms £14.55 of the Hammersmith & Fulham Band D charge.*

Category of Dwelling	A	B	C	D	E	F	G	H
Ratio	6/9 £	7/9 £	8/9 £	1 £	11/9 £	13/9 £	15/9 £	18/9 £
a) H&F	508.01	592.68	677.35	762.02	931.36	1,100.70	1,270.03	1,524.04
b) GLA	213.67	249.29	284.90	320.51	391.73	462.96	534.18	641.02
c) Total	721.68	841.97	962.25	1,082.53	1,323.09	1,563.66	1,804.21	2,165.06

- 2.6 To note the element of council tax charged by the Greater London Authority in accordance with Section 40 of the Local Government Finance Act 1992 will be £320.51 per Band D property in 2019/20.
- 2.7 To set the Council's own total net expenditure budget for 2019/20 at £136.712m.
- 2.8 To approve £10.8m new investment on key services for residents.
- 2.9 To approve fees and charges as set out in paragraph 6.1 including freezing charges in adult social care, children's services and housing.

- 2.10 To approve the use of £2.0m from the additional benefit receivable from the 2018/19 London 100% business rates retention pilot.
- 2.11 To note the budget projections to 2022/23 made by the Strategic Director, Finance and Governance in consultation with the Strategic Leadership Team.
- 2.12 To note the statement of the Strategic Director, Finance and Governance, under Section 25 of the Local Government Act 2003, regarding the adequacy of reserves and robustness of estimates (section 14).
- 2.13 To authorise the Strategic Director, Finance and Governance to collect and recover National Non-Domestic Rate and Council Tax in accordance with the Local Government Finance Act 1988 (as amended), the Local Government Finance Act 1992 and the Council's Scheme of Delegation.
- 2.14 To require all Directors to report on their projected financial position compared to their revenue estimates in accordance with the Corporate Revenue Monitoring Report timetable.
- 2.15 To authorise Directors to implement their service spending plans for 2019/20 in accordance with the recommendations within this report and the Council's Standing Orders, Financial Regulations, relevant Schemes of Delegation and any further consultation required regarding the Equalities Impact Assessment.

3. REASONS FOR DECISION

- 3.1 The Council is obliged to set a balanced budget and council tax charge in accordance with the Local Government Finance Act 1992. This decision is reserved to Full Council.
- 3.2 Cabinet should consider the officer recommendations contained in this report and recommend Full Council approve the budget and tax level for 2019/20.

4. BUDGET OVERVIEW

- 4.1 Government resource assumptions, that are used to calculate Government grant for the London Borough of Hammersmith & Fulham (LBHF), model the Council increasing council tax by 3% in 2019/20. Council Tax has not increased in LBHF in recent years and was last reduced in 2015/16, bringing it to its lowest level since 2002/03. Over the last four years the Band D charge of £727.81 has reduced by 8.4% in real terms and is 34% lower than the London average of £1,112.
- 4.2 The government has modelled an adult social care precept since 2016/17. Government funding modelling assumes that this has been

applied despite LBHF choosing not to apply it over recent budgets. Due to the continued high levels of inflation in the social care market and the Government's continued failure to propose a long-term funding solution to social care funding, for the first time the Council proposes to allow 2% of the government's adult social care levy for 2019/20. This compares to the 8% precept assumed, by the government, over the four years to 2019/20.

- 4.3 In accordance with the administration's policy of keeping the council tax low while protecting and improving services, the Council's budgeted council tax increase is restricted to an inflationary increase of 2.7%. This is pegged to the August 2018 increase in the Consumer Price Index and below the August Retail Price Index increase of 3.5%.
- 4.4 **Government grant funding** has been cut in each year since 2010/11. The total reduction in general grant, since April 2010 to April 2019, has been £73m. This is a cash terms reduction of 47% and real terms reduction of 59%. A fuller explanation of the funding forecast and spending power calculation is set out in Appendix I.
- 4.5 Growth of **£10.8m** has been provided to meet statutory obligations, demographic, service pressures and key resident priorities.
- 4.6 Savings of **£10.3m** are put forward to balance the 2019/20 budget.
- 4.7 The 2.7% inflation-linked increase in Council Tax will generate additional income of £6.3m over 4 years and £1.56m in the first year. The **adult social care precept** of 2% will generate additional income of £4.6m over 4 years and £1.15m in the first year. The Council will use such funding to support adult social care.

5. THE COUNCIL TAX REQUIREMENT

- 5.1 The Council's current gross General Fund budget is £560m, of which £151.8m (the budget requirement) is funded from Council resources (such as council tax and business rates) and general government grant.

