



London Borough of Hammersmith & Fulham

# Cabinet

## Agenda

**MONDAY**  
**30 JANUARY 2012**  
**7.00 pm**

**COURTYARD ROOM**  
**HAMMERSMITH**  
**TOWN HALL**  
**KING STREET**  
**LONDON W6 9JU**

### Membership

Councillor Stephen Greenhalgh, Leader  
Councillor Nicholas Botterill, Deputy Leader (+Environment and Asset Management)  
Councillor Mark Loveday, Cabinet Member for Strategy  
Councillor Helen Binmore, Cabinet Member for Children's Services  
Councillor Joe Carlebach, Cabinet Member for Community Care  
Councillor Harry Phibbs, Cabinet Member for Community Engagement  
Councillor Andrew Johnson, Cabinet Member for Housing  
Councillor Greg Smith, Cabinet Member for Residents Services

**Date Issued**  
**18 January 2012**

If you require further information relating to this agenda please contact:  
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### DEPUTATIONS

Members of the public may submit a request for a deputation to the Cabinet on non-exempt item numbers **4-14** on this agenda using the Council's Deputation Request Form. The completed Form, to be sent to David Viles at the above address, must be signed by at least ten registered electors of the Borough and will be subject to the Council's procedures on the receipt of deputations. **Deadline for receipt of deputation requests: Wednesday 25 January 2012.**

### COUNCILLORS' CALL-IN TO SCRUTINY COMMITTEES

A decision list regarding items on this agenda will be published by **Wednesday 1 February 2012**. Items on the agenda may be called in to the relevant Scrutiny Committee.

The deadline for receipt of call-in requests is: **Monday 6 February 2012 at 3.00pm**. Decisions not called in by this date will then be deemed approved and may be implemented.

A confirmed decision list will be published after 3:00pm on **Monday 6 February 2012**.

**Members of the Public are welcome to attend.**  
**A loop system for hearing impairment is provided, together with disabled access to the building**

# Cabinet Agenda

30 January 2012

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|             | <p>If a Councillor has any prejudicial or personal interest in a particular report he/she should declare the existence and nature of the interest at the commencement of the consideration of the item or as soon as it becomes apparent.</p> <p>At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a prejudicial interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken, unless a dispensation has been obtained from the Standards Committee.</p> <p>Where members of the public are not allowed to be in attendance, then the Councillor with a prejudicial interest should withdraw from the meeting whilst the matter is under consideration, unless the disability has been removed by the Standards Committee.</p> |              |
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|            | The Cabinet is invited to resolve, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information. |                  |
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**INFORMATION (E)**

- 23. SUMMARY OF EXEMPT URGENT DECISIONS TAKEN BY THE LEADER, AND REPORTED TO THE CABINET FOR INFORMATION (E)**

London Borough of Hammersmith & Fulham



# Cabinet

## Minutes

Monday 9 January 2012

### **PRESENT**

Councillor Stephen Greenhalgh, Leader  
Councillor Nicholas Botterill, Deputy Leader (+Environment and Asset Management)  
Councillor Mark Loveday, Cabinet Member for Strategy  
Councillor Helen Binmore, Cabinet Member for Children's Services  
Councillor Joe Carlebach, Cabinet Member for Community Care  
Councillor Harry Phibbs, Cabinet Member for Community Engagement  
Councillor Andrew Johnson, Cabinet Member for Housing  
Councillor Greg Smith, Cabinet Member for Residents Services

### **140. MINUTES OF THE CABINET MEETING HELD ON 5 DECEMBER 2011**

#### **RESOLVED:**

That the minutes of the meeting of the Cabinet held on 5 December 2011 be confirmed and signed as an accurate record of the proceedings, and that the outstanding actions be noted.

### **141. APOLOGIES FOR ABSENCE**

#### **RESOLVED:**

There were no apologies for absence received.

### **142. DECLARATION OF INTERESTS**

#### **RESOLVED:**

There were no declarations of interest.

### **143. THE GENERAL FUND CAPITAL PROGRAMME, HOUSING CAPITAL PROGRAMME AND REVENUE MONITORING 2011/12 - MONTH 7**

#### **RESOLVED:**

1. That the changes to the capital programme as set out in Appendix 1 be approved.

2. That the changes to the General Fund revenue budget as set out in Appendix 2 be approved.

**Reason for decision:**

As set out in the report.

**Alternative options considered and rejected:**

As outlined in the report.

**Record of any conflict of interest:**

None.

**Note of dispensation in respect of any declared conflict of interest:**

None.

**144. COUNCIL TAX BASE AND COLLECTION RATE 2012/2013**

**RESOLVED:**

That Cabinet recommendations to Council for 2012-2013 financial year:

- (i) That the estimated numbers of properties for each Valuation Band as set out in the report, be approved.
- (ii) That an estimated Collection rate of 97.5% be approved.
- (iii) That the Council Tax Base of 80,087 Band "D" equivalent properties be approved.

**Reason for decision:**

As set out in the report.

**Alternative options considered and rejected:**

As outlined in the report.

**Record of any conflict of interest:**

None.

**Note of dispensation in respect of any declared conflict of interest:**

None.

**145. AWARD OF CONTRACTS FOR PROVISION OF BUSINESS AND MANAGEMENT CONSULTANCY SERVICES**

**RESOLVED:**

That the report be noted.

**Reason for decision:**

As set out in the report.

**Alternative options considered and rejected:**

As outlined in the report.

**Record of any conflict of interest:**

None.

**Note of dispensation in respect of any declared conflict of interest:**

None.

**146. WORKPLACE STRATEGY**

**RESOLVED:**

1. That the new Workplace Strategy, which will deliver new virtual desktops to the entire Council starting from January 2012, be approved.

2. That expenditure of £746,319, to be funded from the IT infrastructure projects revenue budget, be approved.

**Reason for decision:**

As set out in the report.

**Alternative options considered and rejected:**

As outlined in the report.

**Record of any conflict of interest:**

None.

**Note of dispensation in respect of any declared conflict of interest:**

None.

**147. MODERNISING CCTV TRAFFIC ENFORCEMENT FACILITIES**

**RESOLVED:**

1. That approval be given to modernise the CCTV traffic enforcement facilities at a total estimated cost of £945,000 as set out in paragraph 10.1 of the report.

2. That approval be given for an order to be placed under the Measured Term Contract for Non-Housing Projects 2011/2015 with Mulalley & Company Limited at an estimated cost of for the works being £230,000 including fees and contingency.

**Reason for decision:**

As set out in the report.

**Alternative options considered and rejected:**

As outlined in the report.

**Record of any conflict of interest:**

None.

**Note of dispensation in respect of any declared conflict of interest:**

None.

**148. SERCO CONTRACT UPDATE**

**RESOLVED:**

That, in order to improve service delivery cost effectiveness, the following actions be approved:

(i) To implement a clearer performance framework within the Serco contract that rewards improved outputs and penalises poor service delivery, as outlined in paragraph 2.1 of the report and Appendix 1.

(ii) To undertake a review of current client and contractor performance management to ensure a streamlined approach that delivers MTFS savings and better service quality.

(iii) That delegated authority be given to the Cabinet Member for Residents Services, in consultation with the Executive Director of Environment, Leisure and Residents Services, to agree a mechanism and targets that ensure sustained and improved cleanliness and other contract standards over the next three years.

(iv) To vary the contract to allow for the potential to include the clinical waste service as outlined in paragraph 2.2 of the report.

**Reason for decision:**

As set out in the report.

**Alternative options considered and rejected:**

As outlined in the report.

**Record of any conflict of interest:**

None.

**Note of dispensation in respect of any declared conflict of interest:**

None.



**149. FORWARD PLAN OF KEY DECISIONS**

**RESOLVED:**

The Forward Plan was noted.

**150. SUMMARY OF OPEN DECISIONS TAKEN BY THE LEADER AND CABINET MEMBERS, AND REPORTED TO CABINET FOR INFORMATION**

**RESOLVED:**

The summary was noted.

**151. SUMMARY OF URGENT DECISIONS TAKEN BY THE LEADER, REPORTED TO THE CABINET FOR INFORMATION**

**RESOLVED:**

The summary was noted.

**152. EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED:**

That under Section 100A (4) of the Local Government Act 1972, the public and press be excluded from the meeting during consideration of the remaining items of business on the grounds that they contain information relating to the financial or business affairs of a person (including the authority)] as defined in paragraph 3 of Schedule 12A of the Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

[The following is a public summary of the exempt information under S.100C (2) of the Local Government Act 1972. Exempt minutes exist as a separate document.]

**153. EXEMPT MINUTES OF THE CABINET MEETING HELD ON 5 DECEMBER 2011(E)**

**RESOLVED:**

That the minutes of the meeting of the Cabinet held on 5 December 2011 be confirmed and signed as an accurate record of the proceedings, and that the outstanding actions be noted.

**154. AWARD OF CONTRACTS FOR PROVISION OF BUSINESS AND MANAGEMENT CONSULTANCY SERVICES : EXEMPT ASPECTS (E)**

**RESOLVED:**

That the recommendations contained with the exempt report be approved.

**Reason for decision:**

As set out in the report.

**Alternative options considered and rejected:**

As outlined in the report.

**Record of any conflict of interest:**

None.

**Note of dispensation in respect of any declared conflict of interest:**

None.

**155. WORKPLACE STRATEGY : EXEMPT ASPECTS (E)**

**RESOLVED:**

That the report be noted.

**Reason for decision:**

As set out in the report.

**Alternative options considered and rejected:**

As outlined in the report.

**Record of any conflict of interest:**

None.

**Note of dispensation in respect of any declared conflict of interest:**

None.

**156. SUMMARY OF EXEMPT DECISIONS TAKEN BY THE LEADER AND CABINET MEMBERS AND REPORTED TO CABINET FOR INFORMATION (E)**

**RESOLVED:**

The Summary was noted.

**157. SUMMARY OF EXEMPT URGENT DECISIONS TAKEN BY THE LEADER,  
AND REPORTED TO THE CABINET FOR INFORMATION (E)**

**RESOLVED:**

The Summary was noted.

Meeting started: 7.00 pm

Meeting ended: 7.02 pm

Chairman .....

# Agenda Item 4



London Borough of Hammersmith & Fulham

## Cabinet

30<sup>th</sup> January 2012

### LEADER

Councillor Stephen Greenhalgh

### REVENUE BUDGET AND COUNCIL TAX LEVELS 2012/13

This report sets out the 2012/13 revenue budget proposals, including Council Tax levels, and deals with the precept from the Greater London Authority (GLA), together with ancillary issues.

### Wards

All

### CONTRIBUTORS

All Departments

|   |
|---|
| HAS AN EIA<br>BEEN<br>COMPLETED?<br>YES |
|---|

### RECOMMENDATIONS:

1. To note the Council Tax reduction of 3.75% for the Hammersmith & Fulham element for 2012/13. For planning purposes, there will be a freeze on council tax for 2013/14 and 2014/15.
2. The Council Tax be set for 2012/13 for each category of dwelling, as calculated in accordance with Sections 73 to 79 of the Localism Act 2011, as outlined below and in full in Appendix A:
  - (a) The element of Council Tax charged for Hammersmith & Fulham Council will be £781.34 per Band D property in 2012/13.
  - (b) The element of Council Tax charged by the Greater London Authority will be confirmed on the 14<sup>th</sup> February and is expected to be £309.82 per Band D property in 2012/13.
  - (c) The overall Council Tax to be set will be £1091.16 per Band D property in 2012/13.

| <b>Category of Dwelling</b> | <b>A</b>      | <b>B</b>      | <b>C</b>      | <b>D</b>        | <b>E</b>        | <b>F</b>        | <b>G</b>        | <b>H</b>        |
|-----------------------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Ratio                       | 6/9<br>£      | 7/9<br>£      | 8/9<br>£      | 1<br>£          | 11/9<br>£       | 13/9<br>£       | 15/9<br>£       | 18/9<br>£       |
| A) H&F                      | 520.89        | 607.71        | 694.52        | 781.34          | 954.97          | 1,128.60        | 1,302.23        | 1,562.68        |
| b)GLA                       | 206.55        | 240.97        | 275.40        | 309.82          | 378.67          | 447.52          | 516.37          | 619.64          |
| <b>c)Total</b>              | <b>727.44</b> | <b>848.68</b> | <b>969.92</b> | <b>1,091.16</b> | <b>1,333.64</b> | <b>1,576.12</b> | <b>1,818.60</b> | <b>2,182.32</b> |

3. **The Council's own total net expenditure budget for 2012/13 is set at £177.496m**
4. **That fees and charges are approved as set out in paragraph 4.2.**
5. **That the Executive Director of Finance and Corporate Governances' budget projections to 2014/15 be noted.**
6. **That the Executive Director of Finance and Corporate Governances' statements under Section 25 of the Local Government Act 2003 regarding the adequacy of reserves and robustness of estimates be noted (section 13).**
7. **That the Executive Director of Finance and Corporate Governance be authorised 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 Schemes of Delegation.**
8. **That all Chief Officers be required to report monthly on their projected financial position compared to their revenue estimates (as part of the Corporate Monitoring Report).**
9. **That all Chief Officers be authorised to implement their service spending plans for 2012/13 in accordance with the**

**recommendations within this report and the Council's Standing Orders, Financial Regulations and relevant Schemes of Delegation.**

**10. Members attention is drawn to S106 of the Local Government Finance Act 1992 which requires any Member who is two months or more in arrears on their Council Tax to declare their position and not to vote on any issue that could affect the calculation of the budget or Council Tax.**

## 1 BACKGROUND

- 1.1 The Council is obliged to set a balanced budget and Council Tax charge in accordance with the Local Government Act 1992.
- 1.2 The calculation of the Council Tax is made up from the following elements:
  - the recommended net Council budget for 2012/13 (sections 2 to 6);
  - the Aggregate External Support estimated by the Council (section 7);
  - the Council Tax base set at Council on 30<sup>th</sup> January 2012 (section 8);
  - the precept notified by the Greater London Authority (section 9).
- 1.3 The requisite calculation for the Council's share of the Council Tax is set out in **Appendix A**.

## 2 BUDGET OVERVIEW

- 2.1 Last year Britain's fiscal deficit was the largest in its peacetime history. In the 2011 Autumn Statement the Chancellor of the Exchequer confirmed plans to eliminate the deficit by 2016/17. As part of the deficit reduction plan the 2010 Spending Review set out spending targets upto 2014/15. For local government, excluding schools, this means an average funding reduction of 26.8% from 2011/12 to 2014/15. Further funding reductions are possible to 2016/17.
- 2.2 As a grant 'floor' authority, the funding reduction for Hammersmith and Fulham is even greater. Underlying Formula Grant previously reduced by 11.3% in 2011/12 and will further reduce by 7.7% in 2012/13. In 2013/14 and 2014/15 the councils Medium Term Financial Strategy assumes funding reductions of 2.8% and 7.5% respectively.
- 2.3 The budget proposals put forward by the Council play their part in tackling the fiscal deficit whilst focusing available resources on key local priorities. Front-line services and council tax payers are protected as far as possible (**a council tax reduction of 3.75% is proposed for 2012/13, followed by a freeze for the next 2 years**) with a continued emphasis on value for money. A number of new cross-cutting transformational projects are to be taken forward both within the Council and as partners with our collaborative tri and bi borough partners the Royal Borough of Kensington and Chelsea and City of Westminster.
- 2.4 The scale of the financial challenge facing the Council is summarised in Appendix A. **Savings of £23m (11% of the Base Budget) are required to balance the budget in 2012/13**. The total savings requirement over the Spending Review period, from 2011/12 to 2014/15, is estimated at £84m.
- 2.5 It is against this demanding background that the Council's revenue budget proposals are presented for approval.

### 3 THE COUNCIL TAX REQUIREMENT

- 3.1 The Executive Director of Finance and Corporate Governance's medium term projection of the Council Tax requirement to 2014/15 is set out in Appendix B and summarised in Table 1 for 2012/13.

**Table 1: The Council Tax Requirement**

|  | £000s          |
|--|----------------|
| <b>Base Budget Rolled Forward From 2011/12</b> | <b>214,584</b> |
|  |                |
| <i>Plus</i>                                    |                |
| Inflation ( <i>para 4.1 refers</i> )           | 3,617          |
| Growth   | 3,719          |
| Contingency                                    | 1,584          |
| <i>Less</i>                                    |                |
| Efficiency Savings and Income Generation       | (22,687)       |
| <b>Gross Council Budget 2012/13</b>            | <b>200,817</b> |
|  |                |
| <i>Less</i>                                    |                |
| Core Revenue Grants (unringfenced)             | (23,322)       |
| Formula Grant ( <i>para 7.1 refers</i> )       | (114,921)      |
|  |                |
| <b>Council Tax Requirement</b>                 | <b>62,575</b>  |
|  |                |

- 3.2 The relevant Service Directors and Cabinet Members, in conjunction with the Executive Director of Finance and Corporate Governance have considered the detail of the individual estimates. A statement by the Executive Director of Finance and Corporate Governance on the robustness of the 2012/13 budget estimates is set out in section 13.

### 4 Budget Assumptions

- 4.1 **Inflation.** In order to contain growth, no inflation has been applied except where there is a contract in place. A pay freeze is expected and no inflation has been built into the 2012/13 salary budgets. Current inflation is above the long-term government target and sensitivity analysis has been undertaken to identify the potential impact should this be on-going. This is identified as a risk in **Appendix E**.
- 4.2 **Fees and Charges.** The budget has been prepared on the basis of an average 2% increase in fees and charges. Exceptions to the average 2% inflationary uplift are detailed in **Appendix G**.



- 4.3 **Contingency.** A net increase in contingency balances of £1.6m is proposed. Uncertainty around the future economy makes it impossible to predict how financial pressures will manifest. The only certainty is that there will be pressures.

## 5 GROWTH

- 5.1 In the course of the budget process departments have identified areas where additional resources are required. Additional requirements are detailed in **Appendix C** and summarised in Table 2 below for 2012/13.

**Table 2: Growth Proposals**

|  | <b>£000s</b> |
|--|--------------|
| Children's Services                                    | 478          |
| Community Services                                     | 894          |
| Environment Services                                   | 172          |
| Finance and Corporate Services                         | 700          |
| Housing and Regeneration                               | 0            |
| Residents Services                                     | 575          |
| Corporate Items (includes post Spending Review growth) | 900          |
| <b>Total Growth</b>                                    | <b>3,719</b> |

- 5.2 Table 3 summarises why budget growth is required

**Table 3: Reasons for Budget Growth**

|                          | <b>£'000s</b> |
|--------------------------|---------------|
| Government               | 650           |
| Other Public Bodies      | 1,235         |
| Delivery of Efficiencies | 750           |
| Other                    | 1,084         |
| <b>Total Growth</b>      | <b>3,719</b>  |

- 5.4 £1.2m of growth relates to other public bodies. The most significant element (£0.7m) relates to cost increases and new usage data for the freedom pass. Higher landfill costs have also increased the charge levied by the Western Riverside Waste Authority (£0.5m) for waste disposal.
- 5.5 New resources are also set aside to help with the delivery of efficiency targets. This includes provision for costs (£0.25m) incurred as part of the asset disposal programme.

## 6 SAVINGS AND INCOME GENERATION

6.1 Over £57m of savings are required to balance the budget over the next 3 years. In bringing forward proposals to meet this challenge the Council has:

- Looked to protect front-line services.
- Continued to focus on asset rationalisation to reduce accommodation costs and deliver debt reduction savings.
- Built on previous practice of seeking to deliver the best possible service at the lowest possible cost. Effective budget management is essential.
- Considered thoroughly what benefits can be obtained from commercialisation and competition.
- Recognised that more cross-cutting action is necessary. A number of council wide transformation portfolios have been created such as; Transforming business, Market Management and Customer access portfolios.
- Taken forward working collaboratively with others. New collaborative working arrangements (Tri-Borough) are now in place or in development with the City of Westminster and the Royal Borough of Kensington and Chelsea. Other shared solutions will be taken forward as and when appropriate.
- Made best use of the NHS funding for social care.

6.2 The saving proposals put forward are detailed in **Appendix D** with the 2012/13 position summarised in Table 4.

**Table 4: Savings Proposals**

|                                      | <b>£000s</b>  |
|--------------------------------------|---------------|
| Children's Services                  | 2,955         |
| Community Services                   | 7,647         |
| Environment Services                 | 5,550         |
| Finance and Corporate Services       | 2,465         |
| Housing and Regeneration             | 956           |
| Residents Services                   | 1,643         |
| Corporate Items (Excluding benefits) | 1,471         |
| <b>Total Savings</b>                 | <b>22,687</b> |

6.3 A categorisation of the savings is shown in Table 5. Some savings fit within more than one category – for the purposes of this analysis they are categorised according to the main element. Posts will need to be deleted. The latest estimate is a reduction of 336.8 fte's including the potential movement of staff to the mutual. Significant numbers of redundancies are unavoidable but will be kept to a minimum by focusing on vacant posts, controlling recruitment, improving redeployment procedures and releasing agency staff.

**Table 5: Analysis of the 2012/13 Savings**

| <b>Type of Saving</b>                       | <b>£'000s</b> |
|---|---------------|
| Tri Borough Transformation portfolio        | 3,105         |
| Staffing / Productivity                     | 1,586         |
| Commissioning                               | 3,632         |
| Procurement/Market Testing                  | 345           |
| Commercialisation / Income                  | 5,472         |
| Transforming Business Portfolio             | 1,190         |
| Market Management Transformation Portfolio  | 903           |
| Customer Access Transformation Portfolio    | 1,591         |
| Reconfiguration/Rationalisation of Services | 1,879         |
| NHS PCT Partnerships                        | 2,984         |
| <b>Total</b>                                | <b>22,687</b> |

## **7. EXTERNAL FUNDING**

- 7.1 **Formula Grant.** Formula grant is the main source of funding allocated by central government to local government. In 2012/13 the Council will receive Formula Grant of £114.9m (net of 2011/12 Council Tax freeze grant of £1.6m) – a reduction of 7.7% from the 2011/12 allocation. A comparison against the London and National Position is set out in Table 6.

**Table 6: Formula Grant Decreases**

|                        | <b>2011/12</b> | <b>2012/13</b> |
|------------------------|----------------|----------------|
| Hammersmith and Fulham | -11.3%         | -7.7%          |
| Inner London           | -11.2%         | -7.4%          |
| Outer London           | -11.3%         | -7.9%          |
| National Average       | -9.9%          | -7.3%          |

- 7.2 Hammersmith and Fulham is a 'floor' authority and receives above average funding reductions. Were the 'floor' arrangements not in place our funding allocation would reduce by a further £29m. Under the present system this authority will remain at the 'floor' for the indefinite future.
- 7.4 The Government are considering making radical changes to the Local Government Finance system. Under the 'localisation' agenda local authorities may be able to retain an element of business rate growth (or bear a part of any reduction) and be responsible for operating a local council tax benefits scheme. Both these changes may come into force in 2013/14 and create considerable uncertainty about the likely resource allocation beyond 2012/13.

7.5 **Core Revenue Grants (unringfenced).** In addition to Formula Grant local authorities receive a number of other government revenue grants that can be used for any purpose. The 2012/13 allocations are set out in Table 8. They include new one-off funding of £1.6m for authorities that freeze or reduce their Council Tax in 2012/13.

**Table 8: Core Revenue Grants (unringfenced)**

| <b>Grant</b>   | <b>Amount</b> | <b>Notes</b>   |
|--|---------------|--|
|  | <b>£'000s</b> |  |
| Early Intervention Grant                             | 9,874         | This is a new grant that is intended to give local areas the freedom and flexibility to invest in early intervention. It is pulled together from a number of old specific grants (such as Sure Start) and ABG. |
| Learning Disabilities Grant                          | 4,061         | This is replacement funding. It reimburses the Council with budgets that have transferred from the PCT.  |
| New Homes Bonus                                      | 1,822         | It rewards Councils where new homes are built by match funding the Council Tax for six years.  |
| Council Tax Freeze Grant                             | 3,244         | Council tax freeze grant. The grant is equivalent to a 2.5% increase in 2011/12 and 2012/13 council tax.   |
| Housing Benefit and Council Tax Administration Grant | 2,215         | This grant continues from previous years but is reduced from 2010/11 by £0.151m.   |
| Preventing Homelessness                              | 1,775         | This continues from previous years but is £0.07m lower than in 2011/12.  |
| Lead Flood Authority                                 | 331           | Intended to fund the new roles for the council under the Floods and Water Management Act 2010  |
| <b>Total</b>   | <b>23,322</b> |  |

**Note:** Confirmation is still awaited on the allocation for the PFI grant.

7.6 **Core Revenue Grants (ringfenced).** Funding for schools continues to be provided through ring-fenced Dedicated Schools Grant. The 2012/13 allocation for Hammersmith and Fulham will not be known until June 2012. The direct government funding of this service requires the Council to exclude it from its council tax requirement.

7.7 A summary of the 2011/12 and 2012/13 grant allocations is provided in **Appendix F**. Overall external funding, excluding Dedicated Schools Grant, has reduced by £6.4m from 2011/12 to 2012/13.

## 8 COUNCIL TAX BASE

- 8.1 Council on 30th January 2012 formally agreed a Tax Base of 80,087 equivalent Band D properties for 2012/13. Therefore the Council's element of the Council Tax can be calculated as follows:

|  |
|--|
| $\frac{\text{Total Council Tax Requirement}}{\text{Tax Base}} = \frac{\text{£62.575m}}{80,087} = \text{£781.34}$ |
|--|

- 8.2 This represents a 3.75% cut in the LBHF element of the council tax charge.

## 9. PRECEPTOR'S COUNCIL TAX REQUIREMENTS

- 9.1 The Greater London Authority's precept of £24.813m also has to be funded from Council Tax. The following table analyses the total amount to be funded and the resulting overall Band D Council Tax level.

|  |
|--|
| $\frac{\text{Preceptors Budget Requirement}}{\text{Tax Base}} = \frac{\text{£24.813m}}{80,087} = \text{£309.82}$ |
|--|

- 9.2 For a fourth year this represents no change from the 2008/09 Council Tax level.

## 10 OVERALL COUNCIL TAX REQUIREMENTS 2012/13

- 10.1 It is proposed to reduce Hammersmith and Fulham's element of the Council Tax in 2012/13 by 3.75% in order to provide a balanced budget in year with £10m-£17m in current reserves (see section 13). The overall amount to be funded from the Council Tax is calculated as follows:

**Table 9 – Overall 2012/13 Council Tax Requirement**

|  |                        |
|--|------------------------|
| London Borough of Hammersmith & Fulham   | <b>£000s</b><br>62,575 |
| Greater London Authority                 | 24,813                 |
| <b>Total Requirement for Council Tax</b> | <b>87,388</b>          |

- 10.2 In accordance with the Local Government Finance Act 1992, the Council is required to calculate and approve a Council Tax for its own budgetary purposes (section 8) and then add the separate Council Tax requirements for each of the

preceptors (section 9). With effect from 3 December 2011 the Localism Act 2011 has made changes to council tax legislation. The principal effect of the change is to replace the obligation to calculate a budget requirement for a financial year with an obligation to calculate a council tax requirement. The requisite new calculation is set out in Appendix A.

10.3 The Council must then set the overall Council Tax for the Borough. These calculations have to 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:

|                                 |   |                 |   |           |
|---------------------------------|---|-----------------|---|-----------|
| <u>Total Budget Requirement</u> | = | <u>£87.388m</u> | = | £1,091.16 |
| Tax Base                        |   | 80,087          |   |           |

10.4 The robust forward financial plans set out in the Council’s MTFs has enabled an indicative Council Tax figure to be provided for 2012/13 of £781.34. For 2013/14 planning purposes, the Executive Director of Finance and Corporate Governance has assumed no change to the 2012/13 Council Tax level.

10.5 The current Band D Council Tax charge is the 4th lowest in London and, subject to decisions by other authorities, may become the 3<sup>rd</sup> lowest. The reduction of 3.75% follows a one year freeze and four successive 3% decreases. Table 10 sets out the changes in the Band D charge for the Hammersmith and Fulham element of Council Tax since 2002/03. The proposed Band D charge for 2011/12 is the lowest charge since that approved for 2002/03.

**Table 10 – Band D Council Tax for Hammersmith and Fulham from 2002/03**

|         | <b>Band D<br/>Hammersmith<br/>and Fulham<br/>Element</b> | <b>Change</b> | <b>Change</b> |
|---------|--|---------------|---------------|
|         | £  | £             | %             |
| 2002/03 | 772.41   | 0             | 0             |
| 2003/04 | 848.49   | +76.08        | +9.85         |
| 2004/05 | 890.07   | +41.58        | +4.90         |
| 2005/06 | 903.42   | +13.35        | +1.50         |
| 2006/07 | 916.97   | +13.55        | +1.50         |
| 2007/08 | 889.45   | -27.52        | -3.00         |
| 2008/09 | 862.77   | -26.68        | -3.00         |
| 2009/10 | 836.89   | -25.88        | -3.00         |
| 2010/11 | 811.78   | -25.11        | -3.00         |
| 2011/12 | 811.78   | 0             | 0             |
| 2012/13 | 781.34   | -30.45        | -3.75         |

|                      |        |   |   |
|----------------------|--------|---|---|
| 2013/14 (indicative) | 781.34 | 0 | 0 |
| 2014/15 (indicative) | 781.34 | 0 | 0 |

- 10.6 Council Tax in Hammersmith & Fulham has reduced by 15% in cash terms (36% in real terms) from 2006/07 to 2012/13. This compares to a forecast London average increase of 8% over the same period. This represents a £1,027 cash saving for Hammersmith & Fulham residents against the average Borough increase from 2006/07 to 2012/13.

## **11 CONSULTATION WITH NON DOMESTIC RATEPAYERS**

- 11.1 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.
- 11.2 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.

## **12 COMMENTS OF THE SCRUTINY COMMITTEES**

- 12.1 As part of the Scrutiny process each department's estimates have been reviewed by a relevant Scrutiny Committee. Comments from the Scrutiny Committees will be updated verbally at the Cabinet meeting.

## **13 COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE GOVERNANCE**

### **The Robustness of the Budget Estimates**

- 13.1 Under Section 25 of the Local Government Act 2003, the Executive Director of Finance and Corporate Governance is required to include in budget reports a statement of her view of the robustness of the estimates for 2012/13 included in the report.
- 13.2 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 Executive Director of Finance and Corporate 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 Executive Director of Finance and Corporate Governance and have been through a robust process of development and challenge.
- Contract inflation is provided for.
- Adequate allowance has been made for pension costs
- Service managers have made reasonable assumptions about growth pressures.
- Mechanisms are in place to monitor sensitive areas of expenditure and the delivery of savings.
- Key risks have been identified and considered.
- Prudent assumptions have been made about interest rates 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 recommended increases in 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 2011 -12 in order to re-align budgets where required.
- A review via the Council Executive Management Board of proposed savings and their achievability.
- A Member review and challenge of each department's proposals for the budget.
- The establishment of new management and monitoring arrangements for the delivery of transformation programmes.

### **Risk, Revenue Balances and Earmarked Reserves**

13.2 Under Section 25 of the Local Government Act 2003, the Executive Director of Finance and Corporate Governance is required to include in budget reports a statement of her 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.

### **General Fund Balances**

13.3 The Council's general balance stood at £16m as at 1<sup>st</sup> April 2011 and it is currently projected that this will not reduce in the current financial year. This will leave general balances at 9%, as a minimum, of the current budget requirement.

13.4 The Council's budget requirement for 2012/13 is in the order of £177.5m. Within a budget of this magnitude there are inevitably areas of risk and uncertainty particularly within the current challenging financial environment. The key financial risks that currently face the Council have been identified and quantified. They are



set out in Appendix E and amount to £9.47m. The Council has in place rigorous budget monitoring arrangements and a policy of restoring balances once used.

- 13.5 Given the on-going scale of change in local government funding, the Executive Director of Finance and Corporate Governance considers that a wider than normal range needs to be specified for the optimal level of balances. She is therefore recommending that reserves need to be maintained within the range £10m - £17m. This compares to a range of £8m-£9m in 2006/07. The optimal level of £10m-£17m is projected to be broadly met over the next 3 years and is, in the Executive Director of Finance and Corporate Governance's view, sufficient to allow for the risks identified and to support effective medium term financial planning.

### **Earmarked Reserves**

- 13.7 The Council also holds a number of earmarked reserves to deal with anticipated risks and liabilities, and to allow for future investment in priority areas. Reviews are undertaken of the need for, and the adequacy of, each earmarked reserve as part of the budget process and again when the accounts are closed. These are formally reported to the Audit and Pensions Committee in June and September of each year.

### **14 COMMENTS OF THE ASSISTANT DIRECTOR OF LEGAL AND DEMOCRATIC SERVICES**

- 14.1 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.
- 14.2 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.
- 14.3 The recommendations contained in the report have been prepared in line with these requirements.
- 14.4 Section 25 of the Local Government Act 2003, which came into force on 18 November 2003, requires the Director of Finance 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.
- 14.5 A public authority must in, the exercise of its functions, comply with the requirements of the Equality Act 2010 and in particular section 149 (the Public Sector Equality Duty). 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.

**LOCAL GOVERNMENT ACT 2000**  
**LIST OF BACKGROUND PAPERS**

| <b>No.</b> | <b>Description of Background Papers</b>      | <b>Name/Ext. of Holder of File/Copy</b> | <b>Department/ Location</b>                                |
|------------|--|---|--|
| 1.         | Revenue Budget                               | Andrew Lord<br>Ext. 2531                | Finance Department<br>Room 38<br>Town Hall                 |
| 2.         | Formula Grant Papers                         | Andrew Lord<br>Ext. 2531                | Finance Department<br>Room 38<br>Town Hall                 |
| 3.         | Finance and Corporate Services Budget Papers | Dave Lansdowne<br>Ext. 2549             | Finance Department<br>Room 38<br>Town Hall                 |
| 4.         | Community Services Budget Papers             | Mark Jones<br>Ext. 5006                 | Community Services Department<br>77 Glenthorne Road        |
| 5.         | Children's Services Budget Papers            | Dave McNamara<br>Ext 3404               | Children's Services Department<br>Cambridge House          |
| 6.         | Housing and Regeneration Budget Papers       | Kathleen Corbett<br>Ext. 3031           | Housing and Regeneration Department<br>Town Hall Extension |
| 7.         | Residents Services Budget Papers             | Mark Jones<br>Ext. 3031                 | Residents Services Department<br>77 Glenthorne Road        |
| 8.         | Environment Services Budget Papers           | Dave McNamara<br>Ext. 3404              | Environment Department<br>Town Hall Extension              |

## APPENDIX A

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

|     |   | <u>£000s</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.   | 714,872      |
| (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.   | (627,484)    |
| (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.                 | 87,388       |
| (d) | being the amount calculated by the council as the council tax base for 2012/13 and formerly agreed by council on the 30 <sup>th</sup> January.  | 80,087       |
| (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. | 1091.16      |
| (f) | Hammersmith and Fulham proportion of the Basic amount of its Council Tax (Band D)   | 781.34       |

| (g) Valuation Bands – Hammersmith & Fulham Council:  |          |          |          |
|--|----------|----------|----------|
| Band A   | Band B   | Band C   | Band D   |
| 520.89   | 607.71   | 694.52   | 781.34   |
| Band E   | Band F   | Band G   | Band H   |
| 954.97   | 1,128.60 | 1,302.23 | 1,562.68 |
| <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 for the year 2012/13 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:

| <b>Band A</b> | <b>Band B</b> | <b>Band C</b> | <b>Band D</b> |
|---------------|---------------|---------------|---------------|
| 206.55        | 240.97        | 275.40        | 309.82        |
| <b>Band E</b> | <b>Band F</b> | <b>Band G</b> | <b>Band H</b> |
| 378.67        | 447.52        | 516.37        | 619.64        |

(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 2012/13 for each of the categories of dwellings shown below:

| <b>Band A</b> | <b>Band B</b> | <b>Band C</b> | <b>Band D</b> |
|---------------|---------------|---------------|---------------|
| 727.44        | 848.68        | 969.92        | 1,091.16      |
| <b>Band E</b> | <b>Band F</b> | <b>Band G</b> | <b>Band H</b> |
| 1,333.64      | 1,576.12      | 1,818.60      | 2,182.32      |

### Medium Term Budget Requirement

|   | <b>Year 1<br/>2012/13<br/>£'000</b> | <b>Year 2<br/>2013/14<br/>£'000</b> | <b>Year 3<br/>2014/15<br/>£'000</b> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>2011/12 Net General Fund Base Budget</b>   | <b>209,430</b>                      |                                     |                                     |
| Reduction in Drawdown from Earmarked Reserves:  |                                     |                                     |                                     |
| Community Services Balances and Reserves  | 1,794                               |                                     |                                     |
| Area Based Grant Transition Reserve   | 2,217                               |                                     |                                     |
| Exclusion of Prior Year Unsupported Transformation Projects   | 1,143                               |                                     |                                     |
| <b>Adjusted Base Budget</b>   | <b>214,584</b>                      | <b>214,584</b>                      | <b>214,584</b>                      |
| Contract and Income Inflation   | 3,617                               | 7,234                               | 10,851                              |
| Growth  | 3,719                               | 5,299                               | 6,612                               |
| Departmental Efficiencies   | (22,687)                            | (35,869)                            | (48,515)                            |
| Additional General Contingencies  | 3,992                               | 5,807                               | 3,158                               |
| Release of Unallocated Core Revenue Grant Contingencies   | (2,408)                             | (2,408)                             | (2,408)                             |
| Headroom  | 0                                   | 1,500                               | 3,000                               |
| <b>Gross Budget Requirement</b>   | <b>200,817</b>                      | <b>196,147</b>                      | <b>187,282</b>                      |
| <b>Resources</b>  |                                     |                                     |                                     |
| Council Tax Freeze Grant (2012/13 only) /New Homes Bonus Grant  | 5,066                               | 4,341                               | 5,241                               |
| Core Revenue Grants (2012/13 confirmed, then adjusted in line with Spending Review less floor adjustment of 2%) | 18,256                              | 17,572                              | 16,172                              |
| Formula Grant (2012/13 confirmed, then adjusted in line with Spending Review less floor adjustment of 2%)       | 114,921                             | 111,660                             | 103,295                             |
| Council Tax   | 62,574                              | 62,574                              | 62,574                              |
| <b>Gross Resources</b>  | <b>200,817</b>                      | <b>196,147</b>                      | <b>187,282</b>                      |
| Risks   | 9,457                               | 25,007                              | 31,144                              |

| Children's Services                 |  |         |         |         |
|-------------------------------------|--|---------|---------|---------|
| Existing Growth                     |  | 2012/13 | 2013/14 | 2014/15 |
| Title                               | Description  | £'000   | £'000   | £'000   |
| New Growth                          |  |         |         |         |
| Children's Social Care              | Growth related to reduction in UKBA (Unaccompanied Asylum Seekers) grant funding | 200     | 200     | 200     |
| Education                           | EIG uplift to cover 2 year old early education entitlement                       | 278     | 278     | 278     |
|                                     |  | 478     | 478     | 478     |
| Community Services                  |  |         |         |         |
| Existing Growth                     |  | 2012/13 | 2013/14 | 2014/15 |
| Title                               | Description  | £'000   | £'000   | £'000   |
| Adult Social Care                   | Increase in demand for disabled people placements and care packages              | 0       | 205     | 410     |
| Adult Social Care                   | Increase in demand for all aged people with care placements and care packages    | 0       | 900     | 900     |
|                                     |  | 0       | 1,105   | 1,310   |
| New Growth                          |  |         |         |         |
| Adult Social Care                   | Allow more time for review of personal support Planning                          | 300     | 300     | 300     |
| Adult Social Care                   | Sustain Home Support for Out of Borough Placements for Mental Health Placements  | 150     | 0       | 0       |
| Quality Commissioning & Procurement | Support to SP (Supporting People) Careline                                       | 144     | 144     | 144     |

## Growth

|   |   |              |              |              |
|---|---|--------------|--------------|--------------|
| Quality Commissioning & Procurement     | Support Framework Contracts   | 150          | 50           | 50           |
| Adult Social Care                       | Develop Prevention Strategy   | 150          | 150          | 150          |
| Adult Social Care                       | Increase in demand, due to demographic and other factors, for care placements and packages.                               | 0            | 0            | 900          |
|   |   | 894          | 644          | 1,544        |
|   |   | 894          | 1,749        | 2,854        |
| <b>Environment Services</b>             |   |              |              |              |
| <b>New Growth</b>                       |   | 2012/13      | 2013/14      | 2014/15      |
| <b>Title</b>                            | <b>Description</b>  | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> |
| Highways and Engineering                | New Flood Responsibilities  | 172          | 172          | 172          |
|   |   | 172          | 172          | 172          |
| <b>Finance &amp; Corporate Services</b> |   |              |              |              |
| <b>Existing Growth</b>                  |   | 2012/13      | 2013/14      | 2014/15      |
| <b>Title</b>                            | <b>Description</b>  | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> |
| H&F Direct                              | Freedom Passes- Introduction of a new apportionment basis which shifts costs from Outer to Inner London and cost increase | 326          | 665          | 665          |
|   |   | 326          | 665          | 665          |
| <b>New Growth</b>                       |   |              |              |              |
| H&F Direct                              | Concessionary Fares Settlement Growth   | 374          | 374          | 374          |
|   |   | 374          | 374          | 374          |
|   |   | 700          | 1,039        | 1,039        |



| Regeneration & Housing |   |            |            |              |              |
|------------------------|---|------------|------------|--------------|--------------|
| <b>Growth</b>          |   | 2012/13    | 2013/14    | 2014/15      |              |
| <b>Title</b>           | <b>Description</b>  | £'000      | £'000      | £'000        | £'000        |
|                        |   | 0          | 0          | 0            | 0            |
| Residents Services     |   |            |            |              |              |
| <b>New Growth</b>      |   |            |            |              |              |
| <b>Title</b>           |   | 2012/13    | 2013/14    | 2014/15      |              |
| <b>New Growth</b>      | <b>Description</b>  | £'000      | £'000      | £'000        | £'000        |
| Residents Services     | Additional Gardening requirements at Fulham Palace Gardens. | 40         | 40         | 40           | 40           |
| Residents Services     | Western Riverside Waste Authority Growth                    | 535        | 921        | 1,129        | 1,129        |
|                        |   | <b>575</b> | <b>961</b> | <b>1,169</b> | <b>1,169</b> |
| Corporate              |   |            |            |              |              |
| <b>Existing Growth</b> | <b>Description</b>  | 2012/13    | 2013/14    | 2014/15      |              |
| Existing Growth        |   | £'000      | £'000      | £'000        | £'000        |
| Office Accommodation   | Rental and service charges increases                        | 150        | 150        | 150          | 150          |
|                        |   | <b>150</b> | <b>150</b> | <b>150</b>   | <b>150</b>   |

## Growth

| Corporate (cont'd..)             |   |              |              |              |     |
|----------------------------------|---|--------------|--------------|--------------|-----|
| <b>New Growth</b>                |   |              |              |              |     |
| Asset Disposals                  | Provision for costs arising from the disposal programme | 250          | 250          | 250          | 250 |
| Corporate Growth                 | Efficiency Delivery Reserve                             | 500          | 500          | 500          | 500 |
|                                  |   | 750          | 750          | 750          | 750 |
|                                  |   | 900          | 900          | 900          | 900 |
| Hammersmith and Fulham - Summary |   |              |              |              |     |
|                                  |   | 2012/13      | 2013/14      | 2014/15      |     |
|                                  |   | £'000        | £'000        | £'000        |     |
|                                  |   | 476          | 1,920        | 2,125        |     |
|                                  |   | 3,243        | 3,379        | 4,487        |     |
|                                  |   | <b>3,719</b> | <b>5,299</b> | <b>6,612</b> |     |

**Efficiencies**

| <b>Children's Services</b>        |  | <b>2012/13</b> | <b>2013/14</b> | <b>2014/15</b> |
|-----------------------------------|--|----------------|----------------|----------------|
| <b>Division</b>                   | <b>Description of Saving</b>   | <b>£000s</b>   | <b>£000s</b>   | <b>£000s</b>   |
| Social Care                       | Following reduced demand, removing the additional financial support for more staffing provided to enable the Family Support and Child Protection [FSCP], Contact and Assessment [C&A], and Safeguarding services to manage the increased demand for services following the surge in demand in the period 2008-2011 | (300)          | (300)          | (300)          |
| Social Care                       | More efficient procurement of the workers providing support in the home for disabled children and their families thereby reducing agency costs.  | (75)           | (150)          | (150)          |
| Social Care                       | Reorganisation of C&A and FSCP will result in fewer handovers and yield efficiencies in relation to staffing without impact on the quality of child protection service. This will result in fewer 'handovers' of cases, improving the quality of the service   | (175)          | (175)          | (175)          |
| Social Care                       | It is anticipated that following the publication of the Munro Review it will be possible to deliver process efficiencies, reducing staffing requirements.  | 0              | (250)          | (250)          |
| Social Care                       | Senior management/ senior business support - delayering of management tiers.   | (25)           | (230)          | (230)          |
| Social Care                       | Continuing to reduce the population of children in care with better preventative services [see Locality teams] and more timely permanent placements [Adoption/Special Guardianship/Residence]; thereby reducing placement costs  | (320)          | (640)          | (640)          |
| Social Care                       | Transport costs reduced as a result of there being fewer children in care  | (60)           | (120)          | (120)          |
| Social Care                       | Independent Reviewing Officer costs being reduced as a result of there being fewer children in care  | 0              | (50)           | (50)           |
| Social Care                       | More efficient procurement of placements for children in care from Independent Fostering Agencies and from Private & Voluntary Residential Care Services arising from joint working and joint negotiating with the other Local Authorities forming the West London Alliance  | 0              | (128)          | (128)          |
| Social Care                       | Reduced expenditure on leaving care services resulting from there being fewer children in care   | (60)           | (120)          | (120)          |
| <b>Total Departmental Savings</b> |  | <b>(1,015)</b> | <b>(2,163)</b> | <b>(2,163)</b> |

| Division   | Description of Saving  | 2012/13      | 2013/14      | 2014/15      |
|--|--|--------------|--------------|--------------|
|  |  | £000s        | £000s        | £000s        |
| <b>Transformation Savings</b>  |  |              |              |              |
| Market Management  | Possible stretch related to merger - Traded Services<br>More work is required to better understand the nature of these mergers and the developing strategies, although a further stretch of £175k on traded services if Royal Borough of Kensington and Chelsea is involved seems reasonable | (50)         | (150)        | (150)        |
| Market Management  | Transfer of Traded Services relating to schools into a 'Mutual'/Social Enterprise. Efficiencies as expected to be achieved through further commercialisation of the services.  | (50)         | (100)        | (100)        |
| Market Management  | Social Enterprise - School Resources   | (103)        | (119)        | (223)        |
| <b>Total Children's' Services Savings in Market Management Portfolio</b> |  | <b>(203)</b> | <b>(369)</b> | <b>(473)</b> |
| Tri Borough  | School Improvement - Reducing Senior Management overheads and business support<br>Deletion of 2 principal adviser posts and reduction in AD costs of 30% due to shared role in merger.   | (200)        | (200)        | (200)        |
| Tri Borough  | 'Mutual'/ Social Enterprise efficiencies created.  | (47)         | (431)        | (327)        |
| Tri Borough  | BSF Core Funding & Schools Resourcing Reorganisation following the ending of the BSF and Primary Capital programmes and a further reorganisation following the completion of the merger work   | (50)         | (100)        | (100)        |
| Tri Borough  | Senior management/ senior business support - delayering of management tiers. (Tri-borough)   | (90)         | (90)         | (90)         |
| Tri Borough  | Merging the Looked After Children [LAC] and Young Peoples Service [YPS] to create one 0 - 18 service for children in care, reducing handovers of cases, so improving the service quality for children, their families and carers.  | (125)        | (250)        | (250)        |

**Efficiencies**

Appendix D

| Division    | Description of Saving  | 2012/13 | 2013/14 | 2014/15 |
|-------------|--|---------|---------|---------|
|             |  | £000s   | £000s   | £000s   |
| Tri Borough | Savings in foster care costs as a result of there being fewer children in care, and subsequent possible reprovision as part of 3 Borough working   | (50)    | (300)   | (300)   |
| Tri Borough | More efficient procurement of placements for children in care from Independent Fostering Agencies and from Private & Voluntary Residential Care Services arising from joint working and joint negotiating with the other Local Authorities forming the West London Alliance. (Tri-borough) | (225)   | (397)   | (397)   |
| Tri Borough | Single Mgt Team - joint appointments of Executive team, directors and more efficient use of overheads through shared support   | (410)   | (610)   | (610)   |
| Tri Borough | Single Youth Offending Team - joint appointments for some posts including Head of Service, Court Team and ISS team.  | (270)   | (270)   | (270)   |
| Tri Borough | Single Local Children's Safeguarding Board. Merging of Tri-borough LSCBs into one enabling sharing of multi-agency training, independent chair and allow a reduction in admin and support costs  | (70)    | (70)    | (70)    |
| Tri Borough | Sharing of education services with WCC / RBKC with a potential to review and revise the statutory delivery component to more efficient ways, and better use of joint commissioning and sharing of overhead, management and support costs   | 0       | (370)   | (370)   |
| Tri Borough | Commissioning staff - a single joint commissioning team across 3 boroughs allowing efficiencies in staffing and achieving best value contracts through rationalisation   | (200)   | (700)   | (700)   |

Efficiencies

Appendix D

| Division    | Description of Saving  | 2012/13        | 2013/14        | 2014/15        |
|-------------|--|----------------|----------------|----------------|
|             |  | £000s          | £000s          | £000s          |
| Tri Borough | Finance Staff. Integrated finance team to support 1 integrated Children's Service executive team and services.                         | 0              | 0              | (170)          |
| Tri Borough | Fostering - Trading with other boroughs.   | 0              | 0              | (160)          |
| Tri Borough | Further Finance Savings - revised structure for one shared cross-borough finance team  | 0              | 0              | (80)           |
| Tri Borough | Dedicated Schools Grant (DSG) Efficiencies achievable through more efficient procurement of commissioned services and shared overheads | 0              | 0              | (620)          |
| Tri Borough | Other Tri Borough  | 0              | 0              | (200)          |
|             | <b>Sub Total Tri Borough Savings as reported in Tri Borough Reports</b>  | <b>-1737</b>   | <b>-3788</b>   | <b>-4914</b>   |
|             | <b>Sub total DSG Savings Deducted from Tri Borough figures</b>   | <b>0</b>       | <b>0</b>       | <b>620</b>     |
|             | <b>Total Tri Borough savings for LBHF reporting</b>  | <b>(1,737)</b> | <b>(3,788)</b> | <b>(4,294)</b> |
|             | <b>Total Transformation Savings</b>  | <b>(1,940)</b> | <b>(4,157)</b> | <b>(4,767)</b> |
|             | <b>Total CHS Savings- Departmental and Transformational</b>  | <b>(2,955)</b> | <b>(6,320)</b> | <b>(6,930)</b> |

| Community Services                   |  |                  |                  |                  |
|--------------------------------------|--|------------------|------------------|------------------|
| Division                             | Description of Saving  | 2012/13<br>£000s | 2013/14<br>£000s | 2014/15<br>£000s |
| Adult Social Care                    | Prior year growth for impact of Independent Living Fund no longer required.  | (461)            | (461)            | (461)            |
| Adult Social Care                    | More efficient and timely equipment procurement  | (50)             | (50)             | (50)             |
| Adult Social Care                    | Alternative home support for out of Borough placements for people with learning disabilities   | (310)            | (320)            | (320)            |
| Adult Social Care                    | Alternative home support for out of Borough placements for people with mental health conditions  | 0                | (200)            | (200)            |
| Quality, Commissioning & Procurement | Reprioritisation of 3rd Sector Investment Funds. The proposal is to review the Councils 3rd sector providers contracts with a reallocation of the investment fund and fast track budget. | (80)             | (230)            | (230)            |
| Quality, Commissioning & Procurement | London Borough Grant Efficiencies (London Council Levy)  | (195)            | (195)            | (195)            |
| HR Resources                         | Maximising revenue from new and existing Careline products - May include differential contributions  | (200)            | (200)            | (200)            |
| ABG Related Savings                  | Mental Health - Recommissioning of psychological therapies   | (36)             | (70)             | (70)             |
| ABG Related Savings                  | Drug Intervention Programme - recommissioning of service with RBKC   | (48)             | (94)             | (94)             |
| ABG Related Savings                  | Carers Commissioner - sharing management costs with Westminster CC   | (34)             | (65)             | (65)             |
| ABG Related Savings                  | Supporting People Grant - Reprocuring with other boroughs to reduce prices and share management costs  | (1,583)          | (1,852)          | (1,852)          |
| ABG Related Savings                  | Review of Mental Health Day services - Under consultation  | (290)            | (290)            | (290)            |
| ABG Related Savings                  | Review of Support Planning - disestablishing currently vacant posts  | (100)            | (400)            | (400)            |
| ABG Related Savings                  | Review of Occupational Therapy Services  | (50)             | (50)             | (50)             |
| ABG Related Savings                  | NHS funding for Social Care  | (3,184)          | (2,002)          | (3,731)          |
| <b>Total Departmental Savings</b>    |  | <b>(6,621)</b>   | <b>(6,479)</b>   | <b>(8,208)</b>   |
| <b>Transformation Savings</b>        |  |                  |                  |                  |
| Tri Borough                          | <b>Commissioning, Finance and In-house Services</b>  | (778)            | (778)            | (1,258)          |

| Community Services  |  | 2012/13        | 2013/14        | 2014/15         |
|---|--|----------------|----------------|-----------------|
| Division  | Description of Saving                                      | £000s          | £000s          | £000s           |
| Tri Borough   | Overheads (Training, Project management)                   | 0              | 0              | (252)           |
| Tri Borough   | Joint Commissioning and support services with GP consortia | 0              | 0              | (433)           |
| Tri Borough   | Procurement savings  | (155)          | (260)          | (367)           |
| Tri Borough   | CLCH Integration - Impact on Demand                        | 0              | (1,450)        | (2,900)         |
| Tri Borough   | CLCH Integration - Management                              | (93)           | (93)           | (93)            |
| <b>Total Transformation Savings</b>                         |  | <b>(1,026)</b> | <b>(2,581)</b> | <b>(5,303)</b>  |
| <b>Total CSD Savings- Departmental and Transformational</b> |  | <b>(7,647)</b> | <b>(9,060)</b> | <b>(13,510)</b> |



Efficiencies

| Environment Services                |   | 2012/13        | 2013/14        | 2014/15        |
|-------------------------------------|---|----------------|----------------|----------------|
| Division                            | Description of Saving   | £000s          | £000s          | £000s          |
| Building & Property                 | PCT Letting of HTHX   | 200            | 200            | 200            |
| Highways & Engineering              | Rationalise the Highway Emergency Vehicle Service working hours                                       | (50)           | (14)           | (14)           |
| Highways & Engineering              | Carriageway Planned Maintenance efficiency savings 5%   | (70)           | 0              | 0              |
| Highways & Engineering              | One-off Footway Planned Maintenance saving (33%) in lieu of developer funded renewals                 | (150)          | 0              | 0              |
| Highways & Engineering              | Income arising from increased planned enforcement activity to tackle congestion and safety compliance | (4,000)        | (4,000)        | (4,000)        |
| Transforming Business               | Income arising from increased enforcement activity to tackle congestion and safety compliance         | (500)          | 0              | 0              |
| Highways & Engineering              | Pay and Display charges.  | (250)          | (500)          | (500)          |
| Planning                            | Termination of temporary external funding   | 100            | 100            | 100            |
| Planning                            | Productivity Savings relating to Development Management + other related initiatives                   | (30)           | (30)           | (30)           |
| <b>Total Departmental Savings</b>   |   | <b>(4,750)</b> | <b>(4,244)</b> | <b>(4,244)</b> |
| <b>Transformation Savings</b>       |   |                |                |                |
| Customer Access & Service Delivery  | E-services Programme - Applying online for services   | (300)          | (300)          | (300)          |
| Transforming Business               | Accommodation Savings   | (500)          | (500)          | (500)          |
| Transforming Business               | Automatic Number Plate Recognition - reduction in enforcement net costs                               | 0              | (1,000)        | (1,000)        |
| Transforming Business               | Cashless Parking - Reduction in maintenance, energy + cash collections                                | 0              | (1,000)        | (1,000)        |
| Transforming Business               | Joint Parking Office - Subject to the ongoing Capital Ambition funded project with RBK&C              | 0              | (500)          | (500)          |
| Tri Borough                         | Tri Borough Review of Management Structure for Environmental Services                                 | 0              | (900)          | (1,800)        |
| <b>Total Transformation Savings</b> |   | <b>(800)</b>   | <b>(4,200)</b> | <b>(5,100)</b> |
| <b>Total</b>                        |   | <b>(5,550)</b> | <b>(8,444)</b> | <b>(9,344)</b> |

| Finance & Corporate Services       |   |                  |                  |                  |
|------------------------------------|---|------------------|------------------|------------------|
| Division                           | Description of Saving   | 2012/13<br>£000s | 2013/14<br>£000s | 2014/15<br>£000s |
| Communications                     | Print Service - Savings from enhanced contract management   | (50)             | (100)            | (100)            |
| Communications                     | Increased revenue from website advertising  | (50)             | (100)            | (100)            |
| H&F Direct                         | Stop taking payments at H&F Direct office - the service will only issue Parking Permits and take parking fine payments                          | (180)            | (180)            | (180)            |
| Corporate Human Resources (CHR)    | Removal of previous growth item not subsequently required.  | (250)            | (250)            | (250)            |
| Legal & Democratic Services        | Legal - permanent staff to be recruited for posts currently covered by agency staff   | (48)             | (48)             | (48)             |
| Procurement & IT Strategy          | Reduced Hammersmith & Fulham Bridge Partnership costs   | (200)            | (200)            | (200)            |
| Departmental                       | Spans & tiers review including reducing Assistant Director numbers  | (227)            | (427)            | (427)            |
| <b>Total Departmental Savings</b>  |   | <b>(1,005)</b>   | <b>(1,305)</b>   | <b>(1,305)</b>   |
| Transformation Savings             |   |                  |                  |                  |
| Customer Access & Service Delivery | Customer Transformation - more transactions on-line   | (50)             | (250)            | (250)            |
| Customer Access & Service Delivery | E-services Programme - customer self service environmental reporting via Love Clean Streets   | (23)             | (23)             | (23)             |
| Customer Access & Service Delivery | E-services products re-sold to other councils via Agilisys/H&F Carousel model   | 0                | (256)            | (256)            |
| Customer Access & Service Delivery | Decommissioning of outmoded Customer Relationship Management system   | (150)            | (150)            | (150)            |
| Customer Access & Service Delivery | Tender of Customer face-to-face services including third-party payment provision  | (130)            | (230)            | (230)            |
| Market Management                  | Additional income streams around new advertising opportunities: web adverts on H&F News website; lamp post advertising and neighbourhood guides | (5)              | (5)              | (5)              |

| Finance & Corporate Services        |   |                |                |                |
|-------------------------------------|---|----------------|----------------|----------------|
| Division                            | Description of Saving   | 2012/13        | 2013/14        | 2014/15        |
| Market Management                   | Income Generation - Sponsorship   | (98)           | (173)          | (323)          |
| Market Management                   | Savings from a reduction in the rates paid to agencies for temporary staff  | (195)          | (195)          | (195)          |
| Transforming Business               | Transformational Business - World Class Financial Management  | (500)          | (500)          | (500)          |
| Transforming Business               | Transformational Business: Business Support Review  | (100)          | (240)          | (390)          |
| Transforming Business               | Smartworking Finance & Corporate Services Project   | (90)           | (90)           | (90)           |
| Tri Borough                         | Role of the Council - Integration of London Borough of Hammersmith & Fulham and Royal Borough of Kensington & Chelsea Legal Teams | (55)           | (100)          | (100)          |
| Tri Borough                         | Tri Borough Insurance Saving  | (65)           | (79)           | (79)           |
| Tri Borough                         | Finance & Corporate Services Tri Borough Savings  | 0              | (21)           | (2,921)        |
| <b>Total Transformation Savings</b> |   | <b>(1,461)</b> | <b>(2,312)</b> | <b>(5,512)</b> |
| <b>Total</b>                        |   | <b>(2,465)</b> | <b>(3,617)</b> | <b>(6,816)</b> |

| Regeneration & Housing              |  |                  |                  |                  |
|-------------------------------------|--|------------------|------------------|------------------|
| Division                            | Description of Saving  | 2012/13<br>£000s | 2013/14<br>£000s | 2014/15<br>£000s |
| Economic Development                | The posts of Head of Service for Adult Learning & Head of Service for Economic Development are to be aggregated into a single SMG post.  | (68)             | (68)             | (68)             |
| <b>Total Departmental Savings</b>   |  | <b>(68)</b>      | <b>(68)</b>      | <b>(68)</b>      |
| Transformation Savings              |  |                  |                  |                  |
| Customer Access & Service Delivery  | Efficiency and VFM Analysis of Housing Options Functions   | (783)            | (1,023)          | (1,023)          |
| Customer Access & Service Delivery  | Customer Activity - <b>Booking &amp; Paying</b> - self-service technology enabling on-line booking of courses will reduce the need for a course administration function within Adult Learning & Skills Service | (105)            | (105)            | (105)            |
| <b>Total Transformation Savings</b> |  | <b>(888)</b>     | <b>(1,128)</b>   | <b>(1,128)</b>   |
| <b>Total</b>                        |  | <b>(956)</b>     | <b>(1,196)</b>   | <b>(1,196)</b>   |