Table 1 - 2018/19 Budget requirement

Budgeted Expenditure	£m
Housing Benefit Payments	145
Departmental Budgets	415
Gross Budgeted Expenditure	560
Less:	
Specific Government Grant (including housing benefits and dedicated schools grant)	(272)
Fees and charges	(65)
Contributions (e.g. health, other boroughs)	(49)
Other Income (e.g. investment interest, recharges to the Housing Revenue Account)	(22.2)
Budget Requirement rolled forward to 2019/20	151.8

- 5.2 The Band D council tax charge is calculated by dividing the council tax requirement by the council tax base¹. The determination of the 2019/20 council tax requirement is set out in Table 2. The medium-term forecast, to 2022/23 is set out in Appendix B.

Table 2: The Council Tax Requirement

	£'000s
Base gross budget rolled forward from 2018/19	151,765
Plus/Minus:	
Inflation (section 6)	3,018
Growth (section 6)	10,783
Savings and additional income (section 7)	-10,305
Gross Budget Requirement	155,262
Unringfenced grants (section 8)	-12,568
Specific Adults Social Care Grant	-2,681
Use of developer contributions (section 8)	-3,300
Net Budget Requirement for 2019/20	136,713
Less:	
Locally retained business rates (section 8)	-74,094
One off Collection Fund Surplus	-222
One-off share of 2018/19 100% Business Rates Pilot Growth Surplus	-2,000
2019/20 Council Tax Requirement (includes 2% adult social care precept)	60,396

¹ The council tax requirement is the expenditure that is to be funded from council tax. The council tax base is the income that will be generated from a council tax charge of £1.

6. INFLATION AND GROWTH

Inflation

6.1 The wider economy remains under inflationary pressure with the August Retail Price Index at 3.5%. For 2019/20, the sum provided for overall inflation is £3m. This consists of:

- **Price inflation** of £1.3m for external contracts.
- **Pay inflation** of £1.7m for the agreed 2% pay award.
- **Fees and charges (non-statutory)**
 - Frozen for Adult Social Care, Children's Services and Housing.
 - A standard uplift of 3.5% based on the August 2018 Retail Price Index for other non-Commercial and non-parking fees.
 - Commercial services that are charged on a for-profit basis, will be reviewed on an ongoing basis in response to market conditions and varied up and down as appropriate, with appropriate authorisations according to the Council constitution.

Current proposed exceptions to the standard 3.5% increase are set out in Appendix F.

Growth

6.2 Growth is provided through the budget process as necessary. This is detailed in Appendix C and summarised in Tables 3 and 4.

Table 3: 2019/20 Growth Proposals

Service Area	£m
Children's Services	3.3
Growth & Place	0.1
Public Services Reform	2.6
Social Care	3.6
Council Wide	0.7
Zero Based Budgeting and Service Redesign	0.5
Total	10.8

Table 4: Categorisation of Growth

Growth Categories	£m
Increase in demand/demographic growth	6.3
Council Priority	1.0
Budget pressure	3.4
Total	10.8

7. SAVINGS AND INCOME GENERATION

7.1 The proposed savings are detailed in Appendix C and summarised in Tables 5 and 6.

Table 5: 2019/20 Savings Proposals

Service Area	£m
Children's Services	(1.3)
Corporate Services	(0.3)
Finance & Governance	(1.6)
Growth & Place	(0.8)
Public Services Reform	(0.8)
Residents' Services	(2.4)
Social Care	(3.1)
Savings	(10.3)

Table 6: Categorisation of 2019/20 Savings

Savings Categories	£m
Commercialisation	(0.5)
Income	(0.1)
Procurement / Commissioning	(1.6)
Service reconfiguration	(4.1)
Staffing / Productivity	(2.2)
Budget reduced in line with spend	(1.9)
Total	(10.3)

8. EXTERNAL, DEVELOPER AND BUSINESS RATES FUNDING

- 8.1 The Government funding receivable is detailed in Appendix E. On a like-for like-basis general grant funding is (in cash terms) £3.5m less in 2019/20 than in 2018/19. The grant figures are based on the Local Government Finance Settlement. This is a real-terms reduction of 12.7%
- 8.2 Ringfenced grants, which can only be used for a specific purpose, have increased by £0.6m from 2018/19 to 2019/20. These grants include additional Better Care Funding of £1.8m that has been used to support the Council's budgeted investment in Social Cre.
- 8.3 **The business rates** forecast is summarised in Appendix H. The business rates system is changing for a third successive year. A rates revaluation in 2017/18 was followed by a pilot 100% rates retention scheme (for any growth in business rates) for London in 2018/19. Government has decided to reduce this to a 75% retention pilot in 2019/20.