Efficiencies

Appendix D

| Residents Services                  |   |         |         |         |
|-------------------------------------|---|---------|---------|---------|
| Division                            | Description of Saving   | 2012/13 | 2013/14 | 2014/15 |
| Customer and Commercial Services    | Review of the Events Service - Phase 1                              | (55)    | (55)    | (55)    |
| Customer and Commercial Services    | Review of the Registration of Births, Deaths & Marriages Service    | (74)    | (74)    | (74)    |
| Customer and Commercial Services    | Further Efficiencies in Admin Support                               | (30)    | (30)    | (30)    |
| Customer and Commercial Services    | Cross Cutting Income growth   | (285)   | (395)   | (395)   |
| Cleaner Greener & Cultural Services | TUPE liability re Waste & Street Cleansing Contract Ends            | (48)    | (48)    | (48)    |
| Cleaner Greener & Cultural Services | Additional Income from Hammersmith All Weather Pitch Agreement      | (20)    | (20)    | (20)    |
| Cleaner Greener & Cultural Services | Library staff Protected Pay Ends                                    | (19)    | (19)    | (19)    |
| Cleaner Greener & Cultural Services | Increase self service in libraries - Phase 1                        | (70)    | (70)    | (70)    |
| Cleaner Greener & Cultural Services | Review of the Waste and Parks Service                               | (89)    | (89)    | (89)    |
| Cleaner Greener & Cultural Services | Further Review of Grounds Maintenance contract service efficiencies | (74)    | (114)   | (114)   |
| Cleaner Greener & Cultural Services | Review of Sports & Leisure Development Services - Outsourcing       | 0       | (25)    | (25)    |
| Safer Neighbourhoods                | Review of the security operation as the LBHF estate reduces         | (120)   | (120)   | (120)   |

| Residents Services                  |   |                    |                |                |
|-------------------------------------|---|--------------------|----------------|----------------|
| Division                            | Description of Saving   | 2012/13            | 2013/14        | 2014/15        |
| Safer Neighbourhoods                | Savings obtained by having a single undertakers contract across west London boroughs in Coronial area & toxicology contract | (10)               | (10)           | (10)           |
| Safer Neighbourhoods                | Application of Existing Income to Enhanced Policing   | (167)              | (167)          | (167)          |
| Safer Neighbourhoods                | Eyes and Ears Project - Rationalise Enforcement Teams   | (95)               | (95)           | (95)           |
| Safer Neighbourhoods                | Review and reorganise Community Safety Team work across the borough   | (50)               | (50)           | (50)           |
| Safer Neighbourhoods                | Targeted under spend across all former ABG grants   | (50)               | (50)           | (50)           |
| Departmental                        | 15% Saving on Divisional Contracts (CCTV maintenance and Airwave Radio contracts)   | (17)               | (17)           | (17)           |
| <b>Total Departmental Savings</b>   |   | <b>(1,273,000)</b> | <b>(1,448)</b> | <b>(1,448)</b> |
| Transformation Savings              |   |                    |                |                |
| Customer Access                     | E-services Programme - Council Information & Advice   | (50)               | (50)           | (50)           |
| Tri Borough                         | Tri Borough Library Efficiency Savings  | (222)              | (270)          | (270)          |
| Tri Borough                         | Emergency Services Saving   | 0                  | (40)           | (40)           |
| Market Management                   | Income Generation - Sponsorship (headline targets)  | (98)               | (173)          | (323)          |
| <b>Total Transformation Savings</b> |   | <b>(370)</b>       | <b>(533)</b>   | <b>(683)</b>   |
| <b>Total</b>                        |   | <b>(1,643)</b>     | <b>(1,981)</b> | <b>(2,131)</b> |

| Corporate Items                     |  | 2012/13        | 2013/14        | 2014/15        | 2015/16        | 2016/17        | Reduction in FTEs |
|-------------------------------------|--|----------------|----------------|----------------|----------------|----------------|-------------------|
| Division                            | Description of Saving  | £000s          | £000s          | £000s          | £000s          | £000s          |                   |
| Capital Debt Reduction              | Debt Reduction Strategy (assumes 25% slippage in forecast receipts)                | (316)          | (2,352)        | (3,688)        | (3,688)        | (3,688)        | (3,688)           |
| Pensions                            | Savings in London Pension Fund Authority Contributions and Employers Contributions | (800)          | (800)          | (800)          | (800)          | (800)          | (800)             |
| Corporate Human Resources (CHR)     | Reduced cost of added years  | (50)           | (100)          | (100)          | (100)          | (100)          | (100)             |
| Market Management                   | Contract review and renegotiation/ contract renewals (headline targets)            | (305)          | (1,500)        | (2,500)        | (2,500)        | (2,500)        | (2,500)           |
| Market Management                   | Expected Future Procurement Savings  | 0              | (500)          | (1,500)        | (1,500)        | (1,500)        | (1,500)           |
| <b>Total Corporate Efficiencies</b> |  | <b>(1,471)</b> | <b>(5,252)</b> | <b>(8,588)</b> | <b>(8,588)</b> | <b>(8,588)</b> | <b>0</b>          |

| Hammersmith and Fulham - Efficiencies Summary |                    | 2012/13         | 2013/14         | 2014/15         | 2015/16         | 2016/17         | Reduction in FTEs |
|---|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|
|   |                    | £000s           | £000s           | £000s           | £000s           | £000s           |                   |
|   | <b>Grand Total</b> | <b>(22,687)</b> | <b>(35,869)</b> | <b>(48,515)</b> | <b>(48,585)</b> | <b>(48,585)</b> | <b>0</b>          |

| <b>Children's Services</b>           |   |                          |                          |                          |
|--------------------------------------|---|--------------------------|--------------------------|--------------------------|
|                                      |   | <b>2012/13<br/>£'000</b> | <b>2013/14<br/>£'000</b> | <b>2014/15<br/>£'000</b> |
| Tri-borough working                  | Fostering - Trading with other boroughs   | -                        | -                        | 150                      |
| Social Care                          | More efficient procurement of the workers providing support in the home for disabled children and their families, and reorganisation of the social work teams.  | 75                       | 150                      | 150                      |
| Social Care                          | Continuing to reduce the population of children in care with better preventative services [see Locality teams] and more timely permanent placements [Adoption/Special Guardianship/Residence]; thereby reducing placement costs | 320                      | 640                      | 640                      |
| <b>Total</b>                         |   | <b>395</b>               | <b>790</b>               | <b>940</b>               |
| <b>Environment</b>                   |   |                          |                          |                          |
|                                      |   | <b>2012/13<br/>£'000</b> | <b>2013/14<br/>£'000</b> | <b>2014/15<br/>£'000</b> |
| Customer Access and Service Delivery | E-services Programme - Applying online for services   | 300                      | 300                      | 300                      |
| Highways & Engineering               | Income arising from enforcement activity to reduce congestion may be less than expected as a result of greater than anticipated compliance with parking restrictions  | 1,000                    | 1,000                    | 1,000                    |
| <b>Total</b>                         |   | <b>1,300</b>             | <b>1,300</b>             | <b>1,300</b>             |



## Risks

| Community Services                  |   | Description      |                  |                  |  |
|-------------------------------------|---|------------------|------------------|------------------|--|
| Title                               |   | 2012/13<br>£'000 | 2013/14<br>£'000 | 2014/15<br>£'000 |  |
| All Divisions                       | New organisational structure which may result in overstretch in management leading to difficulties in budget management               | 1,000            | 500              | 0                |  |
| All Divisions                       | Shortfall in Redundancy costs over and above the departmental provision which is ear-marked for tri-borough cost of transition        | 75               | 330              | 330              |  |
| Adult Social Care                   | Risk of higher prices in the residential and nursing homes market as there has been reduced price settlement over the last few years. | 663              | 663              | 663              |  |
| Adult Social Care                   | Potential Changes resulting from Fairer Care funding review for Adult Social Care (Dilnot Commission)                                 | 200              | 200              | 200              |  |
| Adult Social Care                   | NHS Funding for social care ending in 2012/13 and assumed to be on going in the MTFs model.   | 0                | 2,002            | 3,731            |  |
| <b>Total</b>                        |   | <b>1,938</b>     | <b>3,695</b>     | <b>4,924</b>     |  |
| Finance & Corporate Services        |   | Description      |                  |                  |  |
|                                     |   | 2012/13<br>£'000 | 2013/14<br>£'000 | 2014/15<br>£'000 |  |
| <b>Total</b>                        |   | <b>0</b>         | <b>0</b>         | <b>0</b>         |  |
| Residents' Services                 |   | Description      |                  |                  |  |
|                                     |   | 2012/13<br>£'000 | 2013/14<br>£'000 | 2014/15<br>£'000 |  |
| Cleaner Greener & Cultural Services | Failure to fully implement Library Tri Borough model, or delays to implementation   | 270              | 270              | 270              |  |
| Cleaner Greener & Cultural Services | Failure to transfer Sands End and Baron's Court Library services to third sector community groups                                     | 160              | 160              | 160              |  |
| Cleaner Greener & Cultural Services | Identification and feasibility of alternative archive provision   | 80               | 80               | 80               |  |
| Cleaner Greener & Cultural Services | May be unable to achieve Grounds Maintenance savings in full due to excessively negative impact on service delivery                   | 70               | 70               | 70               |  |

## Risks

|                                     |   |            |            |            |
|-------------------------------------|---|------------|------------|------------|
| Cleaner Greener & Cultural Services | Delays in completing works to the All Weather Pitch at Hammersmith Park, thereby delaying potential for new income generation | 70         | 70         | 70         |
| All Divisions                       | Shortfall in Redundancy costs over and above the departmental provision   | 80         | 80         | 80         |
| <b>Total</b>                        |   | <b>730</b> | <b>730</b> | <b>730</b> |

| Regeneration & Housing |   |                  |                  |                  |
|------------------------|---|------------------|------------------|------------------|
| Title                  | Description                                 | 2012/13<br>£'000 | 2013/14<br>£'000 | 2014/15<br>£'000 |
| Housing                | Cap on HB subsidy (LHA) for HALS properties | 0                | 798              | 945              |
| Housing                | Cap on HB subsidy (LHA) for PSL properties  | 0                | 531              | 735              |
| <b>Total</b>           |   | <b>0</b>         | <b>1,329</b>     | <b>1,680</b>     |

| Corporate     |  |                  |                  |                  |
|---------------|--|------------------|------------------|------------------|
|               |  | 2012/13<br>£'000 | 2013/14<br>£'000 | 2014/15<br>£'000 |
| Cross-Cutting | Further productivity and other efficiencies from outsourcing and new ways of working | 0                | 2,176            | 8,689            |
| Corporate     | Contract Inflation 2% higher than currently assumed                                  | 2,894            | 5,787            | 8,681            |
| Corporate     | Potential Non Delivery of Savings  | 2,200            | 2,200            | 2,200            |
| Corporate     | Grant Reduction Smoothing  | 0                | 5,000            | 0                |
| Corporate     | Council Tax Support Localisation   | 0                | 2,000            | 2,000            |
| <b>Total</b>  |  | <b>5,094</b>     | <b>17,163</b>    | <b>21,570</b>    |

| Hammersmith & Fulham Summary |  |                  |                  |                  |
|------------------------------|--|------------------|------------------|------------------|
|                              |  | 2012/13<br>£'000 | 2013/14<br>£'000 | 2014/15<br>£'000 |
| <b>Grand Total</b>           |  | <b>9,457</b>     | <b>25,007</b>    | <b>31,144</b>    |

## Revenue Grant Funding 2012/13

| Funding Stream                           | 2011/12 Actual Award<br>£000's | 2012/13 Funding Award | Change in Funding<br>£000's | Comment                          |
|--|--------------------------------|-----------------------|-----------------------------|----------------------------------|
| <b>Formula Grant</b>                     | 124,510                        | 114,921               | (9,589)                     |                                  |
| <b>Specific Grants</b>                   |                                |                       |                             |                                  |
| - Adult Social PFI Grant                 | TBC                            | TBC                   | TBC                         |                                  |
| - Preventing Homelessness Grant          | 1,775                          | 1,775                 | 0                           |                                  |
| - Council Tax and Housing Benefits Admin | 2,288                          | 2,215                 | (73)                        |                                  |
| <b>Specific Grants Total</b>             | <b>4,063</b>                   | <b>3,990</b>          | <b>(73)</b>                 |                                  |
| <b>Other Funding Streams</b>             |                                |                       |                             |                                  |
| - Learning Disability Commissioning      | 3,962                          | 4,061                 | 99                          |                                  |
| <b>Other Funding Streams Total</b>       | <b>3,962</b>                   | <b>4,061</b>          | <b>99</b>                   |                                  |
| <b>New Core Revenue Grants</b>           |                                |                       |                             |                                  |
| - Early Intervention Grant               | 9,429                          | 9,874                 | 445                         |                                  |
| - New Homes Bonus Grant                  | 909                            | 1,822                 | 913                         |                                  |
| - Council Tax Freeze Grant               | 1,619                          | 3,244                 | 1,625                       |                                  |
| - Lead Flood Authority Grant             | 159                            | 331                   | 172                         |                                  |
| <b>New Core Revenue Grants Total</b>     | <b>12,116</b>                  | <b>15,271</b>         | <b>3,155</b>                |                                  |
| <b>Total Non Schools Funding</b>         | <b>144,651</b>                 | <b>138,243</b>        | <b>(6,408)</b>              |                                  |
| Dedicated Schools Grant                  | TBC                            |                       |                             | TBC To be confirmed in June 2012 |
| <b>Total Funding</b>                     | <b>144,651</b>                 | <b>138,243</b>        | <b>(6,408)</b>              |                                  |

**Appendix G Fees and Charges.**

| Community Services   | 2011/12 Charge (£) | 2012/13 Charge (£) | Proposed Uplift (%) | Total Estimated Income Stream for 12/13 | Reason for uplift/exemption  |
|--|--------------------|--------------------|---------------------|---|--|
| <b>Meal Service</b>  |                    |                    |                     |   |  |
| Meals Service  | 4.10               | 4.30               | 4.9%                | 276,000                                 | Meals on Wheels service the price per meal is proposed to increase from £4.10 to £4.30 in 2012/13. Some other Boroughs currently charge more, up to £5.99 per meal. Hammersmith & Fulham has kept its price lower by making efficiencies in the costs of delivery.   |
| <b>Home Care Charging</b>  |                    |                    |                     |   |  |
| Home Care Charge   | 12.00              | 12.00              | 0%                  | 443,300                                 | It is proposed that there is no increase to the homecare charge of £12.00 between 2011/12 and 2012/13. This is because Cabinet has given the department a limit for the charge which cannot be exceeded. With the implementation of new home care contracts from 2011/12, the Council has contained the inflationary pressure within the home care contracts and therefore has no requirement to increase of charges to service users. |
| <b>Removals</b>  |                    |                    |                     |   |  |
| Standard removals within the borough Monday - Friday 0800hrs-1730hrs | 688.50             | 688.50             | 0%                  |   |  |
| Standard removals within the borough Saturdays 0800hrs-1430hrs       | 706.86             | 706.86             | 0%                  |   |  |
| <b>ADDITIONAL STAFFING</b>   |                    |                    |                     |   |  |
| Monday - Friday - per man hour                                       | 21.68              | 21.68              | 0%                  |   |  |
| Saturday - per man hour  | 22.54              | 22.54              | 0%                  |   |  |
| Out of hours - per man hour  | 22.54              | 22.54              | 0%                  |   |  |
| Saturday after 1430hrs   | 30.09              | 30.09              | 0%                  |   |  |
| Waiting time per hour  | 38.71              | 38.71              | 0%                  |   |  |
| Late notice of cancellation (within 24hrs)                           | 38.71              | 38.71              | 0%                  |   |  |
| Cancellation on site   | 688.50             | 688.50             | 0%                  |   |  |
| Cancellation from store  | 60.28              | 60.28              | 0%                  |   |  |
| Packing service - per man hour                                       | 21.68              | 21.68              | 0%                  |   |  |
| Packing cases - each   | 3.77               | 3.77               | 0%                  |   |  |
| Client access to store per hour                                      | 56.10              | 56.10              | 0%                  |   |  |
| <b>STORAGE COSTS</b>   |                    |                    |                     |   |  |
| 0-300 cubic ft per day   | 2.35               | 2.35               | 0%                  |   |  |
| 351-550 cubic ft per day   | 4.83               | 4.83               | 0%                  |   |  |
| Over551 cubic ft per day extra - per cubic ft                        | 0.01               | 0.01               | 0%                  |   |  |
| Packing crate charge per week  | 0.71               | 0.71               | 0%                  |   |  |
| Dump charge per container (Housing)                                  | 46.61              | 46.61              | 0%                  |   |  |
| <b>ALL OTHER REMOVALS</b>  |                    |                    |                     |   |  |
| Monday-Friday 0800hrs-1500hrs Van x 2 staff                          | 43.35              | 43.35              | 0%                  |   |  |
| Extra staff - per man hour   | 21.68              | 21.68              | 0%                  |   |  |
| Saturdays - per man hour   | 32.44              | 32.44              | 0%                  |   |  |
| Sundays - per man hour   | 43.35              | 43.35              | 0%                  |   |  |
|  |                    |                    |                     | 483,000                                 | Hammersmith & Fulham has kept its price lower by making efficiencies in the costs of delivery and have attempted to do this as an in house operation the costs are increasing and the service is anticipated to be outsourced in 2012 to reduce the service cost as part of Tri-Borough work.  |

| RSD Services                         | 2011/12 Charge (£) | 2012/13 Charge (£) | Proposed Uplift (%) | Total Estimated Income Stream for 12/13 | Reason for uplift/exemption |
|--------------------------------------|--------------------|--------------------|---------------------|---|-----------------------------|
| <b>CEMETERIES - Exempt for VAT</b>   |                    |                    |                     |   |                             |
| <b>Resident Fees</b>                 |                    |                    |                     |   |                             |
| <b>Private Grave</b>                 |                    |                    |                     |   |                             |
| Purchase and Grant (75 years)        | £1,200.00          | TBC                | TBC                 |   |                             |
| <b>Interment/Reopening</b>           |                    |                    |                     |   |                             |
| Up to 2 interments (each)            | £1,047.00          | TBC                | TBC                 |   |                             |
| Per extra interment (below 7ft)      | £219.00            | TBC                | TBC                 |   |                             |
| <b>Exhumations</b>                   |                    |                    |                     |   |                             |
| Standard Charge (Coffin or Casket)   | £1,874.00          | TBC                | TBC                 |   |                             |
| Disinterment of Cremated Remains     | £150.00            | TBC                | TBC                 |   |                             |
| Grave Diggers Allowance per Grave    | £100.00            | TBC                | TBC                 |   |                             |
| <b>Interment of cremated remains</b> |                    |                    |                     |   |                             |
| Purchase and Grant                   | £353.00            | TBC                | TBC                 |   |                             |
| Interment                            | £232.00            | TBC                | TBC                 |   |                             |
| Scattering of Ashes                  | £59.00             | TBC                | TBC                 |   |                             |
| <b>Search Fee</b>                    |                    |                    |                     |   |                             |
| Standard                             | £58.00             | TBC                | TBC                 |   |                             |
| <b>Change of Ownership</b>           |                    |                    |                     |   |                             |
| Standard                             | £83.00             | TBC                | TBC                 |   |                             |
| <b>Chapel</b>                        |                    |                    |                     |   |                             |
| Use of chapel                        | £58.00             | TBC                | TBC                 |   |                             |
| <b>Grave Maintenance</b>             |                    |                    |                     |   |                             |
| Soil or Turf                         | £77.00             | TBC                | TBC                 |   |                             |
| Full Maintenance                     | £154.00            | TBC                | TBC                 |   |                             |
| Attention only                       | £110.00            | TBC                | TBC                 |   |                             |
| <b>Non Resident Fees</b>             |                    |                    |                     |   |                             |
| <b>Private Grave</b>                 |                    |                    |                     |   |                             |
| Purchase and Grant (75 years)        | £3,693.00          | TBC                | TBC                 |   |                             |
| <b>Interment/Reopening</b>           |                    |                    |                     |   |                             |
| Up to 2 interments (each)            | £1,600.00          | TBC                | TBC                 |   |                             |
| Per extra interment (below 7ft)      | £700.00            | TBC                | TBC                 |   |                             |
| Casket (includes interment fee)      | £1,948.00          | TBC                | TBC                 |   |                             |
| <b>Non private grave</b>             |                    |                    |                     |   |                             |
| Grave space only                     | £1,544.00          | TBC                | TBC                 |   |                             |
| <b>Exhumations</b>                   |                    |                    |                     |   |                             |
| Standard Charge (Coffin or Casket)   | £1,874.00          | TBC                | TBC                 |   |                             |
| Disinterment of Cremated Remains     | £150.00            | TBC                | TBC                 |   |                             |
| Grave Diggers Allowance per Grave    | £100.00            | TBC                | TBC                 |   |                             |
| <b>Interment of cremated remains</b> |                    |                    |                     |   |                             |
| Purchase and Grant                   | £1,180.00          | TBC                | TBC                 |   |                             |
| Interment                            | £360.00            | TBC                | TBC                 |   |                             |
| Scattering of Ashes                  | £59.00             | TBC                | TBC                 |   |                             |
| <b>Search Fee</b>                    |                    |                    |                     |   |                             |
| Standard                             | £58.00             | TBC                | TBC                 |   |                             |
| <b>Change of Ownership</b>           |                    |                    |                     |   |                             |
| Standard                             | £83.00             | TBC                | TBC                 |   |                             |
| <b>Chapel</b>                        |                    |                    |                     |   |                             |
| Use of chapel                        | £70.00             | TBC                | TBC                 |   |                             |
| <b>Grave Maintenance</b>             |                    |                    |                     |   |                             |
| Soil or Turf                         | £77.00             | TBC                | TBC                 |   |                             |
| Full Maintenance                     | £154.00            | TBC                | TBC                 |   |                             |
| Attention only                       | £110.00            | TBC                | TBC                 |   |                             |
| <b>LIBRARIES</b>                     |                    |                    |                     |   |                             |

Service review currently underway to determine the long term delivery of the cemetery and grave maintenance service. Fees and charges for 2012/13 to be reviewed as part of the service review to ensure full cost recovery. Reporting to Cabinet before April 2012.

|  |         |     |     |
|--|---------|-----|-----|
| <b>Adults 16-59, Concessions: Children 0-11, Teens 12-15, Pensioners 60+, Lifestyle Plus cardholders.</b>              |         |     |     |
| <b>Book Overdue and Reservation Charges</b>  |         |     |     |
| Overdue Books - Per Day Age 16-59  | £0.25   | TBC | TBC |
| Requests not in stock - British Library  | £5.00   | TBC | TBC |
| Requests not in stock - SELMS partners   | £2.00   | TBC | TBC |
| Requests - Age 16-59   | £1.00   | TBC | TBC |
| Overdue Notifications Printed- all ages (No VAT Charged)   | £0.40   | TBC | TBC |
| <b>Audio-Visual Loan and Overdue Charges</b>   |         |     |     |
| DVD Loans: Feature Films 3 days Adult Age 16-59  | £1.50   | TBC | TBC |
| Overdue DVDs- Age 16-59 Per Day/Max £7.50  | £0.75   | TBC | TBC |
| Language Courses/ Learning Packs-three weeks   | £2.50   | TBC | TBC |
| Overdue CDs- Per Day Max £7.50 (No VAT Charged)  | £0.25   | TBC | TBC |
| Box sets DVDs loans Age 16-59 (No VAT Charged)   | £3.50   | TBC | TBC |
| Box sets DVDs Overdue to a maximum of 7.50 Age 16-59 (No VAT Charged)  | £0.75   | TBC | TBC |
| Talking Book Loans   | £1.00   | TBC | TBC |
| <b>Internet Charges</b>  |         |     |     |
| Access -After First Half Hour - Per Half Hour members (H&F School Children Free)                                       | £0.50   | TBC | TBC |
| A4 Print - black and white   | £0.00   | TBC | TBC |
| A4 Print - black and white   | £0.10   | TBC | TBC |
| Access- None members pay for every Half Hour   | £0.50   | TBC | TBC |
| Access- Advance 3 hour booking   | £2.00   | TBC | TBC |
| A4 Colour  | £1.00   | TBC | TBC |
| <b>Fax Charges - Per Page</b>  |         |     |     |
| UK   | £1.00   | TBC | TBC |
| Europe   | £1.50   | TBC | TBC |
| North America  | £2.00   | TBC | TBC |
| Australia  | £2.00   | TBC | TBC |
| Elsewhere  | £4.00   | TBC | TBC |
| Incoming Material  | £1.00   | TBC | TBC |
| <b>Photocopying - Per Page</b>   |         |     |     |
| A4 black and white - self service  | £0.10   | TBC | TBC |
| A3 black and white - self service  | £0.20   | TBC | TBC |
| A4 black and white - assisted service  | £0.20   | TBC | TBC |
| A3 black and white - assisted service  | £0.40   | TBC | TBC |
| A4 colour - self service   | £1.00   | TBC | TBC |
| A3 colour - self service   | £1.50   | TBC | TBC |
| A4 colour - assisted   | £1.50   | TBC | TBC |
| A3 colour - assisted   | £2.00   | TBC | TBC |
| <b>Sale Items - guide prices - No VAT Charged</b>  |         |     |     |
| <b>Withdrawn Library Books</b>   |         |     |     |
| Adult Fiction and Children's books   | £0.60   | TBC | TBC |
| Adult Non-Fiction  | £1.00   | TBC | TBC |
| Paperbacks   | £0.50   | TBC | TBC |
| Cassettes  | £0.50   | TBC | TBC |
| CD's   | £0.50   | TBC | TBC |
| Videos/DVDs  | £0.50   | TBC | TBC |
| <b>Miscellaneous Sale Items</b>  |         |     |     |
| ECC Bags   | £1.00   | TBC | TBC |
| Memory Sticks  | £9.00   | TBC | TBC |
| <b>Premises Hire - Per Hour</b>  |         |     |     |
| <b>Community Groups:</b><br><i>(Voluntary groups in H&amp;F, Registered charities and Residents Associations only)</i> |         |     |     |
| During Library Hours   | £15.00  | TBC | TBC |
| Outside library Hours  | £50.00  | TBC | TBC |
| <b>Other Groups</b>  |         |     |     |
| During Library Hours   | £30.00  | TBC | TBC |
| Outside library Hours  | £100.00 | TBC | TBC |
| <b>Exhibition Space - Per Day</b>  |         |     |     |
| Preparatory Day  | £60.00  | TBC | TBC |
| Exhibition Days  | £120.00 | TBC | TBC |

Fees and charges for 2012/13 to be reviewed alongside Westminster and Kensington & Chelsea as part of new Triborough Library service from 2012.

|  |         |         |     |  |  |  |  |
|--|---------|---------|-----|--|--|--|--|
| <b>LEISURE</b>   |         |         |     |  |  |  |  |
| <b>Winter Pitch Bookings</b>   |         |         |     |  |  |  |  |
| <b>FOOTBALL</b>  |         |         |     |  |  |  |  |
| Weekend  | £70.00  | £75.00  | 7%  |  |  |  |  |
| Weekday  | £60.00  | £75.00  | 25% |  |  |  |  |
| Bank Holiday   | £60.00  | £75.00  | 25% |  |  |  |  |
| Youth Team U/18  | £60.00  | £75.00  | 25% |  |  |  |  |
|  | £45.00  | £48.00  | 7%  |  |  |  |  |
| Football per hour - In Borough state Schools                                       | £32.00  | £35.00  | 9%  |  |  |  |  |
| Football per hour - out of borough and private Schools                             | £37.60  | £42.00  | 12% |  |  |  |  |
| <b>**11-a-side All Weather Pitch</b>   |         |         |     |  |  |  |  |
| Adult  | £70.00  | £75.00  | 7%  |  |  |  |  |
| Junior   | £60.00  | £75.00  | 25% |  |  |  |  |
| In Borough state School  | £32.00  | £35.00  | 9%  |  |  |  |  |
| <b>Out of borough and private Schools</b>  | £37.60  | £42.00  | 12% |  |  |  |  |
| <b>**5-a-side All Weather Pitch</b>  |         |         |     |  |  |  |  |
| Adult  | £35.00  | £38.00  | 9%  |  |  |  |  |
| Junior   | £32.50  | £38.00  | 17% |  |  |  |  |
| School - In borough state Schools  | £17.00  | £20.00  | 18% |  |  |  |  |
| <b>Out of borough and private Schools</b>  | £19.98  | £24.00  | 20% |  |  |  |  |
| <b>RUGBY/GAELIC FOOTBALL/LACROSSE/HOCKEY/AUSTRALIAN RULES*</b>                     |         |         |     |  |  |  |  |
| Weekend  | £70.00  | £75.00  | 7%  |  |  |  |  |
| Weekday  | £60.00  | £75.00  | 25% |  |  |  |  |
| Bank Holiday   | £60.00  | £75.00  | 25% |  |  |  |  |
| Hurlingham - Centre Pitch  | £60.00  | £75.00  | 25% |  |  |  |  |
| Youth Team - U/18  | £60.00  | £75.00  | 25% |  |  |  |  |
| Rugby per match @ Hurlingham - in borough state Schools                            | £32.00  | £35.00  | 9%  |  |  |  |  |
| Rugby per match @ Hurlingham - out of borough and private schools                  | £37.60  | £42.00  | 12% |  |  |  |  |
| <b>Summer Pitch Booking</b>  |         |         |     |  |  |  |  |
| <b>CRICKET (10am - 5.00pm or 5.00pm -9.00pm)</b>                                   |         |         |     |  |  |  |  |
| Weekend  | £85.00  | £95.00  | 12% |  |  |  |  |
| Weekday  | £70.00  | £85.00  | 21% |  |  |  |  |
| Bank Holiday   | £70.00  | £110.00 | 57% |  |  |  |  |
| Youth Team - U/18  | £70.00  | £95.00  | 36% |  |  |  |  |
| Cricket per hour - in borough state School   | £32.00  | £35.00  | 9%  |  |  |  |  |
| Cricket per hour - out of borough and private schools                              | £37.60  | £42.00  | 12% |  |  |  |  |
| <b>ROUNDERS/BASEBALL</b>   |         |         |     |  |  |  |  |
| Per pitch per game   | £70.00  | £75.00  | 7%  |  |  |  |  |
| Rounder's per hour - in borough state Schools                                      | £32.00  | £35.00  | 9%  |  |  |  |  |
| Rounder's per hour - out of borough and private schools                            | £37.60  | £42.00  | 12% |  |  |  |  |
| <b>MINI BASEBALL</b>   |         |         |     |  |  |  |  |
| Per pitch per game   | £50.00  | £50.00  | 0%  |  |  |  |  |
| <b>SOFTBALL</b>  |         |         |     |  |  |  |  |
| Per pitch per game   | £70.00  | £75.00  | 7%  |  |  |  |  |
| <b>BICYCLE POLO</b>  |         |         |     |  |  |  |  |
| Weekends   | £70.00  | £75.00  | 7%  |  |  |  |  |
| Weekdays   | £60.00  | £65.00  | 8%  |  |  |  |  |
| <b>TOUCH/TAG RUGBY (half size of football pitch, 2 pitches = 1 football pitch)</b> |         |         |     |  |  |  |  |
| Weekdays   | £32.00  | £35.00  | 9%  |  |  |  |  |
| Weekends   | £30.00  | £35.00  | 17% |  |  |  |  |
| Tag Rugby per hour - in borough state School                                       | £32.00  | £35.00  | 9%  |  |  |  |  |
| Tag Rugby - out of borough and private schools                                     | £37.60  | £42.00  | 12% |  |  |  |  |
| <b>ATHLETICS- Adult and Corporate groups</b>                                       |         |         |     |  |  |  |  |
| Athletics per hour   | £45.00  | £50.00  | 11% |  |  |  |  |
| Athletics Half Day (3 hours)   | £130.00 | £140.00 | 8%  |  |  |  |  |
| Athletics Full Day (6 hours)   | £250.00 | £275.00 | 10% |  |  |  |  |
| <b>ATHLETICS Hurlingham Park inc. changing rooms- Schools</b>                      |         |         |     |  |  |  |  |
| Athletics per half day- now includes £49 mark out fee and Community Room           | £90.00  | £95.00  | 6%  |  |  |  |  |
| Athletics per full day- now includes £49 mark out fee and Community Room           | £170.00 | £185.00 | 9%  |  |  |  |  |

|  |         |         |  |  |  |  |  |     |  |
|--|---------|---------|--|--|--|--|--|-----|--|
| <b>Athletics &amp; Sports Days all other parks (South Park, Ravenscourt, Brook Green, Lillie Road)</b> |         |         |  |  |  |  |  |     |  |
| Athletics per hour (with markings)   | £20.00  | £22.00  |  |  |  |  |  | 10% |  |
| Athletics per hour (without markings)  | 15.00   | 20.00   |  |  |  |  |  | 33% |  |
| Athletics per half day (3 hours with markings)   | 55.00   | 60.00   |  |  |  |  |  | 9%  |  |
| Athletics per full day (6 hours with markings)   | 110.00  | 115.00  |  |  |  |  |  | 5%  |  |
| <b>TENNIS - Pay &amp; Play</b>   |         |         |  |  |  |  |  |     |  |
| Adult - turn up and play   | £9.00   | £9.00   |  |  |  |  |  | 0%  |  |
| Adult - on line only (min- 5 bookings over the phone)  | £7.00   | £7.00   |  |  |  |  |  | 0%  |  |
| Youth - U18 - Anytime  | £3.50   | £3.50   |  |  |  |  |  | 0%  |  |
| School   | £3.50   | £3.50   |  |  |  |  |  | 0%  |  |
| Lifestyle - 2 members per court per hour - 9am-4pm, Mon - Fri  | £3.50   | £3.50   |  |  |  |  |  | 0%  |  |
| Lifestyle - 1 member per court per hour - 9am-4pm, Mon - Fri   | £3.50   | £3.50   |  |  |  |  |  | 0%  |  |
| Tennis Booking - Annual Membership Card  |         |         |  |  |  |  |  |     |  |
| <b>TENNIS pre paid advance bookings</b>  |         |         |  |  |  |  |  |     |  |
| <b>5 games</b>   |         |         |  |  |  |  |  |     |  |
| Adult  | £35.00  | £35.00  |  |  |  |  |  | 0%  |  |
| Junior   | £17.50  | £17.50  |  |  |  |  |  | 0%  |  |
| School   | £17.50  | £17.50  |  |  |  |  |  | 0%  |  |
| <b>10 games</b>  |         |         |  |  |  |  |  |     |  |
| Adult  | £70.00  | £70.00  |  |  |  |  |  | 0%  |  |
| Junior   | £35.00  | £35.00  |  |  |  |  |  | 0%  |  |
| School   | £35.00  | £35.00  |  |  |  |  |  | 0%  |  |
| <b>Coaching Licence Fees</b>   |         |         |  |  |  |  |  |     |  |
| Coaches Licence Fee (One payment)  | £920.00 | £920.00 |  |  |  |  |  | 0%  |  |
| Coaches Licence Fee (Six payments)   | £960.00 | £960.00 |  |  |  |  |  | 0%  |  |
| <b>NETBALL</b>   |         |         |  |  |  |  |  |     |  |
| Per court per game   | £10.00  | £15.00  |  |  |  |  |  | 50% |  |
| Plus floodlights   | £20.00  | £25.00  |  |  |  |  |  | 25% |  |
| Youth Team - u/18 per game   | £9.00   | £15.00  |  |  |  |  |  | 67% |  |
| Netball per hour - in borough state School   | £10.00  | £12.00  |  |  |  |  |  | 20% |  |
| Netball per hour - out of borough and private schools  | £11.75  | £14.40  |  |  |  |  |  | 23% |  |
| <b>COMMUNITY ROOM @ HURLINGHAM</b>   |         |         |  |  |  |  |  |     |  |
| Room Hire only   | £46.00  | £50.00  |  |  |  |  |  | 9%  |  |
| Room Hire (Thr), Sports Pitch (1hr) Party Hire   | £90.00  | £95.00  |  |  |  |  |  | 6%  |  |
| <b>CHANGING ROOM @ HURLINGHAM</b>  |         |         |  |  |  |  |  |     |  |
| <b>Sports booking for grass area have priority - if available</b>                                      |         |         |  |  |  |  |  |     |  |
| Charge per booking   | £16.00  | £18.00  |  |  |  |  |  | 13% |  |
| For in borough state schools per booking   | £16.00  | £18.00  |  |  |  |  |  | 13% |  |
| Out of borough and private schools booking   | £18.80  | £21.60  |  |  |  |  |  | 15% |  |
| <b>BOWLS</b>   |         |         |  |  |  |  |  |     |  |
| Adult - per person per round   | £2.00   | £2.00   |  |  |  |  |  | 0%  |  |
| OAP/Youth - per person per round   | £1.00   | £1.00   |  |  |  |  |  | 0%  |  |
| Lifestyle - per cardholder per round   | £1.00   | £1.00   |  |  |  |  |  | 0%  |  |
| Adult season ticket  | £44.00  | £44.00  |  |  |  |  |  | 0%  |  |
| OAP/Youth season ticket  | £22.00  | £22.00  |  |  |  |  |  | 0%  |  |
| Locker rent  | £10.00  | £10.00  |  |  |  |  |  | 0%  |  |
| <b>TRAINING AREA &amp; FLOODLIGHTS @ HURLINGHAM</b>  |         |         |  |  |  |  |  |     |  |
| Training area per hour - includes Change & Com room (H&F RFC use only, floodlights extra)              | £32.00  | £35.00  |  |  |  |  |  | 9%  |  |
| <b>Fulham Football Club - Grass pitch and Community Room Prices</b>                                    |         |         |  |  |  |  |  |     |  |
| Grass pitches, Com Room & Changing room -per day   | £225.00 | £230.00 |  |  |  |  |  | 2%  |  |