Table 7 – Business Rates Retention Scheme

	Proportion of Rates Income		
Business Rates Retained:	2017/18	2018/19	2019/20
Hammersmith & Fulham	30%	64%	48%
Greater London Authority (GLA)	37%	36%	27%
Government	33%	0	25%
	100%	100%	100%

- 8.4 London Local Government worked to take forward a 100% business rates retention pilot for London from April 2018. This pools business rates across the 33 London Boroughs and GLA. Under this arrangement London keeps 100% of any growth in business rates, though business rates valuations and levels are still set by Government. Updated mid-year modelling identifies a one-off benefit to LBHF of £2.0m from the pool and this is included in 2019/20 forecast resources. Final figures will be confirmed in September 2019.
- 8.5 For 2019/20 the government has ended the 100% pilot. London Local Government has negotiated a new pilot however the imposition of a 75% pilot by central government will reduce the benefits to the London Boroughs and GLA. Indicative modelling suggests a one-off benefit for LBHF of £1.2m. This modelling is based on an aggregation of high level estimates and before Boroughs have submitted detailed 2019/20 figures. The actual benefit will not be confirmed until September 2020. This sum is not taken account of within the 2019/20 budgeted resources.
- 8.7 Under the 75% pilot LBHF potentially receives a share of London's future business growth. The pilot arrangements also require compensating adjustments in other funding streams.

Table 8: Changes to 2019/20 Funding Streams from the 75% Business Rates Pilot

	No-Pilot	With Pilot
Business Rates Baseline	76.9	123.0
Tariff payable to the Government	16.1	45.0
Funding Baseline	60.9	78.0
Revenue Support Grant	17.1	0
Total LBHF Funding	78.0	78.0
Safety net threshold	73.4	74.1

- 8.8 Table 8 sets out the business rates income (£78.0m) that the Government assumes the Council will collect in 2019/20. The business rates system also sets a safety net threshold which guarantees a minimum income to the Council. The 2017 business rates revaluation resulted in a high-level of rates appeals by businesses in LBHF. This has required the Council's share of business rates income to be budgeted at the safety net threshold of £74.1m.
- 8.9 An updated forecast for business rates will be undertaken by all Boroughs in January 2019. This will confirm the LBHF estimate and provide more clarity on the potential benefits from the pilot pool arrangements.
- 8.10 **Property developments** – Planning obligations under s.106 of the Town and Country Planning Act 1990 (as amended), known as s.106 agreements, are a mechanism which make a development proposal acceptable in planning terms, that would not otherwise be acceptable. They are focused on site specific mitigation of the impact of development. Property developments have placed increased pressure on council services in recent years.
- 8.11 Legal tests governing the use of s.106 agreements are set out in regulation 122 and 123 of the CIL Regulations 2010 as amended. The tests are:
- Necessary to make the development acceptable in planning terms;
 - Directly related to the development; and
 - Fairly and reasonably related in scale and kind to the development.
- 8.12 Local planning authorities are required to use the funding in accordance with the terms of the individual planning obligation legal agreement. This will ensure new developments are acceptable; benefit local communities and support the provision of local infrastructure. In LBHF there are three broad categories of s.106 contributions received:
- for a specific purpose defined and described in the s.106 agreement (such as specific highway works)

- for a general functional purpose defined and described in the s.106 agreement but with geographical constraints (such as provision of community infrastructure in the White City area)
- for a general purpose defined and described in the s.106 agreement but with no borough geographical constraints (such as economic development, education purposes, community safety initiatives etc).

8.13 Provided the Council respects the obligation to maintain a reasonable relationship with the developments and complies with the specific terms of each of the s.106 agreements giving rise to the funds, the Council has a degree of discretion as to how it allocates and spends some of the general purpose funds. The council has analysed all its s.106 agreements to determine funds with general purposes that can be considered for budgeting purposes. As is usual in these circumstances, many areas of Council activity that have faced increased demand following new developments offer a good fit with the purposes of some of the uncommitted s.106 funds which can therefore be lawfully used to finance such activities.

8.14 The 2019/20 budget assumes that £3.3m of expenditure will be funded from s.106 resources. In addition, contributions of £1.7m per annum are assumed towards the provision of enhanced policing. The Council has considered the level of general purposes funds available and has forecast s.106 receipts in hand at the end of 2018/19 of £11m. After estimating future receipts and commitments, including 2019/20 budget commitments, £9.6m is forecast to be in hand at the end of 2019/20. The forecasts are based on assumptions around implementation and completion of planning applications, as approved, the expected time of developments commencing and reaching trigger points. Looking further ahead, the level of uncertainty around trigger points increases and forecasts are less certain.

9 HAMMERSMITH AND FULHAM'S COUNCIL TAX REQUIREMENT

9.1 Council, on 23 January 2019, agreed a Council Tax Base of 79,257 equivalent Band D properties for 2019/20. Therefore, the Council's element of the Council Tax can be calculated as follows:

$\frac{\text{Total Council Tax Requirement}}{\text{Tax Base}} = \frac{\pounds 60.3955\text{m}}{79,257} = \pounds 762.02$
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9.2 This represents a 2.7% increase in the Hammersmith and Fulham element of the council tax charge and a 2% levy for the Adult Social Care Precept.