| TRAINING AREAS at LILLIE ROAD, BISHOPS PARK, SOUTH PARK and EEL    |           |  |           |  |            |  |
|--|-----------|--|-----------|--|------------|--|
| <b>BROOK COMMON</b>  |           |  |           |  |            |  |
| Football, Rugby, Gaelic Football, Australian Rules Football        |           |  |           |  |            |  |
| Training area per hour   | £32.00    |  | £35.00    |  | 9%         |  |
| Equipment Storage  | £150.00   |  | £150.00   |  | 0%         |  |
|  |           |  |           |  |            |  |
| GROUP TRAINING INSTRUCTOR ANNUAL LICENCE FEE                       | £1,200.00 |  | £1,200.00 |  | 0%         |  |
| PERSONAL TRAINER ANNUAL LICENCE FEE                                | £350.00   |  | £350.00   |  | 0%         |  |
| <b>Discounts Allowed on booking price</b>                          |           |  |           |  |            |  |
| 6-9 block booking  | 20%       |  | 20%       |  | -20%       |  |
| 10 or more booking that meet criteria VAT EXEMPT                   | 18%       |  | 18%       |  | -18%       |  |
| Council Depts. - RSD Only  | 50%       |  | N/A       |  |            |  |
| Council Depts. - Not RSD   | 25%       |  | 20%       |  | -20%       |  |
| Charities H&F based  | 20%       |  | 10%       |  | -10%       |  |
| Charities non H&F based  | 10%       |  | 10%       |  | 10%        |  |
| <b>SPORTS CHARGES - Linford Christie Stadium</b>                   |           |  |           |  |            |  |
| <b>Athletics</b>   |           |  |           |  |            |  |
| *Under 16's Over 60's or Disabled                                  | £0.00     |  | £0.00     |  | 0%         |  |
| <b>Annual Inclusive Pass</b>                                       |           |  |           |  |            |  |
| Adult (Member)   | £90.00    |  | £90.00    |  | 0%         |  |
| Adult (Non Member)   | £140.00   |  | £140.00   |  | 0%         |  |
| *Concessionary (12 months only) (member)                           | £40.00    |  | £40.00    |  | 0%         |  |
| *Concessionary (12 months only) (Non Member)                       | £70.00    |  | £70.00    |  | 0%         |  |
| Student 12 months  | £70.00    |  | £70.00    |  | 0%         |  |
| Adult 6 months (member)  | £50.00    |  | £50.00    |  | 0%         |  |
| Adult 6 months (non member)  | £80.00    |  | £80.00    |  | 0%         |  |
| <b>Causal Use session Price</b>                                    |           |  |           |  |            |  |
| Adult (Member)   | £4.00     |  | £4.00     |  | 0%         |  |
| Adult (Non Member)   | £5.00     |  | £5.00     |  | 0%         |  |
| *Concessionary (12 months only) (member)                           | £2.00     |  | £2.00     |  | 0%         |  |
| *Concessionary (12 months only) (Non Member)                       | £3.00     |  | £3.00     |  | 0%         |  |
| Lifestyle Plus Member  | £0.50     |  | £0.50     |  | 0%         |  |
| Adult spectator/ entrance fee (events)                             | £2.00     |  | £2.00     |  | 0%         |  |
| Use of shower facilities / changing facilities                     | £2.00     |  | £2.00     |  | 0%         |  |
| <b>Track Hire</b>  |           |  |           |  |            |  |
| Training (LBHF School) facilities only                             | N/A       |  | £24.00    |  | New Charge |  |
| Training (LBHF School) facilities and Instructor                   | N/A       |  | £42.00    |  | New Charge |  |
| Training (non LBHF School) facilities only                         | N/A       |  | £48.00    |  | New Charge |  |
| Training (non LBHF School) facilities and Instructor               | N/A       |  | £56.00    |  | New Charge |  |
| Sports Day (LBHF School) up to 3 hrs - Facility only               | N/A       |  | £140.00   |  | New Charge |  |
| Sports Day (LBHF School) up to 3 hrs - Facility and Instructor     | N/A       |  | £220.00   |  | New Charge |  |
| Sports Day (non LBHF School) up to 3 hrs - Facility only           | N/A       |  | £164.50   |  | New Charge |  |
| Sports Day (non LBHF School) up to 3 hrs - Facility and Instructor | N/A       |  | £258.50   |  | New Charge |  |
| Sports Days move than 3 hours                                      | N/A       |  | £56.00    |  | New Charge |  |
| TVH meetings   | N/A       |  | £48.00    |  | New Charge |  |
| Additional miscellaneous fee - setting out and clearing up         | N/A       |  | £56.00    |  | New Charge |  |

|  |  |  |            |
|--|--|--|------------|
| <b>Pitches &amp; Ancillary Hire Services</b>                   |  |  |            |
| <b>11-a-side AWP Main (whole pitch)</b>                        |  |  |            |
| Adult  | £80.00                                       | £82.00                                       | 2%         |
| Club   | £60.00                                       | £62.00                                       | 3%         |
| School   | £40.00                                       | £42.00                                       | 5%         |
| <b>Out of borough and private Schools</b>                      | £47.00                                       | £50.40                                       | 7%         |
| <b>Contact Price for QPR-Chelsea-Chiswick Hockey</b>           |  |  |            |
| Adult  | £40.00                                       | £45.00                                       | 13%        |
| Junior   | £27.00                                       | £30.00                                       | 11%        |
| <b>5-a-side AWP</b>  |  |  |            |
| Adult & Club - Peak  | £35.00                                       | £38.00                                       | 9%         |
| Adult & Club - Off Peak  | £20.00                                       | £22.00                                       | 10%        |
| Schools  | £17.00                                       | £20.00                                       | 18%        |
| <b>Out of borough and private Schools</b>                      | N/A  | £24.00                                       | New Charge |
| <b>Contact Price for QPR-Chelsea-Chiswick Hockey</b>           |  |  |            |
| Adult  | £20.00                                       | £22.00                                       | 10%        |
| Junior   | £17.00                                       | £20.00                                       | 18%        |
| * Off Peak rate are charged before 18:00 Mon - Fri excl W/ends |  |  |            |
| <b>Grass Pitches</b>   |  |  |            |
| Centre - without Floodlighting                                 | £70.00                                       | £80.00                                       | 14%        |
| Centre - without Floodlighting - School                        | £50.00                                       | £55.00                                       | 10%        |
| Centre - with Floodlighting                                    | £80.00                                       | £100.00                                      | 25%        |
| Centre - with Floodlighting - School                           | £60.00                                       | £65.00                                       | 8%         |
| Rugby Training area - top & bottom (no Floodlights)            | £32.00                                       | £32.00                                       | 0%         |
| <b>Rooms / Storage Hire</b>                                    |  |  |            |
| Community Room   | £30.00                                       | £32.00                                       | 7%         |
| Announcer box  | £30.00                                       | £32.00                                       | 7%         |
| Changing Room per team (when no pitch hire)                    | £30.00                                       | £32.00                                       | 7%         |
| Storage container per annum                                    | £1,750.00                                    | £1,750.00                                    | 0%         |
| Community Room - School  | £17.00                                       | £18.00                                       | 6%         |
| Announcer box - School   | £17.00                                       | £18.00                                       | 6%         |
| Changing Room per team (when no pitch hire) - School           | £17.00                                       | £18.00                                       | 6%         |
| Storage container per annum - School                           | £1,200.00                                    | £1,200.00                                    | 0%         |
| <b>TRANSPORT</b>   |  |  |            |
| <b>Transport Workshops - Internal Charges</b>                  |  |  |            |
| Parts  | Cost + 10.5%                                 | Cost + 10.5%                                 |            |
| Fuel - Diesel / Petrol / LPG                                   | Cost + 10.5%                                 | Cost + 10.5%                                 |            |
| Ad Hoc Vehicle Hire  | Cost + 10.5%                                 | Cost + 10.5%                                 |            |
| Management and Administration Charge                           | Total Cost (excluding Fuel and NSEs) + 10.5% | Total Cost (excluding Fuel and NSEs) + 10.5% |            |
| <b>Transport Workshops - External Charges</b>                  |  |  |            |
| Parts  | Cost + 10.5%                                 | Cost + 10.5%                                 |            |
| Fuel - Diesel / Petrol   | Cost + 10.5%                                 | Cost + 10.5%                                 |            |
| Ad Hoc Vehicle Hire  | Cost + 10.5%                                 | Cost + 10.5%                                 |            |
| Management and Administration Charge                           | Based on Insurance Cost only + 10.5%         | Based on Insurance Cost only + 10.5%         |            |

| <b>WASTE MANAGEMENT</b>   |         |        |  |            |                    |
|---|---------|--------|--|------------|--------------------|
| <b>Trade Waste Charges</b>  |         |        |  |            |                    |
| Trade Waste Sacks - General Waste - cost per sack                     | £1.55   | £1.65  |  | 6%         |                    |
| Trade Waste Sacks - Recycling - cost per sack                         | £1.10   | £1.35  |  | 23%        |                    |
| 360 Ltr Wheelie Bins - General Waste - cost per empty                 | £7.65   | £7.65  |  | 0%         |                    |
| 360 Ltr Wheelie Bins - General Waste - 2.5 bins - cost per empty      | £7.55   | £7.55  |  | 0%         |                    |
| 360 Ltr Wheelie Bins - General Waste - 6+ bins - cost per empty       | £7.45   | £7.45  |  | 0%         |                    |
| 360 Ltr Wheelie Bins - Recycling - cost per empty                     | £4.85   | £4.85  |  | 0%         |                    |
| 360 Ltr Wheelie Bins - Recycling - 2.5 bins - cost per empty          | £4.80   | £4.80  |  | 0%         |                    |
| 360 Ltr Wheelie Bins - Recycling - 6+ bins - cost per empty           | £4.75   | £4.75  |  | 0%         |                    |
| 1100 Ltr Euro Bins - General Waste - cost per empty                   | £13.00  | £13.81 |  | 6%         |                    |
| 1100 Ltr Euro Bins - General Waste - 2.5 bins - cost per empty        | £12.85  | £13.66 |  | 6%         |                    |
| 1100 Ltr Euro Bins - General Waste - 6+ bins - cost per empty         | £12.70  | £13.51 |  | 6%         |                    |
| 1280 Ltr Euro Bins - Recycling - cost per empty                       | £8.33   | £10.39 |  | 25%        |                    |
| 1280 Ltr Euro Bins - Recycling - 2.5 bins - cost per empty            | £8.23   | £10.29 |  | 25%        |                    |
| 1280 Ltr Euro Bins - Recycling - 6+ bins - cost per empty             | £8.13   | £10.19 |  | 25%        |                    |
| 940 Ltr Paladins & Chamberlains - General Waste Only                  | £12.50  | N/A    |  |            | Product terminated |
| 940 Ltr Paladins & Chamberlains - 2.5 bins - General Waste Only       | £12.35  | N/A    |  |            | Product terminated |
| 940 Ltr Paladins & Chamberlains - 6+ bins - General Waste Only        | £12.25  | N/A    |  |            | Product terminated |
| <b>Trade Bulky Collections</b>  |         |        |  |            |                    |
| Bulky Waste Collection (e.g. Fridge / Freezer Collection)             | POA     | POA    |  | N/A        |                    |
| Three Fridges / freezers  | £80.00  | POA    |  | N/A        |                    |
| Two Fridges / freezers  | £110.00 | POA    |  | N/A        |                    |
| <b>Skips &amp; Compactors</b>   |         |        |  |            |                    |
| Domestic Compactors - Internal  | £141.20 | TBC    |  | TBC        |                    |
| Domestic Compactors - External  | £141.20 | TBC    |  | TBC        |                    |
| Commercial Compactors   | £350.00 | TBC    |  | TBC        |                    |
| Commercial Skips  | £200.00 | TBC    |  | TBC        |                    |
| <b>Duty of Care Certificates</b>                                      |         |        |  |            |                    |
| Annual Duty of Care Certificate for casual Pay As You Throw customers | N/A     | £25.00 |  | New Charge |                    |
| Annual Duty of Care Certificate for contract customers                | N/A     | £30.00 |  | New Charge |                    |
| Revisions to Duty of Care Certificates                                | N/A     | £25.00 |  | New Charge |                    |
| <b>Household Waste</b>  |         |        |  |            |                    |
| <b>Household Bulky Collections - VAT Zero rated</b>                   |         |        |  |            |                    |
| Up to 10 items of unwanted household furniture or similar items       | £20.00  | £25.00 |  | 25%        |                    |
| Up to 10 electrical items/domestic appliances                         | £20.00  | £25.00 |  | 25%        |                    |
| Up to 10 bags of miscellaneous effects                                | £20.00  | £25.00 |  | 25%        |                    |
| Further items charged at £5.75 per additional item                    |         |        |  |            |                    |
| To be confirmed following review of waste disposal costs              |         |        |  |            |                    |

| Other bulky household collections (e.g. builders rubble, fence panels, bathroom suites etc) | POA  | POA  | POA  | N/A |
|---|--|--|--|-----|
| <b>General Bagged Household Waste - VAT Zero rated</b>                                      |  |  |  |     |
| Minimum charge for up to 10 sacks of miscellaneous waste                                    | £0.00  | £0.00  | £0.00  |     |
| Further items charged at £2.00 per additional sack  |  |  |  |     |
| <b>Household Derived Builders Rubble - VAT Zero rated</b>                                   |  |  |  |     |
| Minimum charge for up to 10 sacks of household derived builders rubble                      | £30.00   | £30.00   | £30.00   |     |
| Further items charged at £3.00 per additional sack  |  |  |  |     |
| <b>Bathroom Suites (items include bath, toilet, hand basin &amp; shower stand)</b>          |  |  |  |     |
| First item  | £30.00   | £30.00   | £30.00   |     |
| Further items charged at £6.00 per additional item  |  |  |  |     |
| <b>Household Fencing Waste</b>  |  |  |  |     |
| First 5 panels  | £35.00   | £35.00   | £35.00   |     |
| Additional Panels   | extra panels charged for at the unit rate of £6.04 | extra panels charged for at the unit rate of £6.04 | extra panels charged for at the unit rate of £6.04 | 0%  |
| Broken down sheds   | £60.00   | £60.00   | £60.00   |     |
| <b>STREET TRADING CHARGES</b>   |  |  |  |     |
| <b>CERTIFICATE OF REGISTRATION</b>  |  |  |  |     |
| Permanent Trader  | £55.00   | £55.00   | £55.00   | 0%  |
| Temporary Trader  | £55.00   | £55.00   | £55.00   | 0%  |
| Annual Renewal  | £55.00   | £55.00   | £55.00   | 0%  |
| Replacement Licence   | £55.00   | £55.00   | £55.00   | 0%  |
| <b>Street &amp; Market Traders - Weekly charges</b>   |  |  |  |     |
| 1 day per week (Standard)   | £20.40   | £20.40   | £20.40   | 0%  |
| 1 day per week (Extended)   | £29.58   | £29.58   | £29.58   | 0%  |
| 2 days per week (Standard)  | £27.54   | £27.54   | £27.54   | 0%  |
| 2 days per week (Extended)  | £41.82   | £41.82   | £41.82   | 0%  |
| 3 days per week (Standard)  | £42.84   | £42.84   | £42.84   | 0%  |
| 3 days per week (Extended)  | £61.20   | £61.20   | £61.20   | 0%  |
| 4 days per week (Standard)  | £54.06   | £54.06   | £54.06   | 0%  |
| 4 days per week (Extended)  | £80.58   | £80.58   | £80.58   | 0%  |
| 5 days per week (Standard)  | £68.34   | £68.34   | £68.34   | 0%  |
| 5 days per week (Extended)  | £99.96   | £99.96   | £99.96   | 0%  |
| 6 days per week (Standard)  | £83.64   | £83.64   | £83.64   | 0%  |
| 6 days per week (Extended)  | £120.36  | £120.36  | £120.36  | 0%  |
| An additional charge of £10 per day will be payable for trading on Friday and/or Saturday   |  |  |  |     |
| <b>News Vendors</b>   |  |  |  |     |
| <b>Annual Charges</b>   | £3,053.00  | £3,053.00  | £3,053.00  | 0%  |
| <b>Daily charges:</b>   |  |  |  |     |
| Temporary Licences for casual traders at street markets (per day)                           |  |  |  |     |
| Mon-Thurs (Standard)  | £20.40   | £20.40   | £20.40   | 0%  |
| Mon-Thurs (Extended)  | £29.58   | £29.58   | £29.58   | 0%  |
| Fri/Sat (Standard)  | £30.60   | £30.60   | £30.60   | 0%  |
| Fri/Sat (Extended)  | £39.78   | £39.78   | £39.78   | 0%  |
| * An additional charge of £10 will be payable for trading on Friday and/or Saturday         |  |  |  |     |
| <b>Charges for Traders outside football grounds</b>   |  |  |  |     |
| Annual Charge per square metre  | £395.00  | £395.00  | £395.00  | 0%  |
| Minimum charge of 1.5 sq m and maximum charge of 12 sq m                                    |  |  |  |     |

No plan to increase for 2012/13. Service review planned for 2012.

| <b>HALL, PARKS &amp; OPEN SPACES HIRE - Zero Rated VAT (Hourly Rates)</b>       |         |         |   |
|---|---------|---------|---|
| <b>HTH Assembly Hall &amp; FTH Grand Hall</b>                                   |         |         |   |
| Weekday daytime   | £180.00 | £180.00 | Freeze weekday charges - limited demand |
| Weekday evenings  | £255.00 | £255.00 | Freeze weekday charges - limited demand |
| Weekend (Friday from 6pm & Saturdays)   | £280.00 | £295.00 |   |
| Weekend (Sundays)   | £280.00 | £295.00 |   |
| Commercial ticketed events  | £410.00 | £430.00 |   |
| Bank Holiday Mondays, New Years Eve   | £560.00 | £590.00 |   |
| New Years Eve falling on a Sunday   | £615.00 | £645.00 |   |
| Hourly rate after midnight add £50  | £50.00  | £52.50  |   |
| <b>FTH Concert Hall</b>   |         |         |   |
| Weekday daytime (subject to GH booking)   | £80.00  | £80.00  | Price freeze at FTH pending disposal    |
| Weekday evenings  | £122.00 | £122.00 | Price freeze at FTH pending disposal    |
| Weekends  | £122.00 | £122.00 | Price freeze at FTH pending disposal    |
| Flat rate supplement for the Concert hall to be added to the Grand hall booking | £210.00 | £210.00 | Price freeze at FTH pending disposal    |
| <b>FTH Small Hall</b>   |         |         |   |
| Weekday   | £60.00  | £60.00  | Freeze weekday charges - limited demand |
| Weekday evening   | £80.00  | £80.00  | Freeze weekday charges - limited demand |
| Weekend (Friday from 6pm & Saturdays)   | £122.00 | £128.00 | Freeze weekday charges - limited demand |

|   |  |                     |                     |     |   |
|---|--|---------------------|---------------------|-----|---|
| Weekend (Sunday)  |  | £127.00             | £133.00             | 0%  |   |
| <b>HTH Committee Room 1, Courtyard Room, Council Chamber</b>        |  |                     |                     |     |   |
| Weekday   |  | £66.00              | £66.00              | 0%  | Freeze weekday charges - limited demand |
| Weekday evening   |  | £86.00              | £86.00              | 0%  | Freeze weekday charges - limited demand |
| Weekend (Friday from 6pm & Saturdays)                               |  | £97.00              | £102.00             | 0%  |   |
| Weekend (Sunday)  |  | £102.00             | £107.00             | 0%  |   |
| <b>HIRE OF PARKS &amp; OPEN SPACES FOR EVENTS - CHARGES PER DAY</b> |  |                     |                     |     |   |
| Large event, 1000+  |  | POA                 | POA                 | N/A |   |
| Large event   |  | POA                 | POA                 | N/A |   |
| Large event   |  | POA                 | POA                 | N/A |   |
| Large event   |  | POA                 | POA                 | N/A |   |
| Medium event  |  | POA                 | POA                 | N/A |   |
| Medium event  |  | £825.00             | £865.00             | N/A |   |
| Medium event  |  | £510.00             | £535.00             | N/A |   |
| Medium event  |  | £280.00             | £262.50             | N/A |   |
| Medium event  |  | £120.00             | £126.00             | N/A |   |
| Medium event  |  | £120.00             | £126.00             | N/A |   |
| Small event   |  | £1,050.00           | £1,103.00           | N/A |   |
| Small event   |  | £510.00             | £536.00             | N/A |   |
| Small event   |  | £285.00             | £268.00             | N/A |   |
| Small event   |  | £120.00             | £126.00             | N/A |   |
| Small event   |  | £120.00             | £126.00             | N/A |   |
| Promotional activity - Large scale / space                          |  | POA                 | POA                 | N/A |   |
| Promotional activity - Large scale / space                          |  | POA                 | POA                 | N/A |   |
| Promotional activity - Large scale / space                          |  | POA                 | POA                 | N/A |   |
| Promotional activity - Small scale / space                          |  | £255.00             | £268.00             | N/A |   |
| Promotional activity - Small scale / space                          |  | £120.00             | £126.00             | N/A |   |
| Promotional activity - Small scale / space                          |  | £120.00             | £126.00             | N/A |   |
| Fairground - Large scale  |  | £1,050.00           | £1,103.00           | N/A |   |
| Fairground - Small scale  |  | £510.00             | £536.00             | N/A |   |
| Exercise permits - (per location / per month)                       |  | £130.00             | £137.00             | N/A |   |
| Exercise permits - (multiple locations / per month)                 |  | POA                 | POA                 | N/A |   |
| Damage deposit (reinstatement costs)                                |  | POA % based on risk | POA % based on risk |     |   |
| <b>ADD ON SUPPLEMENTS</b>   |  |                     |                     |     |   |
| Showcase Park / Town Centre Spaces                                  |  | £100.00             | £105.00             | 5%  |   |
| Large scale Infrastructure e.g. staging, toilets                    |  | £200.00             | £210.00             | 5%  |   |
| Small scale Infrastructure e.g. tents, generators                   |  | £100.00             | £105.00             | 5%  |   |
| Catering facilities   |  | £100.00             | £105.00             | 5%  |   |
| Sale of alcohol   |  | £100.00             | £105.00             | 5%  |   |
| Amplified music   |  | £100.00             | £105.00             | 5%  |   |

| Safer Neighbourhoods Fees & Charges 2011/12 - 2012/13                             | 2011/12 | 2012/13 | % Change | Comments |
|---|---------|---------|----------|----------|
| <b>Street Scene Enforcement (Zero VAT)</b>  |         |         |          |          |
| Fixed Penalty Notices   | £80.00  | £80.00  | 0%       |          |
| Motorcycle recovery   | £30.00  | £30.00  | 0%       |          |
| Return of Stray Dogs to Owners  | £75.00  | £75.00  | 0%       |          |
| <b>Anti Social Behaviour</b>  |         |         |          |          |
| Anti Social Behaviour investigations (charge per hour)                            | £100.00 | £100.00 | 0%       |          |
| <b>Mortuary Services</b>  |         |         |          |          |
| Infectious cases from Kingston Hospital to Fulham Mortuary                        | £750.00 | £750.00 | 0%       |          |
| <b>Registration of Births, Deaths &amp; Marriages</b>                             |         |         |          |          |
| <b>Civil Marriage/Civil Partnership</b>   |         |         |          |          |
| <b>Mayor's Parlour, Fulham Town Hall (Register Office)</b>                        |         |         |          |          |
| Mon - Thur  | £83.00  | £83.00  | 0%       |          |
| Fri - Sat   | £133.00 | £133.00 | 0%       |          |
| <b>Walham Green Room Fulham Town Hall</b>   |         |         |          |          |
| Mon - Thur  | £175.00 | £175.00 | 0%       |          |
| Fri - Sat   | £235.00 | £235.00 | 0%       |          |
| <b>Council Chamber – Fulham Town Hall</b>   |         |         |          |          |
| Mon - Thur  | £353.50 | £353.50 | 0%       |          |
| Fri   | £453.50 | £453.50 | 0%       |          |
| Sat   | £503.50 | £503.50 | 0%       |          |
| Sun/Bank Holidays   | £653.50 | £653.50 | 0%       |          |
| <b>Approved Venues</b>  |         |         |          |          |
| Mon - Thur  | £323.50 | £323.50 | 0%       |          |
| Fri - Sat   | £403.50 | £403.50 | 0%       |          |
| Sun/Bank Holidays   | £503.50 | £503.50 | 0%       |          |
| <b>Naming Ceremonies/Marriage Vows Renewal</b>                                    |         |         |          |          |
| <b>Hammersmith and Fulham Register Office, Fulham Town Hall (Up to 60 people)</b> |         |         |          |          |
| Mon - Thur 9am to 4pm   | £153.00 | £153.00 | 0%       |          |
| Mon - Thur 4pm to 6pm   | £204.00 | £204.00 | 0%       |          |
| Fri 9pm to 4pm  | £178.00 | £178.00 | 0%       |          |
| Fri 4pm to 6pm  | £255.00 | £255.00 | 0%       |          |
| Sat afternoon   | £255.00 | £255.00 | 0%       |          |
| Sun/Bank Hols   | £306.00 | £306.00 | 0%       |          |

Price freeze to bring in line with other local Register Offices prices, but still remain competitively priced.

|  | 2011/12 Charge (£) | 2012/13 Charge (£) | Proposed Uplift (%) | Total Estimated Income Stream for 12/13 | Reason for uplift/exemption  |
|--|--------------------|--------------------|---------------------|---|--|
| <b>Fulham Council Chamber, Fulham Town Hall (Up to 100 people)</b> |                    |                    |                     |   |  |
| Fri  | £306.00            | £306.00            | 0%                  |   |  |
| Sat  | £408.00            | £408.00            | 0%                  |   |  |
| Sun/Bank Holidays  | £560.00            | £560.00            | 0%                  |   |  |
| <b>Other Venues*</b>   |                    |                    |                     |   |  |
| Mon - Thur 9am to 4pm  | £178.00            | £178.00            | 0%                  |   |  |
| Mon - Thur 4pm to 6pm  | £204.00            | £204.00            | 0%                  |   |  |
| Fri 9pm to 4pm   | £178.00            | £178.00            | 0%                  |   |  |
| Fri 4pm to 6pm   | £204.00            | £204.00            | 0%                  |   |  |
| Sat  | £306.00            | £306.00            | 0%                  |   |  |
| Sun/Bank Holidays  | £357.00            | £357.00            | 0%                  |   |  |
| <b>Other Fees</b>  |                    |                    |                     |   |  |
| Same day service for copy certificates                             | £3.50              | £3.50              | 0%                  |   | Statutory charge - cannot be increased on discretionary grounds.   |
| <b>NCS Fees</b>  |                    |                    |                     |   |  |
| Adult  | £45.00             | £45.00             | 0%                  |   |  |
| Couple   | £80.00             | £80.00             | 0%                  |   | Price freeze to bring in line with other local Register Offices prices, but still remain competitively priced.                           |
| Child  | £25.00             | £25.00             | 0%                  |   |  |
| When child is the only applicant                                   | £45.00             | £45.00             | 0%                  |   |  |
| <b>Children's Services</b>   |                    |                    |                     |   |  |
| <b>Play Service</b>  |                    |                    |                     |   |  |
| Play Service - Out of Hours School Care (Full Fee) per day         | 8.10               | 0.00               | 0%                  |   | Service to be commissioned out to schools to provide directly  |
| Play Service - Out of Hours School Care (Concession) per day       | 5.50               | 0.00               | 0%                  | NIL                                     |  |
| <b>Community Hall Hire- Edward Woods</b>                           |                    |                    |                     |   |  |
| Community Hall Hire - 1 room per hour                              | 9.40               | 9.40               | 0%                  |   |  |
| Community Hall Hire - 1 hall per hour.                             | 15.30              | 15.30              | 0%                  | £28,400                                 | Negligible usage   |
| Private Hall Hire - 1 room per hour.                               | 22.95              | 22.95              | 0%                  |   |  |
| Private Hall Hire - 1 hall per hour                                | 42.40              | 42.40              | 0%                  |   |  |
| <b>School Meal Fees</b>  |                    |                    |                     |   |  |
| School Meals- Primary (Pupils)                                     | 2.40               | 2.45               | 2%                  |   |  |
| School Meals- Secondary (Pupils)                                   | 1.85               | 1.90               | 3%                  |   |  |
| School Meals- Primary (Adults)                                     | 2.95               | 3.05               | 3%                  | £2,894,200                              | Expenditure Inflation set in contract  |
| School Meals- Secondary (Adults)                                   | 3.21               | 3.05               | -5%                 |   |  |
| <b>City Learning</b>   |                    |                    |                     |   |  |
| CLC 1  |                    |                    |                     |   |  |
| Full day   | 465.00             | 465.00             | 0%                  |   |  |
| Half day   | 235.00             | 235.00             | 0%                  |   |  |
| CLC 2  |                    |                    |                     |   |  |
| Full day   | 465.00             | 465.00             | 0%                  |   |  |
| Half day   | 235.00             | 235.00             | 0%                  |   |  |
| CLC 3  |                    |                    |                     |   |  |
| Full day   | 465.00             | 465.00             | 0%                  | £5,690                                  | Fees have not been increased since 2008 and benchmarking revealed existing charges were lower than comparable venues.                    |
| Half day   | 235.00             | 235.00             | 0%                  |   |  |
| Conference per day   | 330.00             | 330.00             | 0%                  |   |  |
| Curriculum Support/Training per day                                | 660.00             | 660.00             | 0%                  |   |  |
| Technical Support per day  | 660.00             | 660.00             | 0%                  |   |  |
| IT Consultancy per day   | 660.00             | 660.00             | 0%                  |   |  |
| <b>Lilla Huset</b>   |                    |                    |                     |   |  |
| <b>Education Staff</b>   |                    |                    |                     |   |  |
| Meeting Room   | 80.00              | 80.00              | 0%                  |   |  |
| Boardroom  | 165.00             | 165.00             | 0%                  |   |  |
| Training Suite   | 195.00             | 195.00             | 0%                  |   |  |
| Conference Room  | 245.00             | 245.00             | 0%                  |   |  |
| <b>LBHF EX EDU</b>   |                    |                    |                     |   |  |
| Meeting Room   | 110.00             | 110.00             | 0%                  |   |  |
| Boardroom  | 220.00             | 220.00             | 0%                  |   |  |
| Training Suite   | 245.00             | 245.00             | 0%                  |   |  |
| Conference Room  | 300.00             | 300.00             | 0%                  |   |  |
| <b>External Users</b>  |                    |                    |                     |   |  |
| Meeting Room   | 100.00             | 100.00             | 0%                  |   |  |
| Boardroom  | 250.00             | 250.00             | 0%                  |   |  |
| Training Suite   | 375.00             | 375.00             | 0%                  |   |  |
| Conference Room  | 400.00             | 400.00             | 0%                  | £112,433                                | Charges fixed for academic year so 11/12 fees would apply from 1st September 2011. Any further increase would occur from September 2012. |