- 9.3 The 2.7% inflation-linked increase will generate additional income of £6.3m over 4 years and annual income of £1.56m. It adds £19.65 per annum (5.4p per day) to the Band D Council tax charge. As set out below, 52% of dwellings are liable for 100% council tax with exemptions/discounts for Council Tax Support claimants, students, care leavers and single person households.

Table 9: Liability for Council Tax

Total dwellings in the borough	88,700
Reductions:	
Exemptions (mainly students, includes care leavers)	(3,600)
Council tax support claimants (elderly & working age on low income)	(11,200)
Single person discount (25% discount)	(28,200)
Dwellings liable for 100% of Council tax	45,700 52%

- 9.4 **The government's modelled adult social care precept** levy of 2% will generate additional income of £4.6m over 4 years and £1.15m in 2019/20. This will increase the Band D Council Tax charge by £14.56 (4p per day).

- 9.5 The overall increase in the LBHF element of the Band D charge, including the government's modelled 2% adult social care precept, is £34.21 (9.4p per day).

10. PRECEPTOR'S COUNCIL TAX REQUIREMENTS

(THESE FIGURES ARE SUBJECT TO CONFIRMATION BY THE LONDON ASSEMBLY ON 25 FEBRUARY)

- 10.1 The Greater London Authority's precept is also funded from Council Tax. The following table analyses the total amount to be funded and the resulting overall Band D Council Tax level

$\frac{\text{Preceptors Budget Requirement}}{\text{Tax Base}} = \frac{\underline{\pounds 25.403\text{m}}}{79,257} = \pounds 320.51$

- 10.2 This represents an increase of £26.28 (8.9%).

11. OVERALL COUNCIL TAX REQUIREMENT 2019/20

- 11.1 The overall amount to be met from the Council Tax is £85.798m. This will provide a balanced budget with £19m in General Fund balances (see section 14).

Table 10 – Overall 2019/20 Council Tax Requirement

London Borough of Hammersmith & Fulham	£000s 60,395
Greater London Authority	25,403
Total Requirement for Council Tax	85,798

- 11.2 In accordance with the Local Government Finance Act 1992, the Council is required to calculate and approve a council tax requirement for its own budgetary purposes (section 9) and then add the separate Council Tax requirements for each of the preceptors (section 10). The requisite calculation is set out in Appendix A.
- 11.3 The Council must then set the overall Council Tax for the Borough. These calculations must be carried out for each of the valuation bands A to H, and are set out in the recommendations at the front of the report. The amount per Band D equivalent property is calculated as follows:

$\frac{\text{Total Council Tax Requirement}}{\text{Tax Base}} = \frac{\text{£85.798m}}{79,257} = \text{£1,082.53}$
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12. CONSULTATION WITH NON- DOMESTIC RATEPAYERS

- 12.1 In accordance with the Local Government Finance Act 1992, the Council is required to consult with Non- Domestic Ratepayers on the budget proposals. The consultation can have no effect on the Business Rate, which is set by the Government.
- 12.2 As with previous years, we have discharged this responsibility by writing to the twenty largest payers and the local Chamber of Commerce together with a copy of this report.

13. COMMENTS OF THE POLICY AND ACCOUNTABILITY (PAC) COMMITTEES

- 13.1 As part of the consultation process the budget proposals have been reviewed by all the PAC Committees

14. COMMENTS OF THE STRATEGIC DIRECTOR, FINANCE AND GOVERNANCE

The Robustness of the Budget Estimates

- 14.1 Under Section 25 of the Local Government Act 2003, the Strategic Director, Finance and Governance is required to include, in the budget report, his view of the robustness of the 2019/20 estimates.

- 14.2 Budget estimates are exactly that, estimates of spending and income at a point in time. This statement about the robustness of estimates cannot give a guaranteed assurance about the budget, but gives Members reasonable assurances that the budget has been based on the best available information and assumptions. For the reasons set out below the Strategic Director, Finance and Governance, is satisfied with the accuracy and robustness of the estimates included in this report:

- The budget proposals have been developed following guidance from the Strategic Director, Finance and Governance and have been through a robust process of development and challenge with Service Directors and Cabinet Members.
- Contract inflation is provided for.
- Adequate allowance has been made for pension costs.
- Service managers have made reasonable assumptions about growth pressures.
- Rigorous mechanisms will be in place to monitor sensitive areas of expenditure and the delivery of savings. Whilst existing monitoring arrangements have previously delivered consistent budget underspends the Council recognises that it faces an increasing financial challenge due to the combination of declining government grant, new burdens from government and demographic trends. The latest current year Corporate Revenue Monitoring Report (month 6) forecasts a gross overspend of £6.8m which will reduce to £4.8m should current mitigating actions be delivered. Officers are developing further mitigating measures to close the remaining overspend and prevent future overspends.
- Key risks have been identified and considered.
- Prudent assumptions have been made about interest rates payable and the budget proposals are joined up with the requirements of the Prudential Code and Treasury Management Strategy.
- The revenue effects of the capital programme have been reflected in the budget.
- The recommendations regarding fees and charges are in line with the assumptions in the budget.

- The provision for redundancy is reasonable to meet future restructuring and downsizing.
- The use of budget monitoring in 2018/19 to re-align budgets where required with growth provided for 2019/20 to meet budget pressures. In particular £2.6m is provided to meet the past underachievement in income targets.
- A review via the Strategic Leadership Team of proposed savings and their achievability has taken place.
- Member review and challenge of all budget proposals has occurred.
- The establishment of appropriate management and monitoring arrangements for the delivery of savings programmes.
- A prudent approach has been adopted on the local share of income receivable through the business rates retention scheme.
- Developer contributions fund some budget pressures. Such contributions can only be used once. Monitoring arrangements are in place to ensure that sufficient contributions are set aside to meet the budget assumptions.
- A process is in place for 2020/21, and beyond, to tackle underlying budget pressures.
- Review has been undertaken of the Moving On programme (the change to tri-borough shared services arrangements) with new structures costed and budgeted for.

Risk, Revenue Balances and Earmarked Reserves

- 14.3 Under Section 25 of the Local Government Act 2003, the Strategic Director, Finance and Governance is required to include, in budget reports, his view of the adequacy of the balances and reserves the budget provides for. The level of balances is examined each year along with the level of reserves in light of the risks facing the authority in the medium term.
- 14.4 The key financial risks that face the Council have been identified and quantified (Appendix D). They total £24m. Financial risks of £19.3m were identified when the 2018/19 Budget was set.

General Fund Balances

- 14.5 The Council's general balance stood at £19m as at 1 April 2018 and it is currently projected that this will not reduce in the current financial year. This will leave general balances at 3.3% (equivalent to 12 days spend) of the Council's gross budget of £560m.
- 14.6 Given the on-going scale of change in local government funding, and risks facing the Council, the Strategic Director, Finance and Governance considers that general balances need to be maintained within the range of £14m to £20m. The optimal level is projected to be broadly met over the next 3 years and is, in the Strategic Director's, Finance and Governance, view sufficient to allow for the risks identified and to support effective medium term financial planning.

Earmarked Reserves

- 14.7 The Council holds a number of one-off earmarked reserves. The latest forecast, assuming no overspends, to 2021/22 is set out in Table 11. In the Strategic Director's, Finance and Governance view such reserves are adequate to deal with anticipated risks and liabilities.

Table 11: Reserves Forecast to 2021/22

	Opening balance	Budgeted contributions to 2021/22	Commitments to 2021/22	Total
	£m	£m	£m	£m
Earmarked reserves	(79.146)	(7.691)	50.267	(36.570)
King Street Decant Costs				27.300
Estimated profit from JV				(11.100)
Forecast earmarked reserves				(20.370)
General balances				(19.004)
Earmarked restricted reserves				(15.583)
Total reserves				(54.957)

- 14.8 The existing commitments include:
- The planned investment of earmarked reserves on council priorities (for example implementing the IT strategy, incentive payments to landlords or managed services implementation).
 - Prudently setting aside amounts to protect against budgetary risks such as the £14m regarding the forecast shortfall in Dedicated Schools Grant for the **High Needs Block**.
 - The existing commitments include £5.4m of planned invest to save investment. The Council is considering capitalising such expenditure in accordance with a Government Regulation on the flexible use of capital receipts. Should such expenditure be capitalised the forecast balance of reserves will increase
- 14.9 Funding for pupils with **high needs** is provided through Dedicated Schools Grant from government. A recent children's services finance survey showed that London boroughs were spending £78m more than their high needs grant allocation, with 32 out of 33 boroughs reporting a shortfall. For LBHF the cumulative shortfall in funding is forecast to be £14.2m by the close of 2018/19. The Council is developing options for a deficit recovery plan and has contacted the government to discuss funding levels. It is also discussing how this should be treated on the Council's Balance sheet following a consultation by the Education Funding Agency. Pending further

clarification, the Council has prudently set aside a reserve to cover the potential deficit.