| Environment Services  |  | 2011/12 Charge (£)                         |                     | 2012/13 Charge (£)                         |                     | Proposed Uplift (%)   |  | Total Estimated Income Stream for 12/13 |  | Reason for uplift/exemption |  |
|---|--|--|---------------------|--|---------------------|---|--|---|--|-----------------------------|--|
| Fee Description   | 2011/12 Charge (£)                         | 2012/13 Charge (£)                         | Proposed Uplift (%) | 2012/13 Charge (£)                         | Proposed Uplift (%) | Total Estimated Income Stream for 12/13, or 11/12 projected Income. |  | Reason for uplift                       | Reason for uplift/exemption  |                             |  |
| Full search (Non NLIIS)   | 269.00                                     | 269.00                                     | 0%                  | 269.00                                     | 0%                  |   |  |   |  |                             |  |
| Full search (NLIIS)   | 230.00                                     | 230.00                                     | 0%                  | 230.00                                     | 0%                  |   |  |   |  |                             |  |
| Part II enquiries   | 14.00                                      | 14.00                                      | 0%                  | 14.00                                      | 0%                  |   |  |   |  |                             |  |
| Additional enquiries  | 24.00                                      | 24.00                                      | 0%                  | 24.00                                      | 0%                  |   |  |   |  |                             |  |
| Additional parcels  | 24.00                                      | 24.00                                      | 0%                  | 24.00                                      | 0%                  |   |  |   |  |                             |  |
| Pre-Application Advice  | N/A  | 97.92                                      | 100%                | 97.92                                      | 100%                |   |  |   | New charge   |                             |  |
| Schedule A  | Various depending on size and type of work | Various depending on size and type of work | 0%                  | Various depending on size and type of work | 0%                  |   |  |   |  |                             |  |
| Schedule B  | Various depending on size and type of work | Various depending on size and type of work | 0%                  | Various depending on size and type of work | 0%                  |   |  |   |  |                             |  |
| Exempt Building Works Consent   | 100.00                                     | 100.00                                     | 0%                  | 100.00                                     | 0%                  |   |  |   |  |                             |  |
| Retrieval of archived Files and Records, & Investigation and Retrieval of Microfiche data   | 88.00                                      | 88.00                                      | 0%                  | 88.00                                      | 0%                  |   |  |   |  |                             |  |
| Resurrection of 'old' jobs where no completion inspection had been requested or carried out, and for subsequent issuing of completion letters | 88.00                                      | 88.00                                      | 0%                  | 88.00                                      | 0%                  |   |  |   |  |                             |  |
| Individual's first permit (6mths)   | 71.00                                      | 71.00                                      | 0%                  | 71.00                                      | 0%                  |   |  |   |  |                             |  |
| Individual's second permit (6mths)  | 252.00                                     | 252.00                                     | 0%                  | 252.00                                     | 0%                  |   |  |   |  |                             |  |
| Individual's first permit (Yearly)  | 119.00                                     | 119.00                                     | 0%                  | 119.00                                     | 0%                  |   |  |   |  |                             |  |
| Individual's second permit (Yearly)   | 482.00                                     | 482.00                                     | 0%                  | 482.00                                     | 0%                  |   |  | £3,853,500                              |  |                             |  |
| Discounted permit charges (Green vehicles)  | 60.00                                      | 60.00                                      | 0%                  | 60.00                                      | 0%                  |   |  |   | Resident permit charge increase in January 2011  |                             |  |
| Business first permit (6mths)   | 450.00                                     | 450.00                                     | 0%                  | 450.00                                     | 0%                  |   |  |   |  |                             |  |
| Business second permit (6mths)  | 712.00                                     | 712.00                                     | 0%                  | 712.00                                     | 0%                  |   |  | £632,500                                |  |                             |  |
| Business first permit (Yearly)  | 766.00                                     | 766.00                                     | 0%                  | 766.00                                     | 0%                  |   |  |   |  |                             |  |
| Business second permit (Yearly)   | 1269.00                                    | 1269.00                                    | 0%                  | 1269.00                                    | 0%                  |   |  |   |  |                             |  |
| Per hour  | 2.20                                       | 2.20                                       | 0%                  | 2.20                                       | 0%                  |   |  | £12,948,900                             | Price increase in November 2010  |                             |  |
| Community Infrastructure Levy (CIL) - Mayor of London:  | 35.00                                      | 35.00                                      | 0%                  | 35.00                                      | 0%                  |   |  | £917,200                                | Price increase in January 2011   |                             |  |
| All except stated   | N/A  | N/A  | 100%                | £50/m                                      | 100%                |   |  | £0                                      | New charge proposed to start from 1st April 2012 - subject to change Charged by LBHF for Mayor of London |                             |  |
| Community Infrastructure Levy (CIL) - Mayor of London:  | N/A  | N/A  | 100%                | £0/m                                       | 100%                |   |  | £0                                      | New charge proposed to start from 1st April 2012 - subject to change Charged by LBHF for Mayor of London |                             |  |
| Education and Health  | Various                                    | Various                                    | 0%                  | Various                                    | 0%                  |   |  | £1,340,000                              | No change - Changes in charging regulations expected   |                             |  |
| Planning application fees   | 10.00                                      | 15.00                                      | 50%                 | 15.00                                      | 50%                 |   |  |   |  |                             |  |
| Decision Notice   | 13.00                                      | 15.00                                      | 15%                 | 15.00                                      | 15%                 |   |  |   |  |                             |  |
| TPO   | 23.00                                      | 25.00                                      | 9%                  | 25.00                                      | 9%                  |   |  |   |  |                             |  |
| Sect 106  | 10.00                                      | 15.00                                      | 50%                 | 15.00                                      | 50%                 |   |  |   |  |                             |  |
| Article 4   | 10.00                                      | 15.00                                      | 50%                 | 15.00                                      | 50%                 |   |  |   |  |                             |  |
| Enforcement Notice  | 10.00                                      | 15.00                                      | 50%                 | 15.00                                      | 50%                 |   |  |   | Increase in photocopying charges   |                             |  |
| AO  | 10.00                                      | 11.00                                      | 10%                 | 11.00                                      | 10%                 |   |  |   |  |                             |  |
| A1  | 8.00                                       | 8.50                                       | 6%                  | 8.50                                       | 6%                  |   |  |   |  |                             |  |
| A3  | 5.00                                       | 5.25                                       | 5%                  | 5.25                                       | 5%                  |   |  |   |  |                             |  |
| A4  | 2.50                                       | 2.75                                       | 10%                 | 2.75                                       | 10%                 |   |  |   |  |                             |  |
| Renewal Level 1   | £150 plus therapists verification          | £150 plus therapists verification          | n/a                 | £150 plus therapists verification          | n/a                 |   |  |   | New fee structure  |                             |  |
| New Application Level 1   | £176 plus therapists verification          | £176 plus therapists verification          | n/a                 | £176 plus therapists verification          | n/a                 |   |  |   | New fee structure  |                             |  |
| Renewal Level 2   | £575 plus therapists verification          | £575 plus therapists verification          | n/a                 | £575 plus therapists verification          | n/a                 |   |  |   | New fee structure  |                             |  |
| New Application Level 2   | £660 plus therapists verification          | £660 plus therapists verification          | n/a                 | £660 plus therapists verification          | n/a                 |   |  |   | New fee structure  |                             |  |
| Renewal Level 3   | £1020 plus therapists verification         | £1020 plus therapists verification         | n/a                 | £1020 plus therapists verification         | n/a                 |   |  |   | New fee structure  |                             |  |



# Cabinet

30<sup>th</sup> January 2012

**LEADER**

Councillor Stephen Greenhalgh

**TREASURY MANAGEMENT STRATEGY REPORT**

Ward(s)

The report provides information on the Council's Treasury Management Strategy for 2012/13. It seeks approval for borrowing limits and authorisation for the Executive Director of Finance & Corporate Governance to arrange the Council's cashflow, borrowing and investments in the year 2012/13.

The report seeks approval to changes recommended by Cipfa to the Treasury Management Policy Statement and Treasury Management Practices.

The report explains the treasury management implications of HRA Reform and seeks approval to the treatment of debt and interest on HRA receipts and balances with effect from 1<sup>st</sup> April 2012

**CONTRIBUTORS**

EDFCG

|                                  |
|----------------------------------|
| HAS A EIA BEEN COMPLETED?<br>YES |
|----------------------------------|

**Recommendations:**

- 1. To approve the future borrowing and investment strategies and authorise the Executive Director of Finance and Corporate Governance to arrange the Council's cashflow, borrowing and investments in 2012/13.**
- 2. In relation to the Council's overall borrowing for the financial year 2012/13, approve the Prudential Indicators as set out in Section 3 of this report.**
- 3. To agree the changes to the Treasury Management Policy Statement and the Treasury Management Practices as explained in section 1 of the report and reproduced in Appendices A and B.**
- 4. To move to a separate HRA and General Fund debt pool with effect from 1<sup>st</sup> April 2012.**
- 5. To pay the HRA investment income on unapplied HRA receipts and other HRA cash balances calculated at the average rate of interest earned on temporary investments with effect from 1<sup>st</sup> April 2012.**

## 1. INTRODUCTION

### Background

- 1.1 Treasury Management is defined by the CIPFA Code of Practice as ‘The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.’
- 1.2 A revised CIPFA Code of Practice on Treasury Management in Public Service and guidance notes were published in November 2011. These documents were revised to take account of the treasury implications of the HRA reform which is discussed below in paragraphs 18 to 20. It also makes some changes to the The Treasury Management Policy Statement and Treasury Management Practices which have been reproduced in full in Appendices A and B respectively. **The changes have been highlighted in red.**
- 1.3 The Council is required to receive and approve, as a minimum, three main reports each year: a treasury Strategy Report, Mid-year report and an Outturn report. These reports are required to be adequately scrutinised by committee before being recommended to the Council. This role is undertaken by the Audit and Pensions Committee.
- 1.4 The Treasury Management Strategy for 2012/13 in respect of the following aspects of the treasury management function is based upon the Treasury officers’ views on interest rates, supplemented with leading market forecasts provided by the Council’s treasury advisor. The strategy covers:
- treasury limits in force which will limit the treasury risk and activities of the Council;
  - prudential indicators
  - the current treasury position;
  - prospects for interest rates;
  - the borrowing strategy;
  - the investment strategy;
  - debt rescheduling;
  - creditworthiness policy; and,
  - policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and CLG Investment Guidance.

## 2. TREASURY MANAGEMENT STRATEGY

- 2.1 The treasury management function ensures that the Council’s cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury/prudential indicators, the current and projected debt positions and the annual investment strategy.

### 3. CURRENT PORTFOLIO POSITION

- 3.1 The Council's treasury portfolio is summarised below. The table shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

Table 1- Current Portfolio Position

| £'000  | 2011/12 Estimate | 2012/13 Estimate | 2013/14 Estimate | 2014/15 Estimate |
|--|------------------|------------------|------------------|------------------|
| Borrowing at 1 <sup>st</sup> April               | 475,520          | 262,768          | 262,668          | 251,085          |
| Expected change in borrowing                     | (16,000)         | (100)            | (11,583)         | (2,918)          |
| HRA Settlement                                   | (196,752)        | 0                | 0                | 0                |
| <b>Actual Borrowing at 31<sup>st</sup> March</b> | 262,768          | 262,668          | 251,085          | 248,167          |
| Total investments at 31 March                    | (75,000)         | (90,000)         | (108,000)        | (113,000)        |
| Net borrowing                                    | 187,768          | 172,668          | 143,085          | 135,167          |
| Other long-term liabilities (OLTL) 31 March      | 13,078           | 12,164           | 11,214           | 10,264           |
| <b>CFR – the borrowing need</b>                  | 329,708          | 311,982          | 286,070          | 283,647          |

- 3.2 The Executive Director of Finance and Corporate Governance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

### 4. TREASURY INDICATORS – LIMITS TO BORROWING ACTIVITY

- 4.1 **The Operational Boundary.** This indicator is the focus of day to day treasury management activity within the authority. It is a means by which the council manages its external debt to ensure that it remains within the self imposed Authorised Limit. Sustained breaches of the Operational Boundary would give an indication that the authority may be in danger of stepping beyond the Prudential boundaries it set itself.

Table 2 – Operational Boundary

| Operational boundary £'000  | 2011/12 Estimate | 2012/13 Estimate | 2013/14 Estimate | 2014/15 Estimate |
|-----------------------------|------------------|------------------|------------------|------------------|
| Borrowing                   | 488,134          | 271,975          | 256,828          | 268,693          |
| HRA Settlement              | (196,752)        |                  |                  |                  |
| Other long term liabilities | 13,078           | 12,164           | 11,214           | 10,264           |
| Total                       | 304,460          | 284,139          | 268,042          | 278,957          |

- 4.2 **The Authorised Limit for external borrowing.** This is a control on the maximum level of borrowing and this limit needs to be set or revised by the full Council. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

Table 3 – Authorised Limit

| <b>Authorised limit £'000</b> | <b>2011/12 Estimate</b> | <b>2012/13 Estimates</b> | <b>2013/14 Estimates</b> | <b>2014/15 Estimates</b> |
|-------------------------------|-------------------------|--------------------------|--------------------------|--------------------------|
| Borrowing                     | 548,909                 | 338,889                  | 306,049                  | 303,657                  |
| Add HRA settlement            | (196,752)               |                          |                          |                          |
| Other long term liabilities   | 13,078                  | 12,164                   | 11,214                   | 10,264                   |
| <b>Total</b>                  | <b>365,235</b>          | <b>351,053</b>           | <b>317,263</b>           | <b>313,921</b>           |

- 4.3 Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

Table 4 – HRA Capital Finance Requirement

| <b>HRA Debt Limit £'000</b> | <b>2011/12 Estimate</b> | <b>2012/13 Estimate</b> | <b>2013/14 Estimate</b> | <b>2014/15 Estimate</b> |
|-----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>Total</b>                | <b>218,029</b>          | <b>217,946</b>          | <b>208,335</b>          | <b>205,914</b>          |

## 5. PROSPECTS FOR INTEREST RATES

- 5.1 The Council appointed Sector Treasury Services as treasury adviser to the Council and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Sector's view:

Table 5 - Interest Rates

| Annual Average % | Bank Rate | Money Rates |         | PWLB Borrowing Rates |          |          |
|------------------|-----------|-------------|---------|----------------------|----------|----------|
|                  |           | 3 months    | 1 years | 5 years              | 25 years | 50 years |
| March 2012       | 0.50      | 0.70        | 1.50    | 2.30                 | 4.20     | 4.30     |
| June 2012        | 0.50      | 0.70        | 1.50    | 2.30                 | 4.20     | 4.30     |
| Sept 2012        | 0.50      | 0.70        | 1.50    | 2.30                 | 4.30     | 4.40     |
| Dec 2012         | 0.50      | 0.70        | 1.60    | 2.40                 | 4.30     | 4.40     |
| March 2013       | 0.50      | 0.75        | 1.70    | 2.50                 | 4.40     | 4.50     |
| June 2013        | 0.75      | 0.80        | 1.80    | 2.60                 | 4.50     | 4.60     |
| Sept 2013        | 1.00      | 0.90        | 1.90    | 2.70                 | 4.60     | 4.70     |
| Dec 2013         | 1.00      | 1.20        | 2.20    | 2.80                 | 4.70     | 4.80     |
| March 2014       | 1.25      | 1.40        | 2.40    | 2.90                 | 4.80     | 4.90     |
| June 2014        | 1.50      | 1.60        | 2.60    | 3.10                 | 4.90     | 5.00     |

- 5.2 Growth in the UK economy is expected to be weak in the next two years and there is a risk of a technical recession (i.e. two successive quarters of negative growth). Bank rate, currently 0.5%, underpins investment returns and is not expected to start increasing until quarter 3 of 2013 despite inflation currently being well above Monetary Policy Committee inflation target. Hopes for an export led recovery appear likely to be disappointed due to the Eurozone sovereign debt crisis depressing growth in the UK's biggest export market. The Comprehensive Spending Review, which seeks to reduce the UK's annual fiscal deficit, will also depress growth during the next few years.

5.3 Fixed interest borrowing rates are based on UK gilt yields. The outlook for borrowing rates is currently much more difficult to predict. The UK total national debt is forecast to continue rising until 2015/16; the consequent increase in gilt issuance is therefore expected to be reflected in an increase in gilt yields over this period. However, gilt yields are currently at historically low levels due to investor concerns over Eurozone sovereign debt and have been subject to exceptionally high levels of volatility as events in the Eurozone debt crisis have evolved.

5.4 This challenging and uncertain economic outlook has a several key treasury management implications:

- The Eurozone sovereign debt difficulties, most evident in Greece, provide a clear indication of much higher counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods.
- Investment returns are likely to remain relatively low during 2012/13;
- Borrowing interest rates are currently attractive, but may remain low for some time. The timing of any borrowing will need to be monitored carefully;
- There will remain a cost of capital – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

## **6. BORROWING STRATEGY**

6.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is high.

## **7. TREASURY MANAGEMENT LIMITS ON ACTIVITY**

7.1 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

7.2 The Council is asked to approve the following treasury indicators and limits:

**Table 6 – Interest Rate Exposure**

| <b>£m</b>   | <b>2012/13</b> | <b>2013/14</b> | <b>2014/15</b> |
|---|----------------|----------------|----------------|
| <b>Interest rate exposures</b>                            |                |                |                |
|   | Upper          | Upper          | Upper          |
| Limits on fixed interest rates based on net debt          | 330,000        | 312,000        | 286,000        |
| Limits on variable interest rates based on net debt       | 66,000         | 62,600         | 57,200         |
| Maturity structure of fixed rate borrowing during 2012/13 |                | Upper Limit    | Lower Limit    |
| Under 12 months   |                | 15%            | 0%             |
| 12 months and within 24 months                            |                | 15%            | 0%             |
| 24 months and within 5 years                              |                | 60%            | 0%             |
| 5 years and within 10 years                               |                | 75%            | 0%             |
| 10 years and above  |                | 100%           | 0%             |

## **8. POLICY ON BORROWING IN ADVANCE OF NEED**

- 8.1 Any decision to borrow if necessary in advance of need will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

## **9. DEBT RESCHEDULING**

- 9.1 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term to short term debt. However, these savings will need to be considered in the light of the current treasury position and premiums incurred in prematurely repaying debt.
- 9.2 The reasons for any rescheduling to take place will include:
- Generating cash savings.
  - Enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
- 9.3 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
- 9.4 As part of the HRA reform the Council will receive monies from the CLG in the form of debt redemption. Under this scenario a proportion of the HRA debt will be repaid by the CLG on 28<sup>th</sup> March 2012. The Council will not have influence over this debt redemption and so a proportion of each PWLB loan will be repaid automatically.



## 10. ANNUAL INVESTMENT STRATEGY

- 10.1 The Council must have regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA's Treasury Management in Public Services of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").
- 10.2 Although the annual investment strategy has to be approved by full Council, it is proposed that amendments to the investment methodology are delegated to Cabinet to enable changes to be made on a timely basis to reflect changes in market conditions.
- 10.3 The Council's investments priorities are:-  
(a) the security of capital and  
(b) the liquidity of its investments.  
The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low in order to give priority to security of its investments.
- 10.4 In accordance with the above, and in order to minimise the risk to investments, the Council has clearly stipulated below the minimum acceptable credit quality of counterparties for inclusion on the lending list.
- 10.5 The Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The Council will engage with its advisors to maintain a monitor on market pricing such as "Credit Default Swaps" and overlay that information on top of the credit ratings.
- 10.6 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- 10.7 The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.
- 10.8 Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non Specified' Investment categories. Counterparty
- 10.9 The DCLG guidance requires authorities to specify their minimum acceptable credit rating. The minimum ratings required by the Council are:

|           |            |                    |         |
|-----------|------------|--------------------|---------|
| Fitch     |            |                    |         |
| Long Term | Short Term | Individual         | Support |
| A-        | F2         | bbb-               | 2       |
| Moody's   |            |                    |         |
| Long Term | Short Term | Financial Strength |         |
| A3        | P-2        | C                  |         |

|           |            |
|-----------|------------|
| S & P     |            |
| Long Term | Short Term |
| A-        | A-3        |

## 11. CREDITWORTHINESS POLICY

11.1 This Council applies the creditworthiness service provided by Sector. This service employs a modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moody's and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays.

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Spreads (CDS) to give early warning of likely changes in credit rating; and,
- Sovereign ratings to select counterparties from only the most creditworthy countries.

11.2 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following durational bands.

Table 7 - Exposure limits and Duration

|           | Exposure limit £ million | Duration       |
|-----------|--------------------------|----------------|
| Purple    | 25                       | 2 years        |
| Blue *    | 35                       | 1 year         |
| Orange    | 20                       | 1 year         |
| Red       | 20                       | 6 months       |
| Green     | 10                       | 3 months       |
| No Colour | 0                        | not to be used |

\*only applies to nationalised or semi nationalised UK Banks

11.3 Their exceptions to this methodology include:

### **UK Government (no maximum amount)**

- Debt Management Office
- Treasury Bills
- Government Gilts

**Public Authorities** (Exposure limit of £25 million with a maximum duration of 364 days)

- Unitary Authorities
- Local Authorities
- Borough and District Council's
- Met Police
- Fire and Police Authorities

These authorities do not have credit ratings but statute (LG Act 2003 s13) suggests that credit risk attached to these authorities is an acceptable one.

### **Money Market Funds**

All funds have a AAA credit rating which have a 60 day weighted average maturity. These funds allow instant access to cash, and provide enhanced yield and security.

Exposure limit of £10 – no maximum duration as these are instant access funds.

- 11.4 Whilst the Council have adopted the Sector methodology for applying creditworthiness if any of the counterparties rating fall below the Council's acceptable minimum credit rating (Para 10.9) they will be withdrawn immediately from the counterparty list.
- 11.5 The Council is alerted to changes to ratings of all three agencies through its use of Sector creditworthiness service.
- If a down grade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
  - In addition to the use of credit ratings the Council will be advised of movements in Credit Default Swaps against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.
- 11.6 Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information on government support for banks and the credit ratings of that government.

## **12. COUNTRY LIMITS**

- 12.1 The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA+ from Fitch Ratings (or equivalent from other agencies). The exposure limit to any one Country will be £20 million with the exception of the UK which will be unlimited.

## **13. INTEREST RATE OUTLOOK FOR INVESTMENTS**

- 13.1 Bank Rate has been unchanged at 0.50% since March 2009. Bank rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 3 of 2013. Bank Rate forecasts for financial year ends (March) are as follows:-

|         |       |
|---------|-------|
| 2011/12 | 0.50% |
| 2012/13 | 0.50% |
| 2013/14 | 1.25% |
| 2014/15 | 2.50% |

- 13.2 There is downside risk to these forecasts (i.e. start of increases in Bank Rate is delayed even further) if economic growth remains weaker for longer than

expected. However, should the pace of growth pick up more sharply than expected there could be upside risk, particularly if Bank of England inflation forecasts for two years ahead exceed the Bank of England's 2% target rate.

- 13.3 The suggested budgeted investment earnings rates for returns on investments placed for periods up to three months during each financial year for the next five years are as follows:

|         |       |
|---------|-------|
| 2012/13 | 0.70% |
| 2013/14 | 1.00% |
| 2014/15 | 1.60% |
| 2015/16 | 3.30% |
| 2016/17 | 4.10% |

- 13.4 For its cash flow generated balances, the Council will utilise its business reserve accounts, money market funds and short dates deposits (overnight to three months) in order to benefit from the compounding of interest.

### 13.5 Specified Investments

A specified investment is defined in the guidance as an investment which satisfies the conditions set out below:

- (a) The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.
- (b) The investment is not a long-term investment (ie over 364 days)
- (c) The investment does not involve the acquisition of share capital or loan capital in any body corporate

Types of specified investments include and may be used by the Council are:

- Term deposit – UK government
- Term deposits – other Local Authorities
- Term deposits – banks and building societies
- Money market funds
- Callable deposits – under 1 year
- Certificates of deposits - issued by banks and building societies.
- UK Government Gilts
- Treasury Bills

### 13.6 Non-Specified Investments

If there was a core cash balance available after taking into account the cash flow requirements and the outlook for short-term interest rates then the following non-specified investments could be used after consultation with our Treasury Advisor.

- Term deposits with banks with maturities in excess of one year.
- Term deposits with building societies with maturities in excess of one year
- Term deposits with Local Authorities with maturities in excess of one year.
- Structured deposits.
- Bond Funds with AAA rating credit criteria
- Callable deposits in excess of one year
- Certificates of deposits - issued by banks and building societies in excess of one year.

- UK Government Gilts in excess of one year

## 14. CREDIT CRITERIA

- 14.2 The banking sector is still a volatile area and **the current policy is that whilst we maintain our full lending list in accordance with the methodology approved by Council on the 24<sup>th</sup> February 2010 we have been operating a more restricted lending list, lending only to UK banks, other Local Authorities and AAA Money Market Funds.** For illustrative purposes Appendix C is attached to show the countries and organisations on the lending list at the present time using the approved methodology.
- 14.3 The limits are driven by the methodology which is explained in para.11 above the maximum limits for these banks are shown in table 7. The limits can change if there are rating changes, however the maximum limit would never be more than £25 million except for the part nationalised banks which have a £35 million limit.

## 15. NATIONALISED BANKS AND PART NATIONALISED BANKS

- 15.1 In the UK, the nationalised and part-nationalised banks have credit ratings which do not conform to the credit criteria usually used to identify banks which are of high credit worthiness, as they are no longer separate institutions in their own right. However, the Council has agreed to invest in these institutions as they are now recipients of an F1 short term rating as they effectively take on the creditworthiness of the Government itself i.e. deposits made with them are effectively being made to the Government. They also have a support rating of 1; in other words, on both counts, they have the highest ratings possible.

## 16. HRA REFORM

- 16.1 The present HRA subsidy arrangements are to be replaced by a new self-financing regime under the Localism Act 2011 commencing on 1<sup>st</sup> April 2012. Under the revised arrangements local authorities are expected to become entirely self-sufficient, as a result of an adjustment to their debt position. The intention is that this will give authorities greater control and allow them to manage their housing stock over the longer term, rather than the current year-by-year basis.
- 16.2 The Department for Communities and Local Government (CLG) has produced a settlement valuation based on assumed levels of income and expenditure over the next 30 years. The settlement valuation is deemed to be supportable over the life of the 30 year business plan and CLG has demonstrated its sustainability by showing that debt could be fully repaid within the 30 years.

## 17 HRA SUBSIDY

- 17.1 At present Hammersmith and Fulham is in a positive subsidy position, whereby its assumed annual rental income is less than the assumed level of expenditure. This "shortfall" is met by the subsidy received from the Department for Communities and Local Government (CLG) which in itself is largely a redistribution of the surpluses from authorities in the reverse position.
- 17.2 Rather than receive subsidy in future Hammersmith and Fulham will receive a one off debt repayment of £196.8 million. No future subsidy will be receivable. The sum received is intended to create a sustainable HRA over a 30 year period.

17.3 The settlement date will be 28<sup>th</sup> March 2012. When the CLG repays the PWLB £196.8 million, the PWLB will top slice all the existing PWLB loans in order to maintain both the average interest rate and the maturity profile of the loans. The Council's external debt will thus reduce from £459.5 million to £262.7 million. The General Fund CFR at 31<sup>st</sup> March 2012 is unaffected by the HRA reform and is estimated to be £112.7 million. The HRA CFR is estimated to be £218 million after moving to the new system.

## **18 IMPACT ON THE NET COST OF BORROWING**

18.1 In the new system, local authorities will need to allocate existing and future borrowing costs between the HRA and the General Fund as the current statutory method of apportioning debt charges will cease. CLG has signalled its intention not to impose a single solution. CIPFA has set out a suggested methodology for splitting loans to meet the requirements of the new system, but has clearly stated that local authorities may pursue other methods which take account of the following recommended principles:

- The underlying principle for the splitting of loans, at transition, must be that of no detriment to the General Fund.
- Local authorities are required to deliver a solution that is broadly equitable between the HRA and the General Fund.
- Future charges to the HRA in relation to borrowing are not influenced by General Fund decisions, giving a greater degree of independence, certainty and control.
- Uninvested balance sheet resources which allow borrowing to be below the CFR are properly identified between General Fund and HRA.

18.2 There are two main options:

- Option A - all loans are pooled and the interest is then apportioned between the General Fund and the HRA according to their respective CFRs. This replicates the existing Consolidated Rate of Interest (CRI) calculation which takes account of both external borrowing and borrowing from internal cash balances but is based on the new lower debt figure.
- Option B – move to a separate HRA and General Fund debt pool. This is CIPFA's proposed solution. It would be assumed that all HRA debt is supported by external borrowing as historically the HRA balances were relatively low. The HRA would also be credited with the interest earned on HRA cash balances (including capital receipts).

18.3 Table 8 exemplifies the interest rate implications of these two options. The exemplifications need to be treated with caution. Assumptions are made about interest rates and levels of debt repayment that may well not transpire. Unapplied receipts may also be significantly less than modelled particularly for the decent neighbourhoods.

**Table 8 – Interest Rate Exemplifications**

|                                | 2012/13 | 2013/14 | 2014/15 |
|--------------------------------|---------|---------|---------|
| <b>General Fund</b>            | £'m     | £'m     | £'m     |
| Option A                       | 3.0     | 2.2     | 1.1     |
| Option B                       | 2.5     | 2.2     | 2.0     |
|                                |         |         |         |
| <b>Housing Revenue Account</b> |         |         |         |
| Option A                       | 11.5    | 11.8    | 11.8    |
| Option B                       | 12.0    | 11.8    | 10.9    |

different options have markedly different outcomes. This is for several reasons but mainly:

- In initially moving to separate loan pools for the HRA and General Fund the interest rate charged to the HRA in 2012/13 would increase from 5.26% to 5.6%. This is because all HRA debt would be supported by external loans (at present there is an element of internal borrowing within the CRI calculation which has a lower rate).
- By 2014/15 this position would reverse. The HRA would start to benefit from the interest earned on receipts (decent neighbourhoods pot). In addition as debt falls out of the HRA it would see the full benefit of interest savings rather than a much smaller reduction in the CRI (less than 0.5%). There are loans totalling £12.1 million which are maturing over the three years 2012/13 to 2014/15 and are at interest rates of between 9% and 9.5% as they were taken out in the late 1980s.
- The rate charged under the CRI calculation to the HRA would also increase significantly in 2013/14. This is because the CFR would drop (due to debt redemption) below actual external debt. Thus the HRA would pick up the full (more expensive) external loans rate.

18.5 Compared to the current MTFs profile the anticipated savings from both option A and B would deliver General Fund underspends. Under option A the net underspend against budget would be £0.9m in 2012/13 increasing to £1.7m by 2014/15. Under option B the net underspend against budget would be £1.2m in 2012/13 reducing to £0.2m by 2014/15.

18.6 **It is recommended that option B – a separate loan pool for the HRA – is most consistent with the underlying principles stated in paragraph 18.1.** It would give the HRA greater certainty and control over its resources. An example as to how the CRI calculation as used by Option A can disadvantage the HRA is the sudden spike in the HRA charge in 2013/14. This has nothing to do with HRA decisions but is due to a greater level of General Fund debt redemption. This does not seem equitable.

18.7 Option B would potentially lower the potential benefits arising to the General Fund in the medium term. However MTFs targets would still be met. There may also be opportunities to increase the amount of debt savings through early settlement of loans. The Council can also revisit at a future point what calculation it uses as part of the annual Treasury Management Strategy.