- 14.10 Looking to the future, an anticipated use of reserves is the planned investment of £27.3m in the King Street West Regeneration project with a forecast profit of £11.1m coming back to the Council from the proposed Joint Venture profits. This scheme was approved at Full Council on 23 January 2019. The Council will benefit from efficiencies in delivering modern, inclusively designed and fit-for-purpose office and civic accommodation for its staff and visitors, as well as for small and start-up businesses. It also avoids the need for significant capital investment in the existing Town Hall and Town Hall Extension, which in 2017 was estimated at between £29.2 million and £53.5 million for both buildings, depending on the extent of refurbishment works undertaken. These figures exclude professional fees (estimated to be at least £2million to tender stage) and the cost of decanting staff to allow works to take place.
- 14.11 The Strategic Director, Finance and Governance considers that current reserves are adequate to deal with anticipated risks and liabilities. Reserves can only be spent once and the forecast to 2021/22 identifies a tightening in the Council's finances that will need careful management and review. Continued focus will be required on keeping spend within budget, avoiding the use of reserves to balance future budgets and on rebuilding reserves to support future investments.

Council Tax Setting

- 14.10 As part of the Localism Act 2011, the Government replaced the power to cap excessive budgets and Council Tax increases with compulsory referenda on Council Tax increases above limits it sets. For 2019/20 local authorities "will be required to seek the approval of their local electorate in a referendum if, compared with 2018/19, they set an increase in the relevant basic amount of council tax that is 3% or higher". As the proposed Council tax increase for this Council is 2.7% no such referendum is required.
- 14.11 In addition, the Government has modelled setting a precept to fund Social Care for Adults of 2% in 2019/20. This sum is included in the Council's budget proposals.

Prior Year Collection Fund Surplus

- 14.12 The Local Government and Finance Act 1988 requires that all council tax and non-domestic rates income is paid into a Collection Fund, along with payments out regarding the Greater London Authority precept, the business rates retention scheme and a contribution towards a Council's own General Fund. As at the close of 2017/18, due to the receipt of higher than expected income, the Collection Fund was in surplus by £0.311m.

The Hammersmith and Fulham share of this surplus is £0.222m and this is included within the 2019/20 budget proposals. The balance is payable to the Greater London Authority.

15. LEGAL IMPLICATIONS

- 15.1 The Council is obliged to set the council tax and a balanced budget for the forthcoming financial year in accordance with the provisions set out in the body of the report.
- 15.2 In addition to the statutory provisions the Council must also comply with general public law requirements and in particular it must take into account all relevant matters, ignore irrelevant matters and act reasonably and for the public good when setting the Council Tax and budget. The Council should be satisfied that the proposals put forward are a reasonably prudent use of resources in both the short and long term, and that the interests of Council Tax payers and ratepayers on the one hand and the users of Council services on the other are both taken into account.
- 15.3 The recommendations contained in the report have been prepared in line with these requirements.
- 15.4 Section 25 of the Local Government Act 2003, which came into force on 18 November 2003, requires the Strategic Director, Finance and Governance to report on the robustness of the estimates made for the purposes of budget calculations and the adequacy of the proposed financial reserves. The Council must take these matters into account when making decisions about the budget calculations.
- 15.5 A public authority must, in the exercise of its functions, comply with the requirements of the Equality Act 2010 (“the Act”) and in particular section 149 (the Public Sector Equality Duty). Members need to consider this duty in relation to the present proposals. In addition, where specific budget proposals have a potential equalities impact these are considered and assessed by the relevant service as part of the final decision-making and implementation processes and changes made where appropriate.
- 15.6 The protected characteristics to which the Public Sector Equality Duty (“PSED”) applies are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race/ethnic/national origin, sexual orientation, religion or belief and sex.
- 15.7 The PSED provides (so far as relevant) as follows:
 - (1) a public authority must, in the exercise of its functions, have due regard to the need to:
 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

(3) Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

(a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;

(b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;

(c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

(4) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

(5) Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—

(a) tackle prejudice, and

(b) promote understanding.

(6) Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act.

15.8 Case law has established the following principles relevant to compliance with the PSED which Council will need to consider:

(i) The PSED is an integral and important part of the mechanisms for ensuring the fulfilment of the aims of anti-discrimination legislation.

(ii) The duty to have "due regard" to the various identified "needs" in the relevant sections does not impose a duty to achieve results. It is a duty to have "due regard" to the "need" to achieve the identified goals.

(iii) Due regard is regard that is appropriate in all the circumstances, including the importance of the area of life of people affected by the decision and such countervailing factors as are relevant to the function that the decision-maker is performing.

(iv) Although the weight to be given to equality issues and countervailing factors is for the decision-maker, it is for the Court to determine whether "due regard" has been given. This will include the court assessing for itself whether in the circumstances appropriate weight has been given by the authority to those "needs" and not simply deciding whether the authority's decision is a rational or reasonable one.

(v) The duty to have "due regard" to disability equality is particularly important where the decision will have a direct impact on disabled people. The same goes for other protected groups where they will be particularly and directly affected by a decision.

(vi) The PSED does not impose a duty on public authorities to carry out a formal equalities impact assessment in all cases when carrying out their functions, but where a significant part of the lives of any protected group will be directly affected by a decision, a formal Equalities Impact Assessment ("EIA") is likely to be required by the courts as part of the duty to have 'due regard'.

(vii) The duty to have 'due regard' involves considering not only whether taking the particular decision would unlawfully discriminate against particular protected groups, but also whether the decision itself will be compatible with the equality duty, i.e. whether it will eliminate discrimination, promote equality of opportunity and foster good relations. Consideration must also be given to whether, if the decision is made to go ahead, it will be possible to mitigate any adverse impact on any particular protected group, or to take steps to promote equality of opportunity by, for e.g., treating a particular affected group more favourably.

(viii) The duty is non-delegable and must be fulfilled by the Council and members personally.

(ix) The Council must ensure that it is properly informed before taking a decision.

(x) Council officials must be rigorous in both enquiring and reporting to the Council on equalities issues to assist Council and members to fulfil that duty.

(xi) The duty must be exercised in substance, with rigour, and with an open mind. It is not a question of "ticking boxes".

(xii) The duty is a continuing one and equalities issues must be kept under review.

15.9 All these matters have been, or will be, considered by service departments as part of the final decision-making and implementation processes, but must also be considered by the Council when taking its decision.

15.10 To assist the Council in fulfilling its PSED, an EIA in respect of the proposed overall budget is attached to this report at Appendix G. This Appendix includes a screening of all budget measures undertaken to ensure that the equality duty has been considered where appropriate. These will need to be read and taken into account by the Council, together with the requirements of the PSED itself set out above, in reaching a decision on the recommendations in the report.

15.11 Section 106, Local Government Finance Act 1992, applies to Members where:

- they are present at a meeting of the Council, the Cabinet or a Committee and at the time of the meeting an amount of Council Tax is payable by them and has remained unpaid for at least two months; and
- any budget or Council Tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

- 15.12 In these circumstances, any such Members shall at the meeting and as soon as practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter. Such Members are not debarred from speaking. Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting.

16. EQUALITY IMPLICATIONS

- 16.3 Published with this report is are the EIAs. The EIA assesses the impacts on equality of the main items in the budget proposed to Full Council as well as the decision to increase Council Tax and apply the social care precept. The full EIA is attached at Appendix G together with individual EIAs for service areas.

17. IMPLICATIONS FOR BUSINESS

- 17.1 The positive decision by the council to retain business rates will enable their use for local priorities, including supporting the local business community.
- 17.2 Implications completed by: Billy Seago. Work Matters Manager, tel 020 8753 5242

18. COMMERCIAL IMPLICATIONS

- 18.1 There are no direct implications resulting from this report.
- 18.2 It is recommended that further emphasis is established on Forward Planning to avoid direct awards and overspending due to lack of planning and identify new efficiencies and opportunities, delivering best value for residents.
- 18.3 It is important the Council's Contracts Register is used by officers to keep records of their contracts. Having a Council overview of all contracts will help planning, modelling and ultimately deliver savings for the Council through procurement.
- 18.3 It is recommended that Social Value is sought as part of the delivery of contracts the Council is procuring.
- 18.2 Implications completed by: Andra Ulianov, Procurement Consultant, x2284

19. IT IMPLICATIONS

- 19.1 There are no IT implications in this report.
- 19.2 Implications completed by: Veronica Barella (Chief Information Officer) x2927

20. RISK MANAGEMENT

20.1 In line with the Council's priorities of Being Ruthlessly Financially Efficient and Being a Compassionate Council, Members and officers will need to be mindful of the following factors faced by the Council, in common with other local authorities, in approving the proposed budget, including savings and growth proposals:

- *Future Pressures:* It is inevitable that further, as yet unidentified and therefore unquantified, budget pressures will manifest over the term of the current MTFs and the Council must be prepared for such eventualities and maintain the progress for further savings, efficiencies and income generating initiatives.
- *Demand Pressures:* There is a real risk of increased demand for children's services, adult social care and homelessness services over the coming years. These are difficult areas in which to accurately quantify future demand. However, recent years have demonstrated that cost pressures are appearing as a result of diminishing resources, growing demand and new duties placed upon local authorities by central government. Current demand pressures exist in a number of areas including Children's Services and Temporary Accommodation.
- *Use of Balances:* The risk associated with drawing on balances is that they are one-off non-sustainable options rather than permanent efficiencies. Prudent levels of balances should be maintained for later years where grant losses continue and income from commercialisation has not yet materialised.
- *Procurement and Contracts:* The Council will continue to review and develop Forward Planning for Commissioning and Procurement activities to identify new efficiencies and opportunities, increasing value to its residents. Continued robust management of the Council's contracts is essential to ensure that they remain resilient during the challenges posed by Brexit.