18.8 It is recommended to move to a separate HRA and General Fund debt pool with effect from 1<sup>st</sup> April 2012. The HRA to receive investment income on unapplied HRA receipts and other HRA cash balances calculated at the average rate of interest earned on temporary investments.

## **19. INVESTMENT CONSULTANTS AND INVESTMENT TRAINING**

19.1 Sector Treasury Services Ltd were appointed on 1<sup>st</sup> February 2011 for a three year period following a tendering exercise. Sector provide interest rate forecasts, economic updates, strategy reviews, training for treasury management staff and advice on the formulation of suitable borrowing and investment strategies and advice on investment counterparty creditworthiness.

19.2 The Council is a member of the CIPFA treasury management network which provides a forum for the exchange of views and training of treasury management staff independent of the treasury management consultants. It also provides a quality check on the services received from the consultants.

19.4 Treasury management staff are required to attend the CIPFA network meetings and Sector seminars and training events on a regular basis throughout the year to ensure that they are up to date at all times on developments in treasury management and continue to develop their expertise in this area.

## **20. COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE GOVERNANCE**

20.1 The comments of the Executive Director of Finance and Corporate Governance are contained within this report.

## **21. COMMENTS OF THE HEAD OF LEGAL SERVICES**

21.1 The statutory requirements are set out in the body of the report.

## **22. COMMENTS OF THE AUDIT AND PENSIONS COMMITTEE**

22.1 TBA

### **LOCAL GOVERNMENT ACT 2000 LIST OF BACKGROUND PAPERS**

| <b>No.</b> | <b>Description of Background Papers</b>               | <b>Name/Ext. of Holder of File/Copy</b> | <b>Department/ Location</b> |
|------------|---|---|-----------------------------|
| 1          | Borrowings and Investments Ledger                     | Rosie Watson<br>Ext. 2563               | Ground Floor<br>Town Hall   |
| 2          | CIPFA-Prudential Code -Accounting for Capital Finance | Rosie Watson<br>Ext. 2563               | Ground Floor<br>Town Hall   |
| 3          | Various Economic commentaries                         | Rosie Watson<br>Ext. 2563               | Ground Floor<br>Town Hall   |



## APPENDIX A

### THE TREASURY MANAGEMENT POLICY STATEMENT

CIPFA recommends that the Council's treasury management policy statement adopts the following form of words below to define the policies and objectives of its treasury management activities.

- This Council defines its Treasury Management activities as:  
*The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.*
- This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of Treasury Management activities will focus on their risk implications for the organisation, **and any financial instruments entered into to manage these risks.**
- This Council acknowledges that effective Treasury Management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

### TREASURY MANAGEMENT PRACTICES

CIPFA recommends that the Council's treasury management practices (TMPs) include these of the following that are relevant to its treasury management powers and the scope of its treasury management activities:

#### **TMP 1 Risk Management**

##### **General Statement**

The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in *TMP6 Reporting requirements and management information arrangements*. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

##### **i) Credit and counterparty risk management**

This council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, method and techniques referred to in *TMP 4 Approved instruments methods and techniques* and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financial arrangements.

##### **ii) Liquidity risk management**

This council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

This council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

##### **iii) Interest rate risk management**

This council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with *TMP 6 Reporting requirement and management information arrangements*.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure

of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

**iv) Exchange rate risk management**

It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

**v) Refinancing risk management**

This council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the council as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

**vi) Legal and regulatory risk management**

This council will ensure that all its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under *TMP 1 (i) Credit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the council, particularly with regard to duty of care and fees charged.

This council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

**vii) Fraud, error and corruption, and contingency management**

This council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

**viii) Market risk management**

This council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

## **TMP 2 Performance measurement**

This council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.

## **TMP 3 Decision-making and analysis**

This council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at that time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

## **TMP 4 Approved Instruments, method and techniques**

This council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in *TMP1 Risk management*.

Where this council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual strategy. The organisation will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

## **TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements**

This council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principal on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when this council intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with *TMP 6*

*Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule to this document.

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegations to the responsible officer in respect of treasury management are set out in the schedule to this document. The responsible officer will fulfil all such responsibilities in accordance with the council's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

## **TMP 6 Reporting requirements and management information arrangements**

This council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effect of decisions taken and transactions executed in pursuit of those policies ; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum:

The council will receive:

- An annual report on the strategy and plan to be pursued in the coming year.
- A mid-year review.
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the council's treasury management policy statement and TMPs.

The Cabinet will receive regular monitoring reports on treasury management activities and risks.

The body responsible for scrutiny, such as audit or scrutiny committee, will have responsibility for the scrutiny of treasury management policies and practices.

The Council will report the treasury management indicators as detailed in the sector specific guidance notes.

The present arrangements and the form of these reports are detailed in the schedule to this document.

## **TMP 7 Budgeting, accounting and audit arrangements**

The responsible officer will prepare, and this council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with *TMP1 Risk Management, TMP 2 Performance measurement, and TMP 4 Approved instruments, methods and techniques*. The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with *TMP 6 Reporting requirements and management information arrangements*.

This council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

## **TMP 8 Cash and cash flow management**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this council will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with *TMP 1 Liquidity risk management*. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

## **TMP 9 Money laundering**

This council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule to this document.

## **TMP10 Training and qualifications**

This council recognises that the importance of ensuring that all staff involved in the treasury management functions are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements.

The responsible officer will ensure that Council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in the schedule to this document.

### **TMP11 Use of external providers**

This council recognises that responsibility for treasury management decisions remains with the council at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such services providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review. And it will ensure, where feasible and necessary, that a spread of service providers, is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The onitoring of such arrangements rest with the responsible officer, and details of the current arrangements are set out in the schedule to this document.

### **TMP12 Corporate governance**

This council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

This council has adopted and has implemented the key principles of the Code. This together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

**APPENDIX C**

**CREDIT RATING LIST**

The current policy is that whilst we maintain our full lending list in accordance with the methodology approved by Council on the 24th February 2010 we have been operating a more restricted list, lending only to UK banks, other Local Authorities and AAA Money Market Funds. For illustrative purposes this is attached to show the countries and organisations on the lending list at the present time using the approved methodology.

| Counterparty                              | Fitch rating        |              |           |                       | Moody's rating        |                    |                    |                     | S & P rating        |              | Suggested Duration (Watch/Outlook Adjusted) | CDS Data         |                  |                  |                  |                  | Suggested Duration (CDS Adjusted) |            |                |
|---|---------------------|--------------|-----------|-----------------------|-----------------------|--------------------|--------------------|---------------------|---------------------|--------------|---|------------------|------------------|------------------|------------------|------------------|-----------------------------------|------------|----------------|
|   | Fitch L Term Status | Fitch S Term | Viability | Support               | Moody's L Term Status | Moody's S Term     | Moody's FRS Status | FSR                 | S & P L Term Status | S & P S Term |   | 06/01/12         | Week % Change    | 1 Month % Change | 3 Month % Change | 6 Month % Change |                                   | CDS Status |                |
|   |                     |              |           |                       |                       |                    |                    |                     |                     |              |   |                  |                  |                  |                  |                  |                                   |            | L Term Status  |
| Australia Sovereign                       | SB                  | AAA          |           |                       | SB                    | Aaa                |                    |                     | SB                  | AAA          | Not Applicable                              | Not Applicable   | 80.6             | -0.9%            | 0.6%             | -10.9%           | 39.4%                             | In Range   | Not Applicable |
| Australia & New Zealand Banking Group Ltd | PO                  | AA-          | F1+       | aa-                   | 1                     | SB                 | Aa2                | P-1                 | SB                  | B-           | Orange = 12 mths                            | Orange = 12 mths | 175.5            | 1.0%             | -2.2%            | -21.6%           | 40.1%                             | In Range   | Green = 3 mths |
| Commonwealth Bank of Australia            | SB                  | AA           | F1+       | aa                    | 1                     | SB                 | Aa2                | P-1                 | SB                  | B-           | Purple =24 mths                             | Purple =24 mths  | 175.5            | 1.8%             | -2.0%            | -21.6%           | 40.5%                             | In Range   | Green = 3 mths |
| National Australia Bank Ltd               | SB                  | AA           | F1+       | aa                    | 1                     | SB                 | Aa2                | P-1                 | SB                  | B-           | Purple =24 mths                             | Purple =24 mths  | 174.9            | 1.5%             | -1.0%            | -21.8%           | 39.7%                             | In Range   | Green = 3 mths |
| Westpac Bank Corporation                  | SB                  | AA           | F1+       | aa                    | 1                     | SB                 | Aa2                | P-1                 | SB                  | B-           | Purple =24 mths                             | Purple =24 mths  | 175.5            | 1.2%             | -2.0%            | -21.4%           | 40.3%                             | In Range   | Green = 3 mths |
| <b>CDS Data</b>                           |                     |              |           |                       |                       |                    |                    |                     |                     |              |   |                  |                  |                  |                  |                  |                                   |            |                |
| Counterparty                              | Fitch rating        |              |           |                       | Moody's rating        |                    |                    |                     | S & P rating        |              | Suggested Duration (Watch/Outlook Adjusted) | CDS Data         |                  |                  |                  |                  | Suggested Duration (CDS Adjusted) |            |                |
| Fitch L Term Status                       | Fitch S Term        | Viability    | Support   | Moody's L Term Status | Moody's S Term        | Moody's FRS Status | FSR                | S & P L Term Status | S & P S Term        | 06/01/12     |   | Week % Change    | 1 Month % Change | 3 Month % Change | 6 Month % Change | CDS Status       |                                   |            |                |
| Canada - Sovereign                        | SB                  | AAA          |           |                       | SB                    | Aaa                |                    |                     | SB                  | AAA          | Not Applicable                              | Not Applicable   |                  |                  |                  |                  |                                   |            | Not Applicable |
| Bank of Montreal                          | SB                  | AA-          | F1+       | aa-                   | 1                     | SB                 | Aa2                | P-1                 | SB                  | B-           | Orange = 12 mths                            | Orange = 12 mths |                  |                  |                  |                  |                                   |            | Green = 3 mths |
| Bank of Nova Scotia                       | SB                  | AA-          | F1+       | aa-                   | 1                     | SB                 | Aa1                | P-1                 | SB                  | B            | Purple =24 mths                             | Purple =24 mths  |                  |                  |                  |                  |                                   |            | Green = 3 mths |
| Canadian Imperial Bank of Commerce        | SB                  | AA-          | F1+       | aa-                   | 1                     | SB                 | Aa2                | P-1                 | SB                  | B-           | Orange = 12 mths                            | Orange = 12 mths |                  |                  |                  |                  |                                   |            | Green = 3 mths |
| National Bank of Canada                   | SB                  | A+           | F1        | a+                    | 1                     | SB                 | Aa2                | P-1                 | SB                  | B-           | Red = 6 mths                                | Red = 6 mths     |                  |                  |                  |                  |                                   |            | Green = 3 mths |
| Royal Bank of Canada                      | SB                  | AA           | F1+       | aa                    | 1                     | SB                 | Aa1                | P-1                 | SB                  | B            | Purple =24 mths                             | Purple =24 mths  |                  |                  |                  |                  |                                   |            | Green = 3 mths |
| Toronto Dominion Bank                     | SB                  | AA-          | F1+       | aa-                   | 1                     | NO                 | Aaa                | P-1                 | NO                  | B+           | Purple =24 mths                             | Purple =24 mths  |                  |                  |                  |                  |                                   |            | Green = 3 mths |



| Counterparty            | Fitch rating        |               |               |               | Moody's rating        |                |                    |               | S & P rating | Duration | Suggested Duration (Watch/Outlook Adjusted) | CDS Data      |                  |                  |                  | Suggested Duration (CDS Adjusted) |            |                |
|-------------------------|---------------------|---------------|---------------|---------------|-----------------------|----------------|--------------------|---------------|--------------|----------|---|---------------|------------------|------------------|------------------|-----------------------------------|------------|----------------|
|                         | Fitch L Term Status | Fitch S Term  | Viability     | Support       | Moody's L Term Status | Moody's S Term | Moody's FRS Status | FSR           |              |          |   | Week % Change | 1 Month % Change | 3 Month % Change | 6 Month % Change |                                   | CDS Status |                |
|                         | L Term Status       | L Term Status | L Term Status | L Term Status | L Term Status         | L Term Status  | L Term Status      | L Term Status |              |          |   | 06/01/12      | 06/01/12         | 06/01/12         | 06/01/12         |                                   | In Range   |                |
| Denmark - Sovereign     | SB                  | AAA           |               |               | SB                    | AAA            |                    |               | SB           | AAA      | Not Applicable                              | 144.5         | 5.4%             | 36.0%            | 15.0%            | 185.4%                            | In Range   | Not Applicable |
| Danske Bank AS          | NO                  | A             | F1            | a             | 1                     | NO             | A2                 | P-1           | NO           | C        | Green = 3 mths                              | 288.9         | 4.6%             | 5.5%             | 7.3%             | 112.0%                            | In Range   | Green = 3 mths |
| Finland - Sovereign     | SB                  | AAA           |               |               | SB                    | AAA            |                    |               | NW           | AAA      | Not Applicable                              | 83.8          | 7.8%             | 29.1%            | 10.0%            | 117.5%                            | In Range   | Not Applicable |
| Nordea Bank Finland Plc | SB                  | AA-           | F1+           | a             | 1                     | SB             | Aa2                | P-1           | SB           | C+       | Orange = 12 mths                            | 178.4%        | 4.2%             | 6.8%             | 3.1%             | 119.2%                            | In Range   | Green = 3 mths |
| France - Sovereign      | NO                  | AAA           |               |               | SB                    | AAA            |                    |               | NW           | AAA      | Not Applicable                              | 243.2         | 9.4%             | 29.3%            | 40.4%            | 174.8%                            | In Range   | Not Applicable |
| BNP Paribas             | SB                  | A+            | F1+           | a+            | 1                     | NO             | Aa3                | P-1           | NW           | AA-      | Orange = 12 mths                            | 281.7         | 8.2%             | 17.7%            | 17.4%            | 128.5%                            | In Range   | Green = 3 mths |
| Deutsche Bank AG        | SB                  | A+            | F1+           | a             | 1                     | SB             | Aa3                | P-1           | SB           | C+       | Red = 6 mths                                | 215.5         | 12.3%            | 4.0%             | 19.6%            | 108.4%                            | In Range   | Green = 3 mths |



| Counterparty                   | Fitch rating        |              |           |                       | Moody's rating        |                    |                    |                     | S & P rating        |            | Duration            | Suggested Duration (Watch/Outlook Adjusted) | 06/01/12 | Week % Change | 1 Month % Change | 3 Month % Change | 6 Month % Change | CDS Status     | Suggested Duration (CDS Adjusted) |
|--------------------------------|---------------------|--------------|-----------|-----------------------|-----------------------|--------------------|--------------------|---------------------|---------------------|------------|---------------------|---|----------|---------------|------------------|------------------|------------------|----------------|-----------------------------------|
|                                | Fitch L Term Status | Fitch S Term | Viability | Support               | Moody's L Term Status | Moody's S Term     | Moody's FRS Status | FSR                 | S & P L Term Status | S & P Term |                     |   |          |               |                  |                  |                  |                |                                   |
| Singapore - Sovereign          | SB                  | AAA          |           |                       | SB                    | Aaa                |                    |                     | SB                  | AAA        | Not Applicable      | Not Applicable                              |          |               |                  |                  |                  | Not Applicable |                                   |
| DBS Ltd                        | SB                  | AA-          | aa-       | 1                     | SB                    | Aa1                | P-1                | B                   | SB                  | AA-        | A-1+                | Purple<br>=24 mths                          |          |               |                  |                  |                  | Green = 3 mths |                                   |
| Oversea Chinese Banking Corp L | SB                  | AA-          | aa-       | 1                     | SB                    | Aa1                | P-1                | B                   | SB                  | AA-        | A-1+                | Purple<br>=24 mths                          |          |               |                  |                  |                  | Green = 3 mths |                                   |
| United Overseas Bank Ltd.      | SB                  | AA-          | aa-       | 1                     | SB                    | Aa1                | P-1                | B                   | SB                  | AA-        | A-1+                | Purple<br>=24 mths                          |          |               |                  |                  |                  | Green = 3 mths |                                   |
| CDS Data                       |                     |              |           |                       |                       |                    |                    |                     |                     |            |                     |   |          |               |                  |                  |                  |                |                                   |
| Counterparty                   | Fitch rating        |              |           |                       | Moody's rating        |                    |                    |                     | S & P rating        |            | Duration            | Suggested Duration (Watch/Outlook Adjusted) | 06/01/12 | Week % Change | 1 Month % Change | 3 Month % Change | 6 Month % Change | CDS Status     | Suggested Duration (CDS Adjusted) |
| Fitch L Term Status            | Fitch S Term        | Viability    | Support   | Moody's L Term Status | Moody's S Term        | Moody's FRS Status | FSR                | S & P L Term Status | S & P Term          |            |                     |   |          |               |                  |                  |                  |                |                                   |
| Sweden - Sovereign             | SB                  | AAA          |           |                       | SB                    | Aaa                |                    |                     | SB                  | AAA        | Not Applicable      | Not Applicable                              | 82.2     | 5.4%          | 20.8%            | 180.3%           | In Range         | Not Applicable |                                   |
| Nordea Bank AB                 | SB                  | AA-          | aa-       | 1                     | SB                    | Aa2                | P-1                | C+                  | SB                  | AA-        | A-1+                | Orange<br>= 12 mths                         | 178.4    | 4.2%          | 6.8%             | 119.2%           | In Range         | Green = 3 mths |                                   |
| Svenska Handelsbanken AB       | SB                  | AA-          | aa-       | 1                     | SB                    | Aa2                | P-1                | C+                  | SB                  | AA-        | A-1+                | Orange<br>= 12 mths                         | 160.6    | -0.2%         | 7.5%             | 170.2%           | In Range         | Green = 3 mths |                                   |
| CDS Data                       |                     |              |           |                       |                       |                    |                    |                     |                     |            |                     |   |          |               |                  |                  |                  |                |                                   |
| Counterparty                   | Fitch rating        |              |           |                       | Moody's rating        |                    |                    |                     | S & P rating        |            | Duration            | Suggested Duration (Watch/Outlook Adjusted) | 06/01/12 | Week % Change | 1 Month % Change | 3 Month % Change | 6 Month % Change | CDS Status     | Suggested Duration (CDS Adjusted) |
| Fitch L Term Status            | Fitch S Term        | Viability    | Support   | Moody's L Term Status | Moody's S Term        | Moody's FRS Status | FSR                | S & P L Term Status | S & P Term          |            |                     |   |          |               |                  |                  |                  |                |                                   |
| Switzerland - Sovereign        | SB                  | AAA          |           |                       | SB                    | Aaa                |                    |                     | SB                  | AAA        | Not Applicable      | Not Applicable                              |          |               |                  |                  |                  | Not Applicable |                                   |
| Credit Suisse                  | SB                  | A            | a         | 1                     | RD                    | Aa1                | P-1                | B                   | NO                  | A+         | Orange<br>= 12 mths | Red = 6 mths                                | 152.4    | 3.8%          | -0.6%            | -8.8%            | 46.2%            | In Range       | Green = 3 mths                    |

| Counterparty                                    | Fitch rating        |              |           |         |                | Moody's rating |                |        |                    |        | S & P rating        |                     | Duration         | Suggested Duration (Watch/Outlook Adjusted) | CDS Data |               |                  |                  |                  | Suggested Duration (CDS Adjusted) |                |                |
|---|---------------------|--------------|-----------|---------|----------------|----------------|----------------|--------|--------------------|--------|---------------------|---------------------|------------------|---|----------|---------------|------------------|------------------|------------------|-----------------------------------|----------------|----------------|
|   | Fitch L Term Status | Fitch S Term | Viability | Support | Moody's L Term |                | Moody's S Term |        | Moody's FRS Status |        | S & P L Term Status | S & P L Term Status |                  |   | 06/01/12 | Week % Change | 1 Month % Change | 3 Month % Change | 6 Month % Change |                                   | CDS Status     |                |
|   |                     |              |           |         | L Term         | S Term         | L Term         | S Term | L Term             | S Term |                     |                     |                  |   |          |               |                  |                  |                  |                                   |                | L Term         |
| <b>UK - Sovereign</b>                           | SB                  | AAA          |           |         |                | SB             | Aaa            |        |                    |        | SB                  | AAA                 | Not Applicable   | Not Applicable                              | 101.1    | 3.7%          | 12.2%            | 13.0%            | 49.3%            | In Range                          | Not Applicable |                |
| Barclays Bank plc                               | SB                  | A            | F1        | a       | 1              | NO             | Aa3            | P-1    | SB                 | C      | SB                  | A+                  | Red = 6 mths     | Red = 6 mths                                | 214.5    | 9.9%          | 15.6%            | -6.4%            | 56.8%            | In Range                          | Green = 3 mths |                |
| HSBC Bank plc                                   | SB                  | AA           | F1+       | aa-     | 1              | NO             | Aa2            | P-1    | NO                 | C+     | SB                  | AA-                 | Orange = 12 mths | Orange = 12 mths                            | 173.6    | 20.6%         | 32.9%            | 5.6%             | 120.2%           | In Range                          | Green = 3 mths |                |
| Standard Chartered Bank                         | SB                  | AA-          | F1+       | aa-     | 1              | SB             | A1             | P-1    | SB                 | B-     | SB                  | AA-                 | Orange = 12 mths | Orange = 12 mths                            | 190.7    | 5.8%          | 18.9%            | 1.6%             | 91.6%            | In Range                          | Green = 3 mths |                |
| Sumitomo Mitsui Banking Corporation Europe Ltd. | SB                  | A            | F1        | a+      | 1              | SB             | Aa3            | P-1    | SB                 | C      | NO                  | A+                  | Green = 3 mths   | Green = 3 mths                              | 178.0    | -2.3%         | -0.7%            | 3.7%             | 80.9%            | In Range                          | Green = 3 mths |                |
| <b>US - Sovereign</b>                           | NO                  | AAA          |           |         |                | NO             | Aaa            |        |                    |        | NO                  | AA+                 | Not Applicable   | Not Applicable                              | 51.0     | 0.3%          | 2.1%             | 2.3%             | -4.3%            | In Range                          | Not Applicable |                |
| Bank of New York Mellon                         | SB                  | AA-          | F1+       | aa-     | 1              | RD             | Aaa            | P-1    | RD                 | B+     | NO                  | AA-                 | Purple = 24 mths | Purple = 24 mths                            |          |               |                  |                  |                  |                                   |                | Green = 3 mths |
| HSBC Bank USA                                   | SB                  | AA           | F1+       | a-      | 1              | NO             | Aa3            | P-1    | NO                 | C      | SB                  | AA-                 | Orange = 12 mths | Red = 6 mths                                |          |               |                  |                  |                  |                                   |                | Green = 3 mths |
| J.P. Morgan Chase Bank NA                       | SB                  | AA-          | F1+       | aa-     | 1              | NO             | Aa1            | P-1    | NO                 | B      | SB                  | A+                  | Orange = 12 mths | Orange = 12 mths                            | 135.2    | -8.0%         | -8.6%            | -22.0%           | 70.9%            | In Range                          | Green = 3 mths |                |
| State Street Bank and Trust Company             | SB                  | A+           | F1+       | a+      | 1              | NO             | Aa2            | P-1    | NO                 | B      | NO                  | AA-                 | Orange = 12 mths | Orange = 12 mths                            |          |               |                  |                  |                  |                                   |                | Green = 3 mths |

| Counterparty                                | Fitch rating  |        |                   | Moody's rating        |                |                    | S & P rating        |                     | Duration | Suggested Duration (Watch/Outlook Adjusted) | 06/01/12 | Week % Change | 1 Month % Change | 3 Month % Change | 6 Month % Change | CDS Status | Suggested Duration (CDS Adjusted) |
|---|---------------|--------|-------------------|-----------------------|----------------|--------------------|---------------------|---------------------|----------|---|----------|---------------|------------------|------------------|------------------|------------|-----------------------------------|
|   | L Term Status | S Term | Viability Support | Moody's L Term Status | Moody's S Term | Moody's FRS Status | S & P L Term Status | S & P L Term Status |          |   |          |               |                  |                  |                  |            |                                   |
| UK Nationalised and Part nationalised banks | SB            | A      | F1                | 1                     | RD             | A1                 | P-1                 | SB                  | D+       | SB  | A        | A-1           | Blue = 12 mths   |                  |                  |            | Not Applicable                    |
| Lloyds TSB Bank plc                         | SB            | A      | F1                | bbb                   | RD             | A1                 | P-1                 | RD                  | C-       | SB  | A        | A-1           | Blue = 12 mths   |                  |                  |            | Not Applicable                    |
| National Westminster Bank plc               | SB            | A      | F1                | 1                     | NO             | A2                 | P-1                 | SB                  | C-       | SB  | A        | A-1           | Blue = 12 mths   |                  | 2.3%             | 24.1%      | 61.4%                             |
| Royal Bank of Scotland plc                  | SB            | A      | F1                | bbb                   | 1              | NO                 | A2                  | P-1                 | SB       | C-  | SB       | A             | Blue = 12 mths   |                  | 4.2%             | 11.8%      | 58.7%                             |

**Group Limits**

The following banks operate under their own name but are part of the same banking group

- 1) Lloyds Bank Group plc - Bank of Scotland/Lloyds TSB plc, Halifax plc, HBOS Treasury Services
- 2) Royal Bank of Scotland Group plc - ABN AMRO Bank NV, Nat West, RBS plc, Ulsler Bank Ltd
- 3) Dexia Bank (in Belgium), Dexia BIL (in Luxembourg), Dexia Credit Local (in France)
- 4) Credit Agricole, Credit Agricole Indosuez, Calyon (French)
- 5) HSBC plc, HSBC Bank USA, Hong Kong and Shanghai Banking Corp (Hong Kong)
- 6) Bank of Ireland and Bristol and West
- 7) Nordea Bank's - Denmark, Finland, Norge ASA, Sweden
- 8) Banco Santander - Banco Santander UK plc (old Abbey National Alliance and Leicester, Bradford and Bingley)
- 9) Nationwide Building Society, Derbyshire, Cheshire and Dumfermline Building Society
- 10) Barclays, Woolwich

The limits for the Groups will be £25 Million or as per the Lending limit for the individual Bank except for the UK which would be unlimited.

06/01/12

The Council minimum rating requirement is as follows

Sovereign Rating AA+

Fitch Long Term A- Short Term F2 Individual bbb- Support 2

Moody's Long Term A3 Short Term P-2 Financial Strength C

S & P Long Term A- Short Term A-3

NO Negative Outlook  
 NW Negative Watch  
 DG Downgrade  
 PD Under Review for Possible downgrade  
 RO Positive Outlook  
 PW Positive Watch  
 UP Upgrade  
 RU Under Review for Possible Upgrade  
 SB Stable Outlook  
 EW Evolving Watch  
 EO Evolving Outlook  
 WD Rating Withdrawn  
 DO Developing Outlook  
 UN Direction Uncertain

DG NO  
 DG NW  
 DG RD  
 DG SB  
 DG EW  
 DG SB  
 DG DO  
 DG UN  
 UP PO  
 UP PW  
 UP RU  
 UP SB  
 UP EO  
 UP DO

Downgrade & Negative Outlook  
 Downgrade & Negative Watch  
 Downgrade & Under Review for Possible Downgrade  
 Downgrade & Stable Outlook  
 Downgrade & Evolving Watch  
 Downgrade & Evolving Outlook  
 Downgrade & Evolving Outlook  
 Downgrade & Direction Uncertain  
 Upgrade and Positive Outlook  
 Upgrade and Positive Watch  
 Upgrade and Under review for Possible Upgrade  
 Upgrade and Stable Outlook  
 Upgrade and Evolving Outlook  
 Upgrade and Developing Outlook

# Agenda Item 6



London Borough of Hammersmith & Fulham

## Cabinet

30 January 2012

### LEADER

*Councillor Stephen Greenhalgh*

### DEPUTY LEADER

*Councillor Nicholas Botterill*

### CONTRIBUTORS

All Departments

### CAPITAL PROGRAMME 2012/13 TO 2016/17

Wards

Summary:

All

This report sets out proposals in respect of the capital programme, together with ancillary issues.

### Recommendation(s):

1. To approve the General Fund Capital Programme budget at £72.722m for 2012/13.
2. To approve a Debt Reduction target of £44.1m by 2016/17 which will reduce underlying debt - as measured by the Capital Financing Requirement - to £77.7m.
3. To approve that 25% of receipts generated for the decent neighbourhoods programme continue to be used to support general capital investment in 2012/13.
4. To approve the following initiatives within the capital programme (Table 4):
  - The continuation of the rolling programmes for repairs to Carriageways and Footways £2.1m, Corporate Planned Maintenance £2.5m, Private Sector Housing Grants £0.45m, Parks Improvements £0.5m, contributions to the Invest to Save Fund £0.75m and the Re-provision of Services from Sands End Community Centre £0.22m. This totals £6.520m.
5. To note and approve the level of resource forecast (Table 2) and indicative expenditure budget 2012/13 of £13.043m for the Decent Neighbourhoods programme as detailed in Appendix 1; and 2012/13 contribution to fund works to the HRA stock of £8.820m

|  |
|--|
| <p><b>HAS A EIA BEEN COMPLETED?</b><br/><b>YES</b></p> |
|--|

# Cabinet

30 January 2012

from the Decent Neighbourhoods Pot  
(schemes under consideration).

6. To note the 2012/13 HRA capital programme of £37.420m as set out in Table 6.
7. To approve the following annual Minimum Revenue Provision (Appendix 5).
  - For debt which is supported through Formula Grant this authority will calculate the Minimum Revenue Provision in accordance with current regulations (namely 4% of the Capital Financing requirement net of adjustment A).
  - For debt which has arisen through prudential borrowing it should be written down in equal instalments over the estimated asset life. The debt write-off will commence the year after an asset comes into use.
8. To approve the prudential indicators as set out in Appendix 6 to the report.

## 1. Introduction

- 1.1 This report sets out an updated resource forecast and a capital programme for 2012/13 to 2016/17. Since 2006/07, the Council has put in place a debt reduction strategy which has enabled £46m of capital debt to be repaid by the end of 2010/11. Annual revenue savings of £4m are forecast by 2014/15. The capital programme now put forward seeks to build on these savings whilst funding essential new investment and key Council priorities.
- 1.2 The Council has embarked on a number of major projects such as King Street Regeneration Strategy and a range of decent neighbourhood schemes. A brief update on these projects is set out in section 6 of this report and appropriate allowance made within the overall capital programme. Consideration has been taken of known specific funded schemes. Other funding allocations will be addressed when such funding is confirmed.

## 2. General Fund Debt Reductions

- 2.1 As at the end of the 2006/07 financial year, the outstanding General Fund debt (as measured by the Capital Financing Requirement – CFR) was £168m. The opening 2010/11 CFR was £132.7m and this reduced to £121.8m by the end of 2010/11. **The forecast closing CFR for 2011/12 is £111.7m.** The CFR is explained in more detail in appendix 4.
- 2.2 The CFR forecast, together with associated MTFS revenue savings, for future years is identified in Table 1. General fund debt is now forecast to reduce to **£94m in 2012/13 and to £77.7m by 2016/17.**

**Table 1 - Forecast Movement in the Capital Financing Requirement (CFR)**

|   | 2012/13       | 2013/14       | 2014/15       | 2015/16       | 2016/17       |
|---|---------------|---------------|---------------|---------------|---------------|
|   | £m            | £m            | £m            | £m            | £m            |
| <b>Opening Capital Financing Requirement</b>                | 111.7         | 94.0          | 77.7          | 77.7          | 77.7          |
| Revenue Repayment of Debt (MRP <sup>1</sup> )               | (2.7)         | (2.0)         | (1.4)         | (1.4)         | (1.4)         |
| Borrowing For Schools & Education Investment <sup>2</sup>   | 5.0           | 0.3           | 0.0           | 0.0           | 0.0           |
| Annual (Surplus) in the Capital Programme                   | (19.9)        | (14.6)        | 1.4           | 1.4           | 1.4           |
| <b>Closing CFR</b>  | <b>94.0</b>   | <b>77.7</b>   | <b>77.7</b>   | <b>77.7</b>   | <b>77.7</b>   |
| <i>Net Movement from the opening 2011/12 CFR (£121.8 m)</i> | <i>(27.8)</i> | <i>(44.1)</i> | <i>(44.1)</i> | <i>(44.1)</i> | <i>(44.1)</i> |
| <i>Revenue Impact (9% of CFR – lagged by 1 year)</i>        |               | <i>(2.5)</i>  | <i>(4.0)</i>  | <i>(4.0)</i>  | <i>(4.0)</i>  |

<sup>1</sup> Minimum Revenue Provision (see Appendix 4 for further information).