20.2 The economic climate in which the Council has to operate continues to be extremely challenging. Cost overspends on significant projects can pose a risk for financing, particularly in the current economic climate when funding is limited. Project and budget management processes are currently in place to limit the risk of overspend or slippage whilst accounting advice is sought to mitigate against any such risk should it occur. Continuing cuts to local government funding, external cost pressures and the need to fund local priorities mean that the Council has to continue with its significant savings and transformation programmes.

20.3 The report sets out a number of risks facing the Council, along with other local authorities in terms of previous reductions in local government

funding and future prospects for funding, increases in demand for key services and the need to maintain adequate levels of reserves in the face of these pressures and the significant investment which the Council is applying or seeking to apply to a range of key programmes. The report clearly sets out the increased level of financial risk from the 2018/19 budget and the known and planned reductions in the level of reserves, which include the significant investment proposed in respect of the regeneration of West King Street, including the Town Hall and Town Hall Extension. Strong programme governance and oversight is important to ensure that key objectives and outcomes are being delivered within approved budgets.

- 20.4 Appendix D sets out the financial risks against which the 2019/20 budget and MTFS are being proposed for approval. There are significant financial risks around ongoing demand for High Needs Block and School Grant funding, funding for social care services, increases in the demand for and cost of temporary accommodation, the reliability of a range of income and funding streams needed to support the delivery of front line services, along with inflationary pressures on staffing costs and contracts. The appendix contains high level mitigating actions in many cases. It is vital that clear mitigation plans are developed for all risks identified, which will then be implemented, monitored and reported on to ensure that the Council is able to deliver vital services within its overall cost envelope.
- 20.5 Similarly, Appendix C sets out a range of growth and savings proposals which will need to be appropriately planned, implemented, managed, monitored and reported on. Robust controls and governance will need to be applied to ensure that key activities support the delivery of the Council's objectives while ensuring that costs are appropriately controlled, savings delivered and growth investment achieves the required outcomes. Where actions are not delivering savings or mitigating financial pressures, prompt and appropriate action will need to be identified and taken.
- 20.6 Implications completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	None		

LIST OF APPENDICES:

Appendix A – The Requisite Council Tax Calculations for Hammersmith and Fulham

Appendix B – Medium Term Financial Forecast

Appendix C – Growth and Savings Proposals

Appendix D – Budget Risks

Appendix E – Government Grant Funding

Appendix F – Fees and Charges – exceptions to the standard 3.5% increase

Appendix G – Equalities Impact Assessment

Appendix H – The Business Rates Retention Scheme for Hammersmith and Fulham

Appendix I – Reduction in Spending Power

APPENDIX A

The Requisite Calculations for Hammersmith & Fulham (as set out in Section 31A to 49B in the Localism Act 2011)

		<u>£'s</u>	
(a)	Being the aggregate of the amounts which the Council estimates for the items set out in section 31A (2) (a) to (f) of the Act.	728,020,227	
(b)	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) (a) to (d) of the Act.	642,222,147	
(c)	Being the aggregate difference of (a) and (b) above calculated by the Council in accordance with Section 31A (4) of the Act, as its council tax requirement for the year.	85,798,080	
(d)	Being the amount formally agreed by Council as the council tax base for 2019/20.	79,257	
(e)	Being the amount at (c) divided by the amount at (d) above, calculated by the Council in accordance with Section 31B of the Act as the Basic amount of council tax (Band D) for the year.	1,082.53	
(f)	Hammersmith and Fulham proportion of the Basic amount of its Council Tax (Band D)	762.02	
(g) Valuation Bands – Hammersmith & Fulham Council:			
Band A	Band B	Band C	Band D
508.01	592.68	677.35	762.02
Band E	Band F	Band G	Band H
931.36	1,100.70	1,270.03	1,524.04
<p>being the amounts given by multiplying the amount at (f) above by the number which, in proportion set out in section 5 (1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which that proportion is applicable to dwellings listed in band D, calculated by the Council, in accordance with Section 36 (1) of the Act, as the amounts to be taken into account for the year in respect of dwellings listed in the different valuation bands.</p>			
(h) Valuation Bands – Greater London Authority			

That it be noted that the following amounts in precepts issued to the Council in respect of the Greater London Authority, its functional and predecessor bodies, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

Band A	Band B	Band C	Band D
213.67	249.29	284.90	320.51
Band E	Band F	Band G	Band H
391.73	462.96	534.18	641.02

(i) That having calculated the aggregate in each case of the amounts at (g) and (h) above, the Council, in accordance with Section 30 (2) of the Local Government Finance Act 1992, hereby sets the following amounts of Council Tax for the year 2019/20 for each of the categories of dwellings shown below:

Band A	Band B	Band C	Band D
721.68	841.97	962.25	1,082.53
Band E	Band F	Band G	Band H
1,323.09	1,563.66	1,804.21	2,165.06