<sup>2</sup> Borrowing for Schools Investment to be financed from the DSG Funding.

*Figures may not cast due to roundings*



2.3 It should be noted that the 2012/13 debt reduction target of **£94m** is based on an assumption of General Fund forecast receipts of **£35.010m** being realised. These are detailed in Appendix 3. The actual level, and timing, of sales is subject to certain caveats – most notably a dependence on the wider property market, appropriate consultation and planning considerations. In addition a portion of receipts – up to a cap of 4% - may be appropriated to cover the cost of disposal. The Council continues to review its asset holdings to identify potential further disposals. The target for forecast sales is ambitious and a risk is identified within the Medium Term Financial Strategy that sales may slip or not be achieved. An additional risk is that significant cost of sales may be incurred.

### 3. Decent Neighbourhoods Programme

3.1 A key Council objective is the regeneration of housing estates and creation of sustainable communities. Certain housing capital receipts have been earmarked for this purpose and a number of initiatives are now in progress whilst others are under consideration. Details of the expenditure and resource forecasts are provided in Appendix 1 and are summarised in Table 2.

3.2 The programme is forecast to be in **surplus by £102.7m by 2016/17**. The actual level, and timing, of sales underpinning this surplus is subject to the same caveats cited in 2.3.

**Table 2 - Decent Neighbourhoods - Expenditure and Resource Forecast**

| <b>Decent Neighbourhoods Summary</b>                 | <b>2012/13</b>  | <b>2013/14</b>  | <b>2014/15</b>  | <b>2015/16</b>  | <b>2016/17</b>   |
|--|-----------------|-----------------|-----------------|-----------------|------------------|
|  | £m              | £m              | £m              | £m              | £m               |
| Forecast expenditure                                 | 13.043          | 1.747           | 0               | 0               | 0                |
| Forecast resources                                   | (31.874)        | (32.408)        | (21.000)        | (21.000)        | (21.000)         |
| <b>In year (surplus) - based on approved schemes</b> | <b>(18.831)</b> | <b>(30.661)</b> | <b>(21.000)</b> | <b>(21.000)</b> | <b>(21.000)</b>  |
| Schemes under consideration:<br>Forecast expenditure | 14.570          | 6.652           | 1.796           | (4.183)         | 0.810            |
| <b>Revised In Year (Surplus)</b>                     | <b>(4.261)</b>  | <b>(24.009)</b> | <b>(19.204)</b> | <b>(25.183)</b> | <b>(20.190)</b>  |
| Balance brought forward                              | (9.873)         | (14.134)        | (38.143)        | (57.347)        | (82.530)         |
| <b>Current Cumulative forecast (Surplus)</b>         | <b>(14.134)</b> | <b>(38.143)</b> | <b>(57.347)</b> | <b>(82.530)</b> | <b>(102.720)</b> |
| <i>Last Reported Cumulative (Surplus)</i>            | <i>(20.112)</i> | <i>(36.168)</i> | <i>(56.273)</i> | <i>(82.387)</i> | <i>0</i>         |
| <i>Budget Council</i>                                | <i>(26.015)</i> | <i>(48.178)</i> | <i>(69.178)</i> | <i>(90.178)</i> | <i>0</i>         |

3.3 **Decent Neighbourhoods Receipts.** The council has - via a number of specific Cabinet decisions - opted to ring fence receipts from disposals of certain asset types (hostels, street properties, and other regeneration sites) for regeneration or

affordable housing purposes. These receipts have been channelled into the Decent Neighbourhoods Fund. Although this approach has allowed for investment in a number of such schemes, in general the level of receipts coming into the fund has outstripped the expenditure from it. This has led to a position where the fund is projected to be in **surplus by between £14.1m and £102.7m over the capital programme period**. This is subject to future decisions regarding the possible use of such resources and given the imbalance in funding between this and the general programme the Council agreed that, from 2010/11, these receipts should be top-sliced by 25% to contribute to general resources. This decision is intended to run until 2012/13. The continuation of this contribution thereafter is subject to uncertainties given proposed changes to the Housing Finance regime and it will need to be reconsidered once any changes to the accounting framework are made clear.

- 3.4 The resources available within the decent neighbourhood's pot have arisen from the sale of HRA land and houses (non Right to Buy). It should be noted that up to 75% of these receipts are at risk of being paid over to the government under pooling regulations. However, pooling can be avoided, where the receipt can be matched against the Council's Capital Allowance. The concept of Capital Allowance is explained in detail in appendix 4. As at the start of 2011/12 this allowance stood at £7.3m. This is forecast to increase to £12.9m at year-end after taking into account expected receipts and qualifying expenditure for the year.
- 3.5 Over the longer term there is a risk that the Capital Allowance will be exhausted given the success in disposing of HRA properties combined with having few or no schemes against which to match receipts. Should this risk materialise it will become necessary to pool a portion of receipts.
- 3.6 In considering this risk it is important to note the following:
  - In addition to actual expenditure, the Capital Allowance can be increased by a 'resolution to spend' - that is to say a clear and quantifiable commitment to enter into affordable housing or regeneration programmes.
  - The government is presently consulting on changing the capital allowance regulations from 2012/13 to allow authorities to apply receipts against the repayment of housing debt.

#### **4. General Fund Forecast Expenditure and Resources**

- 4.1 The latest General Fund expenditure and resource forecast is set out in Table 3. A **surplus in resources of £19.9m is identified for 2012/13**. The actual level, and timing, of sales is again subject to the caveats cited in 2.3. It has been assumed, in accordance with the Council's debt reduction strategy, that the surplus on the General Fund capital programme will be set aside for debt redemption.

**Table 3 - General Fund Capital Programme Summary**

|                                    | 2012/13         | 2013/14         | 2014/15      | 2015/16      | 2016/17      |
|------------------------------------|-----------------|-----------------|--------------|--------------|--------------|
|                                    | £'000           | £'000           | £'000        | £'000        | £'000        |
| Forecast Expenditure (see Table 4) | 72,722          | 11,134          | 8,230        | 7,000        | 7,000        |
| Forecast Resources (see Table 5)   | 92,595          | 25,731          | 6,850        | 5,620        | 5,620        |
| <b>In-Year (Surplus)/Deficit</b>   | <b>(19,873)</b> | <b>(14,597)</b> | <b>1,380</b> | <b>1,380</b> | <b>1,380</b> |

- 4.2 **Expenditure** - The current expenditure programme is set out in Appendix 2 and is summarised in Table 4. The mainstream expenditure budgets relate to the completion of existing schemes and continuation of rolling programmes (Carriageways, Footways, Corporate planned maintenance, Private Sector Housing Grants, Parks Development, and contribution to the Invest to Save Fund).

**Table 4 - General Fund Capital Programme - Expenditure Forecast**

|  | 2012/13       | 2013/14       | 2014/15      | 2015/16      | 2016/17      |
|--|---------------|---------------|--------------|--------------|--------------|
|  | £'000         | £'000         | £'000        | £'000        | £'000        |
| Completion of Existing <sup>3</sup> Schemes (mainstream)   | 10,951        | 614           | 0            | 0            | 0            |
| Continuation of Rolling Programmes (mainstream):           |               |               |              |              |              |
| - Carriageways   | 1,350         | 1,350         | 1,350        | 1,350        | 1,350        |
| - Footways   | 750           | 750           | 750          | 750          | 750          |
| - Corporate planned maintenance                            | 2,500         | 2,500         | 2,500        | 2,500        | 2,500        |
| - Private Sector Housing Grants                            | 450           | 450           | 450          | 450          | 450          |
| - Parks Development  | 500           | 500           | 500          | 500          | 500          |
| - Contributions to Invest to Save                          | 750           | 750           | 750          | 750          | 750          |
| - Re-provision of services from Sands End Community Centre | 220           | 0             | 0            | 0            | 0            |
| <b>Total Mainstream Expenditure</b>                        | <b>17,471</b> | <b>6,914</b>  | <b>6,300</b> | <b>6,300</b> | <b>6,300</b> |
| Specific Funded Schemes                                    | <b>55,251</b> | <b>4,220</b>  | <b>1,930</b> | <b>700</b>   | <b>700</b>   |
| <b>Total Forecast Expenditure</b>                          | <b>72,722</b> | <b>11,134</b> | <b>8,230</b> | <b>7,000</b> | <b>7,000</b> |

- 4.3 **Resources** - The general fund resources forecast is shown in Table 5. In line with the debt reduction strategy the core mainstream capital programme continues to be funded from capital receipts (Appendix 3) with no provision made for new borrowing. The resource forecast for 2012/13 includes a 25% contribution from receipts realised from the decent neighbourhoods asset disposals programme (see 3.3). The specific resource forecast is based on known allocations and includes the updated position for schools capital funding (refer to para 6.6) and

<sup>3</sup> Existing mainstream projects include, the Primary and Secondary School Capital Programmes £9.627m; Corporate Planned Maintenance £738K, and Bishops Park scheme £586K = £10.951m

Transport for London Local Implementation Plan funding of £2.529m in 2012/13. It will be updated over the forthcoming months in accordance with relevant government, and other public and private, spending announcements. In addition the capital receipts figures will be updated as they become known.

**Table 5 - General Fund Resource Forecast**

|  | <b>2012/13</b> | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> |
|--|----------------|----------------|----------------|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   |
| Right to Buy Receipts                                  | 500            | 500            | 500            | 500            | 500            |
| General Capital Receipts (Appendix 3)                  | 35,010         | 21,011         | 4,420          | 4,420          | 4,420          |
| Reimbursement to decent neighbourhoods pot             | (7,000)        |                |                |                |                |
| Contributions from Decent Neighbourhoods. (Appendix 1) | 8,834          | 0              | 0              | 0              | 0              |
| Scheme Specific Resources                              | 55,251         | 4,220          | 1,930          | 700            | 700            |
| <b>Total Forecast Resources</b>                        | <b>92,595</b>  | <b>25,731</b>  | <b>6,850</b>   | <b>5,620</b>   | <b>5,620</b>   |

## 5. Housing Capital Programme

- 5.1 The latest capital resource forecast for the Housing Capital Programme is set out in table 6 below, together with the proposed Housing Revenue Account Capital Programme.

**Table 6 - HRA Capital Programme Summary**

| HRA Forecast  | 2012/13       | 2013/14       | 2014/15       | 2015/16       | 2016/17       |
|---|---------------|---------------|---------------|---------------|---------------|
|   | £m            | £m            | £m            | £m            | £m            |
| Expenditure:  |               |               |               |               |               |
| Proposed HRA Capital Programme                            | 35.793        | 31.091        | 28.858        | 29.579        | 30.318        |
| Jepson House (previously Decent Neighbourhoods Programme) | 1.627         | 0.078         | 0             | 0             | 0             |
| <b>Total Expenditure</b>                                  | <b>37.420</b> | <b>31.169</b> | <b>28.858</b> | <b>29.579</b> | <b>30.318</b> |
| Resources:  |               |               |               |               |               |
| Major Repairs Allowance                                   | 15.178        | 15.694        | 16.225        | 16.772        | 17.336        |
| Expensive Voids Contributions - Proposed                  | 8.820         | 4.652         | 1.796         | 0.931         | 0.810         |
| Jepson House - Decent Neighbourhoods Programme            | 1.627         | 0.078         | 0             | 0             | 0             |
| Leasehold Contributions                                   | 6.692         | 6.345         | 3.537         | 2.500         | 2.500         |
| Edward Woods receipts                                     | 5.103         | 0             | 0             | 0             | 0             |
| Revenue Contributions                                     | 0             | 4.400         | 7.300         | 9.376         | 9.672         |
| Other Specific Funding                                    | 0             | 0             | 0             | 0             | 0             |
| <b>Total Resources</b>                                    | <b>37.420</b> | <b>31.169</b> | <b>28.858</b> | <b>29.579</b> | <b>30.318</b> |
| <b>Forecast (Surplus)/Deficit</b>                         | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>0</b>      |

- 5.2 The proposed future programme maintains the condition and fitness for purpose of the stock including ensuring homes are maintained at a decent standard and remain in a condition suitable for letting, addresses our statutory and health and safety obligations, improves energy efficiency, addresses residual backlog works which were outside the scope of the decent homes programme and meets resident priorities such as security and environmental improvements. It should be noted that mainstream resources are insufficient to cover the programme and a draw down has been made from the Decent Neighbourhoods pot of £8.82m in 2012/13 as approved by Cabinet in December 2011.
- 5.3 In November 2011, the Government announced draft determinations to implement self-financing of the HRA from April 2012. Table 6 illustrates the revised assumptions for LBHF's Major Repairs Allowance over the next five years.

## **6. Horizon Scanning - Projects and Resources**

6.1 The Council is currently progressing a number of major projects that are likely to impact on the capital programme over the next 5 years. An update is provided in this section on current progress. As these projects are progressed, appropriate amendments will be made to Capital and Revenue Estimates subject to Member approval.

### **6.2 King Street Regeneration**

The Council is currently taking forward proposals for this scheme which includes a major change to the existing Civic Accommodation provision in Hammersmith. At present a developer has been appointed to take forward this scheme and a planning application submitted. It is hoped that the strategy can be delivered at net nil cost to the Council but this position, particularly in the light of the current economic conditions, will need to be kept under review.

### **6.3 Earl's Court**

The council is in discussions with other landowners (Transport for London and Capital & Counties) regarding the potential redevelopment of Earl's Court after 2012. This is intended to bring substantial benefits to the wider area, including more and better quality homes, new jobs and improved open spaces. The plans could include the West Kensington and Gibbs Green Estate and a key concern for the Council is that any scheme must provide 760 new homes for the residents. The council recently received £15m from Capital and Counties (CapCo) for signing an exclusivity agreement relating to the Earl's Court Regeneration site. Of this receipt, £10m is refundable should a conditional land sale agreement (CLSA) not be possible; the remaining £5m is not refundable under any circumstances.

### **6.4 White City/Shepherds Bush Market**

White City is a major development area with potential for up to 5,000 new homes being built. Most of those are being earmarked for land east of Wood Lane with detailed proposals likely to emerge in the next few years. The council has also set out a new vision to protect Shepherds Bush Market. This is subject to the developer assembling the rest of the land needed to come-up with a viable scheme for redeveloping the market that ultimately gets planning consent and is in accordance with the council's planning brief.

### **6.5 A Local Housing Company**

The Council is exploring options for establishing two housing companies - a development company that would provide new housing, including housing for sale, and a company with charitable aims that would subsequently hold any rented or intermediate housing (such as shared ownership). The Council has identified a number of sites in its ownership which could, if developed, represent a significant opportunity to develop new homes through innovative delivery arrangements.

### **6.6 Schools' Capital Programme**

Cabinet gave approval to the School Organisation Strategy in March 2011 to deliver the Council's key educational priorities:

- To meet the Council's statutory responsibility to provide school places to meet demand; and
- The Council's commitment to :
  - The Special Schools Strategy
  - The Schools of Choice agenda for expanding popular schools
  - Increase the percentage of resident children choosing the Borough's schools.

On 3<sup>rd</sup> November 2011, the Government announced increased 2011/12 capital funding for Local Authorities experiencing the greatest need in managing shortfalls in providing pupil places. This additional funding has been made available from efficiencies and savings identified in continuing BSF projects. LBHF were one of the highest recipients being 7<sup>th</sup> highest nationally with an additional 2011/12 basic needs allocation of **£15.072m** reflecting the pressures the Council has already identified in the need for statutory school places. Officers have been working with schools to develop proposals for both the 2011/12 Capacity allocation and plans for the 2012/13 allocations, subject to Cabinet consideration on the 5<sup>th</sup> March 2012.

On 13<sup>th</sup> December 2011, the Government announced new capital funding for 2012/13 including allocations for devolved formula capital, basic need (funding for additional pupil places), and maintenance of which LBHF will benefit from **£16.6m** local authority capital grant funding.

#### 6.7 **White City Collaborative Care Centre**

The centre will be both a flagship joint health and social care service centre operated in conjunction with H&F and the PCT, and a major housing development delivering on the Council's priority to increase home ownership in the borough. The council side of the project will be delivered via a LIFT Co arrangement, a health finance vehicle with similarities to a PFI deal, where the Council will take a lease-plus interest in the building for a period of 25 years. PFI Credits worth £335,200 per year over 25 years were approved in April 2011 however the project is still subject to full financial close (expected January 2012). Should this be approved, development can expected to commence shortly thereafter.

#### 6.8 **Park Royal City International (Old Oak Common Opportunity Area)**

As part of developing the business case for a High Speed 2 / Crossrail interchange at Old Oak Common, preliminary discussions have been held with Transport for London, Crossrail and Network Rail to promote oversite development as part of the potential first phase of development. If these proposals come to fruition, this may involve the Council considering underwriting circa £30 million to ensure that preliminary infrastructure is installed to facilitate subsequent oversite development, as part of the initial £300 million investment for phase 1 works.

6.9 With regard to resources, a major potential development in the coming years will be the introduction of the **Community Infrastructure Levy (CIL)**. This is a new levy that local authorities can choose to charge on new developments in their

area. The money raised can be used to support development by funding infrastructure that the Council, local community and neighbourhoods want. Over time it is designed to replace the funding currently delivered through Section 106 payments. The Mayor of London has introduced a London-wide CIL to pay for Crossrail and the Council is currently considering whether to introduce its own CIL. Should the Council introduce a CIL this will give rise to stream of funding which need to be deployed for infrastructure development and improvement.

## **7. Director of Finance and Corporate Services Comments**

- 7.1 Debt reduction is a key element of the Council's revenue budget strategy. The proposals set out in this report will provide for annual revenue savings of £8.1m to have been delivered from 2006/07 to 2014/15. The future delivery of these savings is heavily reliant on meeting the target for asset sales and progress against target will need to be closely monitored. The costs of sale, including security and relocation, also need to be tightly controlled to avoid additional capital and revenue spend pressures.
- 7.2 The Council's mainstream capital programme is now largely restricted to core rolling programmes but it is looking to regenerate a number of priority areas through a number of initiatives. These may have a major impact, both in terms of expenditure and resources, on the capital forecast over the next 5 years. Amendments will be made in line with Member approval.
- 7.3 In accordance with the requirements of the Prudential Code for Capital Finance local authorities are required to maintain a number of prudential indicators. These are set out in Appendix 4. The indicator used to reflect the underlying need of an authority to borrow for a capital purpose is the Capital Financing Requirement (CFR). The General Fund CFR is estimated to be £111.7m at the start of 2012/13. The proposals set out in this report are estimated to reduce it to £77.7m by 2016/17. This net reduction has been taken account of within the council's Treasury Management Strategy. No allowance is made yet for any borrowing should a decision be taken to proceed with a housing company.
- 7.4 Each year local authorities are required to set aside some of their revenues as provision for debt repayment. This is commonly termed the minimum revenue provision (MRP). Before the start of each financial year full council is required to approve a statement of its policy on making MRP in respect of that financial year. Appendix 5 sets out the options now available to Hammersmith and Fulham and recommends which option should be followed.



**8. COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)**

8.1 There are no direct legal implications in relation to this report.

**Capital Budget Monitoring and Financing Information:**

- Appendix 1 Decent Neighbourhoods (Housing & Regeneration) 2012/2017
- Appendix 2a Summary General Fund Capital Programme 2012/2017
- Appendix 2b Departmental General Fund Capital Programme 2012/2017 - Children's Services, Community Services, Environment Services, Finance and Corporate, Residents Services
- Appendix 3 General Fund anticipated capital receipts 2012/13 to 2016/17
- Appendix 4 The Capital Financing Requirement (CFR) and Capital Allowance
- Appendix 5 Annual Minimum Revenue Provision (MRP) Statement
- Appendix 6 Prudential Indicators

**LOCAL GOVERNMENT ACT 2000 – BACKGROUND PAPERS**

| No. | Brief Description of Background Papers | Name/Ext. of holder of file/copy                          | Department                             |
|-----|--|---|--|
| 1.  | Capital Monitoring Documents           | Isaac Egberedu<br>Ext 2503<br><br>Jade Cheung<br>Ext 3374 | Finance Dept.,<br>Room 5,<br>Town Hall |

## Appendix 1 - Decent Neighbourhoods (Housing & Regeneration) 2012/2017

| <b>HOUSING AND REGENERATION CAPITAL PROGRAMME</b>  |                 |                 |                 |                 |                  |
|--|-----------------|-----------------|-----------------|-----------------|------------------|
|  | <b>2012/13</b>  | <b>2013/14</b>  | <b>2014/15</b>  | <b>2015/16</b>  | <b>2016/17</b>   |
| <b>Expenditure / (Resources)</b>   | <b>£'000</b>    | <b>£'000</b>    | <b>£'000</b>    | <b>£'000</b>    | <b>£'000</b>     |
| Fulham Court (development including Childrens Centre)  | 1,722           | 1,747           | 0               | 0               | 0                |
| Hostel Improvements  | 1,321           | 0               | 0               | 0               | 0                |
| Debt Repayment taken under pooling rules from receipts.  | 9,500           | 0               | 0               | 0               | 0                |
| Shop Investments   | 500             | 0               | 0               | 0               | 0                |
| <b>Total H&amp;R Expenditure</b>   | <b>13,043</b>   | <b>1,747</b>    | <b>0</b>        | <b>0</b>        | <b>0</b>         |
| Forecast (Properties to be identified)   | (21,000)        | (24,500)        | (28,000)        | (28,000)        | (28,000)         |
| <b>Other Sales</b>   | <b>(14,335)</b> | <b>(18,814)</b> | <b>0</b>        | <b>0</b>        | <b>0</b>         |
| <b>Total Sales Receipts</b>  | <b>(35,335)</b> | <b>(43,314)</b> | <b>(28,000)</b> | <b>(28,000)</b> | <b>(28,000)</b>  |
| <b>Resource Transfers</b>  |                 |                 |                 |                 |                  |
| Temporary use for debt reduction   | (7,000)         | 0               | 0               | 0               | 0                |
| Capital Investment in maintaining existing stock   | 0               | 0               | 0               | 0               | 0                |
| Contributions to Jepson House  | 1,627           | 78              | 0               | 0               | 0                |
| 25% of receipts to the mainstream programme  | 8,834           | 0               | 0               | 0               | 0                |
| 25% of receipts awaiting further decisions.  |                 | 10,829          | 7,000           | 7,000           | 7,000            |
| <b>Total Resources</b>   | <b>(31,874)</b> | <b>(32,408)</b> | <b>(21,000)</b> | <b>(21,000)</b> | <b>(21,000)</b>  |
| <b>In Year (Surplus)/Deficit</b>   | <b>(18,831)</b> | <b>(30,661)</b> | <b>(21,000)</b> | <b>(21,000)</b> | <b>(21,000)</b>  |
| <b>SCHEMES UNDER CONSIDERATION</b>   | <b>2012/13</b>  | <b>2013/14</b>  | <b>2014/15</b>  | <b>2015/16</b>  | <b>2015/16</b>   |
| <b>Total</b>   | <b>14,570</b>   | <b>6,652</b>    | <b>1,796</b>    | <b>(4,183)</b>  | <b>810</b>       |
| <b>Revised In-Year Surplus/Cost</b>  | <b>(4,261)</b>  | <b>(24,009)</b> | <b>(19,204)</b> | <b>(25,183)</b> | <b>(20,190)</b>  |
| <b>Revised Cumulative Total</b>  | <b>(14,134)</b> | <b>(38,142)</b> | <b>(57,346)</b> | <b>(82,529)</b> | <b>(102,719)</b> |
| <b>Notes:</b>  |                 |                 |                 |                 |                  |
| No allowance has been made for the reprovision of family dwellings under the revised voids policy current under review |                 |                 |                 |                 |                  |

**Appendix 2a - Summary General Fund Capital Programme 2012/2017**

|  | <b>2012/13<br/>Budget</b> | <b>2013/14<br/>Budget</b> | <b>2014/15<br/>Budget</b> | <b>2015/16<br/>Budget</b> | <b>2016/17<br/>Budget</b> |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>Department</b>  | <b>£'000</b>              | <b>£'000</b>              | <b>£'000</b>              | <b>£'000</b>              | <b>£'000</b>              |
| Children's Services  | 57,174                    | 2,409                     | 0                         | 0                         | 0                         |
| Community Services (Adult Social Care)                             | 1467                      | 450                       | 450                       | 450                       | 450                       |
| Environment Services   | 9645                      | 7025                      | 6530                      | 5300                      | 5300                      |
| Finance and Corporate  | 750                       | 750                       | 750                       | 750                       | 750                       |
| Residents Services   | 3686                      | 500                       | 500                       | 500                       | 500                       |
| <b>Total Capital Programme</b>                                     | <b>72,722</b>             | <b>11,134</b>             | <b>8,230</b>              | <b>7,000</b>              | <b>7,000</b>              |
| <b>Draft Capital Financing</b>                                     |                           |                           |                           |                           |                           |
| <b>Mainstream (Funded from Capital Receipts):</b>                  |                           |                           |                           |                           |                           |
| Children's Services  | 9,847                     | 614                       | 0                         | 0                         | 0                         |
| Community Services   | 450                       | 450                       | 450                       | 450                       | 450                       |
| Environment Services   | 5338                      | 4600                      | 4600                      | 4600                      | 4600                      |
| Finance and Corporate  | 750                       | 750                       | 750                       | 750                       | 750                       |
| Resident Services  | 1086                      | 500                       | 500                       | 500                       | 500                       |
| <b>Capital Receipts</b>  | <b>17,471</b>             | <b>6,914</b>              | <b>6,300</b>              | <b>6,300</b>              | <b>6,300</b>              |
| <b>Specific Funding</b>  |                           |                           |                           |                           |                           |
| Capital Grant from Central Government departments                  | 36,974                    | 0                         | 0                         | 0                         | 0                         |
| Grants and Contributions from Private Developers and third parties | 6,028                     | 15                        | 0                         | 0                         | 0                         |
| Grants from the Arts Council                                       | 3,050                     | 1,450                     | 0                         | 0                         | 0                         |
| Capital funding from GLA Bodies/ Transport for London              | 3,529                     | 1,725                     | 1,230                     | 0                         | 0                         |
| Revenue Contributions  | 700                       | 700                       | 700                       | 700                       | 700                       |
| Prudential Borrowing   | 4,970                     | 330                       | 0                         | 0                         | 0                         |
| <b>Total Scheme Specific</b>                                       | <b>55,251</b>             | <b>4,220</b>              | <b>1,930</b>              | <b>700</b>                | <b>700</b>                |
| <b>Total Resources</b>   | <b>72,722</b>             | <b>11,134</b>             | <b>8,230</b>              | <b>7,000</b>              | <b>7,000</b>              |

## Appendix 2b - Departmental General Fund Capital Programme 2012/2017

| <b>CHILDREN'S SERVICES CAPITAL PROGRAMME</b>                      |                           |                           |                           |                           |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>Schemes</b>  | <b>2012/13<br/>Budget</b> | <b>2013/14<br/>Budget</b> | <b>2014/15<br/>Budget</b> | <b>2015/16<br/>Budget</b> | <b>2016/17<br/>Budget</b> |
|   | <b>£'000</b>              | <b>£'000</b>              | <b>£'000</b>              | <b>£'000</b>              | <b>£000's</b>             |
| Lyric Theatre Development   | 8,850                     | 1,450                     | 0                         | 0                         | 0                         |
| Primary Capital Programme   | 942                       | 79                        | 0                         | 0                         | 0                         |
| Schools Capital Programme   | 46,762                    | 880                       | 0                         | 0                         | 0                         |
| Reprovision of Services from Sands End Community Centre           | 620                       | 0                         | 0                         | 0                         | 0                         |
| <b>Total Children's Services</b>                                  | <b>57,174</b>             | <b>2,409</b>              | <b>0</b>                  | <b>0</b>                  | <b>0</b>                  |
|   |                           |                           |                           |                           |                           |
| <b>CHILDREN'S SERVICES FINANCING SUMMARY</b>                      |                           |                           |                           |                           |                           |
| <b>Total Mainstream</b>   | <b>9,847</b>              | <b>614</b>                | <b>0</b>                  | <b>0</b>                  | <b>0</b>                  |
|   |                           |                           |                           |                           |                           |
| <b>Specific Funding</b>   |                           |                           |                           |                           |                           |
| Capital Grant from Central Government                             | 35,957                    | 0                         | 0                         | 0                         | 0                         |
| Grants and Contributions from Private Developers and Leaseholders | 2,350                     | 15                        | 0                         | 0                         | 0                         |
| The Arts Council  | 3,050                     | 1,450                     | 0                         | 0                         | 0                         |
| London Development Agency   | 1,000                     | 0                         | 0                         | 0                         | 0                         |
| Prudential borrowing for schools and the Lyric                    | 4,970                     | 330                       | 0                         | 0                         | 0                         |
| <b>Total Specific Funding</b>                                     | <b>47,327</b>             | <b>1,795</b>              | <b>0</b>                  | <b>0</b>                  | <b>0</b>                  |
|   |                           |                           |                           |                           |                           |
| <b>Total Children's Services</b>                                  | <b>57,174</b>             | <b>2,409</b>              | <b>0</b>                  | <b>0</b>                  | <b>0</b>                  |

## Appendix 2b - Departmental General Fund Capital Programme 2012/2017

| <b>COMMUNITY SERVICES CAPITAL PROGRAMME</b>                        |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | 2012/13<br>Budget | 2013/14<br>Budget | 2014/15<br>Budget | 2015/16<br>Budget | 2016/17<br>Budget |
| <b>Schemes</b>   | <b>£'000</b>      | <b>£'000</b>      | <b>£'000</b>      | <b>£'000</b>      | <b>£'000</b>      |
| Adults' Personal Social Services Grant                             | 1,017             | 0                 | 0                 | 0                 | 0                 |
| Disabled Facilities Grant  | 450               | 450               | 450               | 450               | 450               |
| <b>Total Community Services</b>                                    | <b>1,467</b>      | <b>450</b>        | <b>450</b>        | <b>450</b>        | <b>450</b>        |
|  |                   |                   |                   |                   |                   |
| <b>COMMUNITY SERVICES FINANCING SUMMARY</b>                        |                   |                   |                   |                   |                   |
| <b>Mainstream Funded Schemes</b>                                   | <b>450</b>        | <b>450</b>        | <b>450</b>        | <b>450</b>        | <b>450</b>        |
|  |                   |                   |                   |                   |                   |
| Capital Grant from Central Government department - DOH Adults' PSS | 1,017             | 0                 | 0                 | 0                 | 0                 |
|  |                   |                   |                   |                   |                   |
| <b>Total Specific Funding</b>                                      | <b>1,017</b>      | <b>0</b>          | <b>0</b>          | <b>0</b>          | <b>0</b>          |
| <b>Total Community Services</b>                                    | <b>1,467</b>      | <b>450</b>        | <b>450</b>        | <b>450</b>        | <b>450</b>        |

| <b>ENVIRONMENT SERVICES CAPITAL PROGRAMME</b>          |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | 2012/13<br>Budget | 2013/14<br>Budget | 2014/15<br>Budget | 2015/16<br>Budget | 2016/17<br>Budget |
| <b>Scheme</b>  | <b>£'000</b>      | <b>£'000</b>      | <b>£'000</b>      | <b>£'000</b>      | <b>£'000</b>      |
| BTS Capital Planned Maintenance                        | 3,238             | 2,500             | 2,500             | 2,500             | 2,500             |
| Footways & Carriageways                                | 2,100             | 2,100             | 2,100             | 2,100             | 2,100             |
| Transport For London Schemes                           | 2,529             | 1,725             | 1,230             | 0                 | 0                 |
| Developers Agreements Total                            | 1,078             | 0                 | 0                 | 0                 | 0                 |
| Parking Reserve Total                                  | 700               | 700               | 700               | 700               | 700               |
| <b>Total Environment Services</b>                      | <b>9,645</b>      | <b>7,025</b>      | <b>6,530</b>      | <b>5,300</b>      | <b>5,300</b>      |
|  |                   |                   |                   |                   |                   |
| <b>ENVIRONMENT SERVICES FINANCING SUMMARY</b>          |                   |                   |                   |                   |                   |
| <b>Total Mainstream Funded Schemes</b>                 | <b>5338</b>       | <b>4600</b>       | <b>4600</b>       | <b>4600</b>       | <b>4600</b>       |
|  |                   |                   |                   |                   |                   |
| Developer Contributions                                | 1,078             | 0                 | 0                 | 0                 | 0                 |
| Capital funding from GLA Bodies - Transport for London | 2,529             | 1,725             | 1,230             | 0                 | 0                 |
| Parking Reserve - Revenue Contributions                | 700               | 700               | 700               | 700               | 700               |
| <b>Total Specific Funds</b>                            | <b>4,307</b>      | <b>2,425</b>      | <b>1,930</b>      | <b>700</b>        | <b>700</b>        |
| <b>Total Environment Services</b>                      | <b>9,645</b>      | <b>7,025</b>      | <b>6,530</b>      | <b>5,300</b>      | <b>5,300</b>      |

Appendix 2b - Departmental General Fund Capital Programme 2012/2017

| <b>FINANCE &amp; CORPORATE SERVICES CAPITAL PROGRAMME</b> |                           |                           |                           |                           |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|   | <b>2012/13<br/>Budget</b> | <b>2013/14<br/>Budget</b> | <b>2014/15<br/>Budget</b> | <b>2015/16<br/>Budget</b> | <b>2016/17<br/>Budget</b> |
| <b>Schemes</b>  | <b>£'000</b>              | <b>£'000</b>              | <b>£'000</b>              | <b>£'000</b>              | <b>£'000</b>              |
| Contribution to Invest to Save Fund                       | 750                       | 750                       | 750                       | 750                       | 750                       |
| <b>Total FCS</b>  | <b>750</b>                | <b>750</b>                | <b>750</b>                | <b>750</b>                | <b>750</b>                |
|   |                           |                           |                           |                           |                           |
| <b>FINANCE &amp; CORPORATE SERVICES FINANCING SUMMARY</b> |                           |                           |                           |                           |                           |
| Mainstream Total  | 750                       | 750                       | 750                       | 750                       | 750                       |
| <b>Total FCS</b>  | <b>750</b>                | <b>750</b>                | <b>750</b>                | <b>750</b>                | <b>750</b>                |

| <b>RESIDENT'S SERVICES CAPITAL PROGRAMME</b> |                           |                           |                           |                           |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|  | <b>2012/13<br/>Budget</b> | <b>2013/14<br/>Budget</b> | <b>2014/15<br/>Budget</b> | <b>2015/16<br/>Budget</b> | <b>2016/17<br/>Budget</b> |
| <b>Schemes</b>                               | <b>£'000</b>              | <b>£'000</b>              | <b>£'000</b>              | <b>£'000</b>              | <b>£'000</b>              |
| Parks Capital Programme                      | 500                       | 500                       | 500                       | 500                       | 500                       |
| Bishops Park                                 | 830                       | 0                         | 0                         | 0                         | 0                         |
| Shepherds Bush Common Improvements           | 2,356                     | 0                         | 0                         | 0                         | 0                         |
| <b>Total Residents Services</b>              | <b>3,686</b>              | <b>500</b>                | <b>500</b>                | <b>500</b>                | <b>500</b>                |
|  |                           |                           |                           |                           |                           |
| <b>RESIDENT'S SERVICES FINANCING SUMMARY</b> |                           |                           |                           |                           |                           |
| Capital receipts                             | 1,086                     | 500                       | 500                       | 500                       | 500                       |
|  |                           |                           |                           |                           |                           |
| Developer Contributions                      | 2,600                     | 0                         | 0                         | 0                         | 0                         |
| <b>Total Residents Services</b>              | <b>3,686</b>              | <b>500</b>                | <b>500</b>                | <b>500</b>                | <b>500</b>                |

### Appendix 3 - General Fund anticipated capital receipts 2012/13 to 2016/17

|   |               |
|---|---------------|
| <b>2012/13</b>                                    |               |
| 58 Bulwer Street                                  |               |
| 34 Fulham Palace Road                             |               |
| School Caretaker Houses                           |               |
| St Johns Walham Green                             |               |
| 3 Blacks Road (Irish Centre)                      |               |
| Palingswick House                                 |               |
| 12-14 Letchford Gardens                           |               |
| Hurlingham Yard                                   |               |
| Fulham Town Hall                                  |               |
| Stevenage Road Day Centre                         |               |
| 11 Farm Lane                                      |               |
| Sale of Gibbs Green (Earls Court<br>Regeneration) |               |
| Distillery Lane                                   |               |
| 132 Wandsworth Bridge Road                        |               |
| Fulham Cemetery Lodge                             |               |
| West Lodge, Margravine Cemetery                   |               |
| Prudent adjustment                                |               |
| <b>Total 2012-13</b>                              | <b>35,010</b> |
| <b>2013/14</b>                                    |               |
| Fulham Cross Centre                               |               |
| Sands End   |               |
| 282 Goldhawk Rd                                   |               |
| 31 Paddenswick Road                               |               |
| The Lodge Bishops Avenue                          |               |
| The Lodge North Sheen Cemetery                    |               |
| The Lodge Paddenswick Road                        |               |
| The Lodge, Mortlake Cemetery                      |               |
| 50 Commonwealth Avenue                            |               |
| Clancarty Lodge                                   |               |
| Greswell Centre                                   |               |
| 280 Goldhawk Road                                 |               |
| The Lodge Old Oak Common                          |               |
| Pennard Road                                      |               |
| Prudent adjustment                                |               |
| <b>Total 2013-14</b>                              | <b>21,011</b> |
| <b>2014/15</b>                                    |               |
| Stowe Rd  |               |
| Property to be identified                         |               |
| <b>Total 2014-15</b>                              | <b>4,420</b>  |
| <b>2015-16</b>                                    |               |
| Property to be identified                         | <b>4,420</b>  |
| <b>2016-17</b>                                    |               |
| Property to be identified                         | <b>4,420</b>  |
| <b>Total All Years</b>                            | <b>69,281</b> |

## **Appendix 4 - The Capital Financing Requirement (CFR) and Capital Allowance**

### **The Capital Finance Requirement (CFR)**

The CFR measures an authority's underlying need to borrow for a capital purpose. It replaced the 'credit ceiling' as the Council's measure of debt.

The CFR is the difference between Capital Expenditure incurred and the resources set aside to pay for this expenditure. Put simply it can be thought of as capital expenditure incurred but not yet paid for in full and serves as a measure of an authority's indebtedness.

An important caveat is that the CFR does not necessarily equal the outstanding loans of the authority. A council may be cash rich and pay for a new asset in full without entering into new loans. However unless the council simultaneously sets aside reserves (either through recognising a revenue cost or transferring existing reserves from 'usable' to 'unusable' in the bottom half of the balance sheet) the CFR will increase. In this example the authority has effectively borrowed internally.

In order to keep the CFR 'in check', Local Authorities are required to recognise an annual revenue cost – known as the Minimum revenue Provision (MRP) – which reduces it. There are a number of options for selecting MRP, although traditionally this has been 4% of the CFR.

Authorities are also able to make voluntary provisions – these are basically the application of internal resources over and above the MRP.

In summary:

- The CFR (the underlying need to borrow for a capital purpose) will increase whenever capital expenditure is incurred.
- Where capital expenditure is resourced immediately from internal resources the CFR will reduce at the same time that the capital expenditure is incurred, resulting in no net increase to the CFR.
- Where not resourced immediately the CFR will increase. This will be the case whether or not external borrowing actually occurs.
- The CFR may be reduced over time by future applications of internal resources.
- CFR is reduced when minimum revenue provision (MRP) or loans fund repayments are made to revenue.

### **Pooling and the Capital Allowance**

The Local Government Act 2003 introduced the concept of pooling of Housing Revenue Account (HRA) capital receipts. Under these rules, Local Authorities have been required to pay over a portion of HRA capital receipts to the Government. The amount of money paid over to Government depends on various factors including the type of property being disposed of, disposal expenses (which can be netted-off against the receipt) and the capital allowance (explained further on).



## Type Of Receipt

**1. Right to Buy (RTB)** - 75% of capital receipts arising from the disposal of a dwelling through Right to Buy are paid over to the Government (pooled). This applies to disposals and to the principal element of repayments on loans (usually mortgages) granted by the authority for Right To Buy or other purchases of HRA properties.

**2. Non-RTB Disposals** - these include non-dwellings (such as shops or bare land), non-RTB dwellings (for example vacant property) and other receipts, such as disposal of mortgage portfolios. These items need not always be pooled - see '*Capital Allowance*' below. Where they are pooled, the poolable proportion is 75% for dwelling sales and 50% for other assets.

## The Capital Allowance

The Capital Allowance constitutes a sort of 'pot' which local authorities top up by specified types of expenditure and represents a mechanism which allows Local Authorities to retain certain HRA receipts (as opposed to pooling them).

The Capital Allowance is the total of **past or planned** expenditure on affordable housing and regeneration (defined as carrying out of works that bring into effective use assets that are under-used, vacant or derelict). The value of the pot may be drawn upon to reduce non-RTB capital receipts before calculating the poolable amount. The value of the pot increases whenever qualifying expenditure is either incurred or planned and falls each time it is applied to reduce a receipt. Where the value of pot falls to nil, then the authority will be required to pool non-RTB receipts as prescribed above (see *Type of Receipt*).

There is nothing to stop the authority 'topping up' the value of the Capital Allowance with resolutions to spend, however these cannot then be counted when the actual expenditure is incurred. Similarly if the resolution to spend is removed then the allowance should fall.

The Government is currently consulting on changes to the Capital Allowance which will enable HRA debt to be included - this will effectively allow authorities to apply receipts to HRA debt in the absence of qualifying spend or resolutions to spend. These changes, if approved, are expected to take effect from 2012/13.

## Appendix 5 - Annual Minimum Revenue Provision (MRP) Statement

### Recommendation

The recommended Annual MRP statement for Hammersmith and Fulham is:

- For debt which is supported by Revenue Support Grant this authority will calculate the Minimum Revenue Provision in accordance with current regulations (namely 4% of the Capital Financing Requirement net of Adjustment A)
- For debt which has arisen through prudential borrowing it shall be written down in equal instalments over the estimated asset life. The debt write-off will commence the year after an asset comes into use.

### Background

Each year local authorities are required to set aside some of their revenues as provision for debt repayment. This is commonly termed the minimum revenue provision (MRP).

Local authorities are required to approve an annual MRP Statement.

This Appendix sets out:

- The options.
- A recommended annual MRP Statement for this authority.

### The Options

Councils can opt for 4 options regarding the MRP calculation.

#### Option 1

This provides for local authorities to calculate MRP in line with the minimum statutory charge. This is 4% of their opening Capital Financing Requirement, net of Adjustment A and the Commutation adjustment. As set out in the table below this would provide for an LBHF charge of £2.740m in 2012/13.

|   | £'000    |
|---|----------|
| Opening 2012/13 Capital Financing Requirement (CFR) | 111,679  |
| Less Adjustment A                                   | (43,179) |
| Adjusted CFR  | 68,500   |
| Minimum Gross MRP (at 4%)                           | 2,740    |
|   |          |

The statutory minimum is not considered appropriate for this authority. LBHF has been concerned to ensure that all prudential borrowing is sustainable and that debt is actively managed downwards. As such it has decided to write down all prudential borrowing over the asset life. This should ensure that budget provision is available to fund asset replacement and that overall borrowing levels are affordable.

## Option 2

This provides for authorities to calculate MRP prior to Adjustment A.

This is not considered appropriate. Given the scale of Adjustment A for LBHF it would increase the level of MRP by £1.727m. This is not affordable. It is also disproportionate given that our actual borrowing is below the CFR net of Adjustment A. It represents an over provision.

## Option 3

This provides for separate treatment for supported and unsupported (prudential) borrowing.

For supported borrowing MRP would be calculated as at present (4% on the CFR net of Adjustment A).

For unsupported borrowing the debt would be written down over the asset life.

This option is current LBHF practice. It should be noted that for this Council:

- The debt write off would start the year after an asset comes into use. This would provide transitional relief as schemes are brought on stream.
- The level of unsupported borrowing is excluded from the 4% CFR calculation. This is logical because you are otherwise, in the short-term, writing down debt 'twice' (at both 4% and over the asset life).

Under this option authorities need to carefully consider the type of assets they fund through prudential borrowing. For example, in the short-term, it could be financially advantageous to fund schemes that have a long asset life, rather than a short-life, through prudential borrowing. This would reduce the MRP charge. Whilst this is a consideration, and will be borne in mind, it is unlikely to be an attractive option for LBHF. This authority only undertakes prudential borrowing when it is considered affordable and is supported by a business case. For example if IT equipment is purchased through prudential borrowing it is more sustainable for the debt to be repaid over the asset life. This ensures that revenue capacity is retained for its replacement. It also requires Departments to properly cost out their business case.

The total estimated MRP charge for this option is £2.665m which is £0.075m greater than option 1.

## Appendix 6 - Prudential Indicators

### CAPITAL EXPENDITURE

The proposed indicative capital programme for the current financial year and the forthcoming financial years built upon the assumed level of resources is as follows:

|                         | <b>Forecast<br/>2011/12<br/>£000</b> | <b>Estimate<br/>2012/13<br/>£000</b> | <b>Estimate<br/>2013/14<br/>£000</b> | <b>Estimate<br/>2014/15<br/>£000</b> |
|-------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| General Fund            | 37,836                               | 72,722                               | 11,134                               | 8,230                                |
| Housing Revenue Account | 41,346                               | 37,420                               | 31,169                               | 28,858                               |
| Decent Neighbourhoods   | 4,005                                | 13,043                               | 1,747                                | 0                                    |
| <b>TOTAL</b>            | <b>83,187</b>                        | <b>123,185</b>                       | <b>44,050</b>                        | <b>37,088</b>                        |

The above figures exclude over-programming.

### CAPITAL FINANCING REQUIREMENT (CFR)

As a consequence of the proposed indicative capital programme, it is envisaged that the capital financing requirement, which reflects the underlying need to borrow to finance the capital programme, will be as follows:

|                         | <b>Forecast<br/>2011/12<br/>£000</b> | <b>Estimate<br/>2012/13<br/>£000</b> | <b>Estimate<br/>2013/14<br/>£000</b> | <b>Estimate<br/>2014/15<br/>£000</b> |
|-------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| General Fund            | 111,679                              | 94,036                               | 77,735                               | 77,733                               |
| Housing Revenue Account | 218,029                              | 217,946                              | 208,335                              | 205,914                              |
| <b>TOTAL</b>            | <b>329,708</b>                       | <b>311,982</b>                       | <b>286,070</b>                       | <b>283,647</b>                       |

The General Fund CFR includes allowance for new prudential borrowing of £5.3m regarding the Schools and Education capital programme.

### NET BORROWING AND THE CAPITAL FINANCING REQUIREMENT

This is the key indicator of prudence. Its purpose is to ensure that net borrowing is only for capital purposes. This is achieved by measuring net external borrowing against the capital-financing requirement. Estimates of net external borrowing for the preceding year, the current year, and the next two financial years indicate that net borrowing will be less than the capital financing requirement. The Council is forecast to meet the demands of this indicator. The projections are:

|  | <b>Forecast<br/>2011/12<br/>£000</b> | <b>Estimate<br/>2012/13<br/>£000</b> | <b>Estimate<br/>2013/14<br/>£000</b> | <b>Estimate<br/>2014/15<br/>£000</b> |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Net Borrowing                          | 187,768                              | 172,668                              | 143,085                              | 135,167                              |
| Capital Financing Requirement (CFR)    | 329,708                              | 311,982                              | 286,070                              | 283,647                              |
| <b>Net Borrowing<br/>Less than CFR</b> | <b>(141,940)</b>                     | <b>(139,314)</b>                     | <b>(142,985)</b>                     | <b>(148,480)</b>                     |

## RATIO OF FINANCING COSTS TO THE NET REVENUE STREAM

This indicator demonstrates the percentage of the GF budget and HRA budget that is consumed by financing the capital programme. It should be noted that the HRA expenditure is effectively reimbursed through the Housing Subsidy system.

|                         | <b>Estimate<br/>2012/13<br/>%</b> | <b>Estimate<br/>2013/14<br/>%</b> | <b>Estimate<br/>2014/15<br/>%</b> |
|-------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| General Fund            | 3.7                               | 2.7                               | 2.1                               |
| Housing Revenue Account | 16.79                             | 16.52                             | 15.35                             |

## INCREMENTAL IMPACT OF CAPITAL SPENDING ON THE GENERAL FUND AND HOUSING REVENUE ACCOUNT

The estimate of the incremental impact of capital decisions proposed over and above capital investment decisions that have already been taken by the council are as follows:

|   | <b>Estimate<br/>2012/13<br/>£</b> | <b>Estimate<br/>2013/14<br/>£</b> | <b>Estimate<br/>2014/15<br/>£</b> |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| General Fund – council tax £ per Band D home per annum  | -3.95                             | -29.37                            | -46.05                            |
| Housing Revenue Account – rent £ per household per week | 0                                 | 0                                 | 0                                 |

The impact on the Housing Revenue Account is shown as nil. It is anticipated that all the new investment will either be fully funded through housing subsidy or from other specific funding allocations.

## BORROWING – AUTHORISED LIMIT & OPERATIONAL BOUNDARY

The prudential indicators concerning the authorised limit for borrowing, and other treasury management activities, are set out in the Treasury Management Strategy report presented elsewhere on this agenda.

# Agenda Item 7



London Borough of Hammersmith & Fulham

## Cabinet

30 JANUARY 2012

### LEADER

*Councillor Stephen Greenhalgh*

### DEPUTY LEADER (+ ENVIRONMENT AND ASSET MANAGEMENT)

*Councillor Nicholas Botterill*

### CABINET MEMBER FOR CHILDREN'S SERVICES

*Councillor Helen Binmore*

### CORPORATE PLANNED MAINTENANCE PROGRAMME 2012/2013

**Wards:  
All**

The purpose of this report is to provide proposals and gain approval for the 2012/2013 Corporate Planned Maintenance Programme. The works that constitute the programme are split between revenue and capital.

1)The Revenue programme in the sum of £1.237 million (Appendix A) is based upon the authorities unavoidable plant maintenance and statutory compliance responsibilities.

2)The Capital programme (Appendix B) in the sum of £2.5 million is based upon the maintenance requirements identified by survey by EC Harris LLP. All works will be the subject of close scrutiny in respect to obtaining best value and only works of an essential nature will be undertaken. It should also be noted that the final commitment of any individual capital project over £20,000 is subject to a Cabinet Member Decision or Key Decision subject to value of works.

### CONTRIBUTORS:-

EDTTS  
EDFCG,  
AD(LDC) and AD(PITS)  
Corporate Asset  
Delivery Team  
ADLDS

### Recommendations:

- 1. That the 2012/2013 Corporate Planned Maintenance Programme and scheme budgets (Appendices A and B) be approved, subject to any amendments as agreed for operational reasons by the Executive Director of Finance and Corporate Governance and the Assistant Director Building and Property Management.**
- 2. That the Corporate Planned Maintenance Programme be monitored, incorporating operational changes made by the Executive Director of Finance and Corporate Governance and the Assistant Director Building and Property Management via progress reports to the Deputy Leader.**

HAS A EIA BEEN COMPLETED?  
YES

HAS THE REPORT CONTENT BEEN RISK ASSESSED?  
N/A

## **1. BACKGROUND**

- 1.1 The purpose of this report is to provide Members with proposals for the 2012/2013 Corporate Planned Maintenance Programme (CPMP) which is a fundamental element of the Council's strategy for dealing with the backlog of maintenance in response to the Asset Management Plan.
- 1.2 The CPMP is an annual programme of works to be carried out to Council properties excluding Housing and Schools which have their own separate programmes. The CPMP is made up of two main elements. The first element (Appendix A) being revenue funded works primarily covering servicing, associated repairs and testing of plant and equipment within buildings. A large element of this is required to meet statutory obligations (fire alarms, emergency lighting, electrical testing, boilers, lifts, portable electrical appliances, control of Legionella) and is therefore unavoidable. The second element (Appendix B) is capital funded and concerns refurbishment works or the replacement of plant and equipment to buildings and arises from building surveys and bids from departments. This element has much more discretion on what is included in the programme for any particular year.
- 1.3 The opportunity is always taken to incorporate, where feasible, improvements to energy efficiency (e.g. new controls, more efficient equipment, Smart metering or higher levels of insulation) and improvements to access for disabled people (deaf alerts to fire alarms, accessible heights for controls, contrasting colours etc). The CPMP programme also co-ordinates and links to the Council's Removal of Physical Barriers (Disability Discrimination Act) programme in the provision of lifts, ramps and accessible toilets.

## **2. THE 2012/2013 CORPORATE PLANNED MAINTENANCE PROGRAMME – APPENDICES A & B**

- 2.1 The unavoidable revenue programme is detailed in Appendix A. This sum has increased marginally from the 2011/2012 level of £1.220 million to £1.237 million. The following factors should be noted;
- This year no addition sum has been included for inflation, as the major mechanical maintenance contracts have only recently been tendered and hence inflation increases are already reflected in the revised annual budgetary sum identified.
  - The budgetary allocation for asbestos surveys has been increased due to the legislative changes in the requirements appertaining to the councils responsibilities for the management of asbestos.
  - It should also be noted that although there has been a reduction in demand on resources as the size of the property portfolio has decreased, to date, this has tended to have been balanced out by the increase in demand for the associated works flowing from the various areas of Health & Safety compliance.

- 2.2 Appendix B provides details of the recommended new capital schemes for 2012/2013 which match resources. It also provides indicative projects for first consideration for funding in 2013/2014 and 2014/2015. However it should be noted that the programmes for 2013/2014 and 2014/2015 are already over subscribed and hence there is little or no opportunity to bring forward projects currently identified in the un-funded programmes. This will therefore need to be reviewed and prioritised to match the available resources and will subsequently be the subject of the CPMP 2013/2014 report this time next year.
- 2.3 Therefore as in previous years it is proposed that in order to deal with any operational changes to buildings or if urgent but un-funded works become apparent through the year, that the programme be subject to change and scheme substitution by the Executive Director of Finance and Corporate Governance and Assistant Director for Building Property Management in conjunction with Corporate Asset Delivery Team (CADT). As was the case for the 2011/2012 CPMP, quarterly monitoring (Cost, Progress and Variation) reports will be issued to CADT and the Environment Cabinet Member meeting (ECM) throughout the year.
- 2.4 The budget allocation against each capital scheme is at this stage indicative and subject to change as detailed design, consultation, and procurement are carried out. Historically some projects have cost more and others less than their initial budget allocation but the overall programme is managed and monitored via the quarterly reports to CADT and ECM to ensure the total expenditure does not exceed resources.
- 2.5 The commitment of any individual capital project over £20,000 is subject to a Cabinet Member's Decision, providing the schemes falls within the criteria laid down in Contract Standing Orders (Ref 8.3) as detailed in Section 6 of this report. The overall spend on the programme and forecasted outturns (Capital and Revenue) are monitored via the General Fund, Capital Programme and Revenue Budget monthly reports to Cabinet.
- 2.6 The approval process for this report is as follows;

|   |                               |
|---|-------------------------------|
| Report / Programme to CADT meeting :-     | 5 <sup>th</sup> December 2011 |
| Report / Programme EMT Meeting:-          | 7 <sup>th</sup> December 2011 |
| Report / Programme to ECM :-              | 5 <sup>th</sup> December 2011 |
| Report / Programme to Cabinet Approval :- | 30 <sup>th</sup> January 2012 |



### **3. THE 2012/2013 CORPORATE PLANNED MAINTENANCE PROGRAMME - FUNDING**

- 3.1 The budget for planned maintenance in 2012/2013 comprises £2.5 million capital. This sum must be considered provisional at this stage, as final funding approval will not be obtained until 29 February 2012 at Budget Council. The revenue allocation has increased marginally from the 2011/2012 level of £1.220 million to £1.237 million. This sum funds the unavoidable element of the programme which covers servicing and other non capital works. The unavoidable revenue programme is detailed in Appendix A.
- 3.2 Whilst this level of funding will be able to deal with essential health and safety works, items to maintain wind and weather tightness and be able to continue to address the backlog of maintenance, Members should be aware that there is still a significant backlog outstanding (circa £16.3 excluding Hammersmith Town Hall Extension and Fulham Town Hall).
- 3.3 As well as allocating capital resources, the Council's Asset Management Plan continues to address the issue of backlog maintenance along with developing its Corporate Asset Management Strategy in line with the Council's Medium Term Financial Strategy. The backlog continues to be taken into account through the rationalisation of the Council's property portfolio, helping to identify those properties for disposal or refurbishment. The forward capital programme has prioritised and maintained the allocated £2.5 million capital funding for this purpose in order to continue to address and manage the backlog.
- 3.4 As part of the CPMP, condition surveys of the Council's property portfolio have been carried out during 2011. The information obtained provided invaluable up to date information on the Council's property assets in respect to providing a programme for future maintenance and an up to date assessment of the backlog maintenance liability.

### **4. FEES**

- 4.1 The professional services previously provided by Building Technical Services (Transport and Technical Services Directorate) are now, following market testing, being provided by EC Harris LLP. Consequently, fees are calculated on the basis of the tendered schedule of rates plus the cost of the Client Agent Team, which is funded via a percentage fee to the value of the commissions placed. Fees are charged on the basis of 15% with final account reconciliation at the end of each financial year.

**5. COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE GOVERNANCE**

5.1 Provision of £2.5 million is set aside within the 2012/13 Capital Programme for the Corporate Planned Maintenance Budget. Allowance is also provided for the £1,237,000 revenue charge within forward financial estimates.

**6. COMMENTS OF THE ASSISTANT DIRECTOR FOR PROCUREMENT & IT STRATEGY**

6.1 The Council's Contract Standing Orders (CSO) requires that Cabinet approval is given for all tender acceptances or orders to be placed under existing framework agreements where the value equals or exceeds £100,000. An exemption to this provision is contained in section 9 of CSO whereby the appropriate Cabinet Members can approve such tenders or orders where the actual value is below the estimated value and that estimated value has previously been approved by the Cabinet as a key decision. This report asks the Cabinet to approve such schemes for the forthcoming financial year as a key decision.

**7. COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)**

7.1 The AD (Legal and Democratic Services) agrees with the recommendation of this report. The Council should ensure that individual projects are procured in accordance with the EU Procurement Rules and the Council's contract standing orders.

**LOCAL GOVERNMENT ACT 2000**  
**LIST OF BACKGROUND PAPERS**

| <b>No.</b> | <b>Brief Description of Background Papers</b>  | <b>Name/Ext of holder of file/copy</b> | <b>Department/ Location</b>   |
|------------|--|--|---|
| 1.         | Correspondence and details of individual schemes, un-funded programmes, indicative programmes for future years | Mike Cosgrave<br>Extension: 4849       | BPM/EnvD<br>6th floor<br>Hammersmith Town Hall<br>Extension<br>King Street<br>Hammersmith, W6 9JU |
| 2.         | Property Surveys   |  |   |
| 3.         | Details of Servicing Contracts to Plant and Equipment  |  |   |
| 4.         | Asset Management Plan  | Miles Hooton<br>Extension: 2835        |   |

Final Version 8.12.11

**Corporate Planned Maintenance Programme 2012/2013****Revenue Element**

|  |   |          |                   |
|--|---|----------|-------------------|
| <b>Electrical Servicing</b>  | Fire Alarms/ Emergency Lighting   | £ 68,000 |                   |
|  | Security Alarms   | £ 74,000 |                   |
|  | Portable Appliance Testing  | £ 70,000 |                   |
|  | Electrical Installation Testing   | £ 41,000 |                   |
|  | Lighting Protection Testing   | £ 5,000  |                   |
|  | Emergency Generators  | £ 6,000  |                   |
|  | Car Park Barriers/Automatic Doors                                       | £ 10,500 |                   |
|  | Deaf Alerter Maintenance  | £ 13,000 |                   |
|  | <b>Total Electrical Servicing</b>                                       |          | <b>£287,500</b>   |
| <b>Mechanical Servicing</b>  | Plant Maintenance (Contract 1)  | £290,000 |                   |
|  | Plant Maintenance (Contract 2)  | £150,000 |                   |
|  | Gas Health & Safety Works   | £20,000  |                   |
|  | Legionella Prevention / Treatment                                       | £56,000  |                   |
|  | Booster Pumps   | £10,250  |                   |
|  | Water Treatment (Heating / Cooling)                                     | £10,250  |                   |
|  | <b>Total Mechanical Servicing</b>                                       |          | <b>£536,500</b>   |
| <b>Lifts Servicing</b>   | Lift Maintenance Contract   | £80,000  |                   |
|  | <b>Total Lift Servicing</b>   |          | <b>£80,000</b>    |
| <b>Building Surveying Works</b>  | Various Minor Works non capital   | £50,000  | <b>£50,000</b>    |
|  | <b>Sub Total</b>  |          | <b>£954,000</b>   |
| In previous years a sum has been added to the revenue budget to reflect inflationary adjustments for the major contracts. However as these have only recently been tendered the 2012/13 inflation increase has already been absorbed within the adjusted elemental costs as shown. Had this not been the case a percentage increase of approx 3% would have needed to be added to the annual budget. |   |          | £ 0               |
|  | <b>Associated Fees</b>  |          | <b>£143,000</b>   |
|  | <b>Sub Total</b>  |          | <b>£1,097,000</b> |
|  | <b>Asbestos and Condition Surveys</b>                                   | £ 75,000 |                   |
|  | <b>Maintenance of Approved List Process</b>                             | £ 15,000 |                   |
|  | <b>The Energy Performance of Buildings Directive (Energy Labelling)</b> | £ 10,000 |                   |
|  | <b>CPMP Programme Management</b>  | £ 20,000 |                   |
|  | <b>Asbestos Data Base Management</b>                                    | £ 20,000 |                   |
|  | <b>Total Revenue Element</b>  |          | <b>£1,237,000</b> |

| ESTABLISHMENT                        | WORKS   | £        |          |          |
|--------------------------------------|---|----------|----------|----------|
|                                      |   | *2012/13 | *2013/14 | *2014/15 |
| 105 Greyhound Road                   | Replace cold water storage                                      |          |          | £22,500  |
| 145-155 King Street                  | Replacement of flooring   | £50,000  | 50,000   | 50,000   |
| 145-155 King Street                  | Replace air-conditioning units with compliant altv              | £200,000 | 200,000  |          |
| 145-155 King Street                  | External doors and windows                                      |          |          | £45,000  |
| 17 Rivercourt Road                   | Remove asbestos roof and demolish garage                        | £5,000   |          |          |
| 17 Rivercourt Road                   | Priority internal maintenance and repairs, fabric, mech & elec  |          | £75,000  |          |
| 176-182 Coningham Road               | External redecoration   |          | £10,000  |          |
| 181-187 King Street                  | Electrical and mech installation upgrade                        | £20,000  |          |          |
| 2 Coverdale Road                     | Priority internal maintenance and repairs, fabric, mech & elec  |          | £75,000  |          |
| 22 Exhibition Close Wood Lane Estate | Renew roof covering   |          |          | £8,500   |
| 280 Goldhawk Road                    | Replace/re-design box gutters                                   |          | £15,000  |          |
| 280 Goldhawk Road                    | Priority internal maintenance and repairs, fabric, mech & elec  |          | £75,000  |          |
| 456 Uxbridge Road                    | Priority internal maintenance and repairs, fabric, mech & elec  |          | £100,000 |          |
| 456 Uxbridge Road                    | Replace electrical mains distribution                           |          |          | £7,500   |
| 87 Lime Grove                        | Priority internal maintenance and repairs, fabric, mech & elec  |          | £75,000  |          |
| Bagley's Lane Depot                  | Foundations and structural brickwork                            | £30,000  |          |          |
| Bagley's Lane Depot                  | Replace all rainwater goods, inc. scaffold and asbestos removal |          | £100,000 |          |
| Bagley's Lane Depot                  | New electrical intake and distribution                          |          |          | £65,000  |
| Bagley's Lane Depot                  | Replace heating   |          | £100,000 |          |
| Bagley's Lane Depot                  | External doors and windows                                      |          |          | £265,000 |
| Bagley's Lane Depot                  | Internal redecoration   |          |          | £25,000  |
| Bagley's Lane Depot                  | Renew flat roof covering  |          |          | £30,000  |
| Bagley's Lane Depot                  | Replace lighting  |          |          | £120,000 |
| Bishop's Park Tennis Pavilion        | External maintenance repairs and redecorationj                  |          |          | £23,000  |
| Bishop's Park Tennis Pavilion        | Internal maintenance repairs and redecoration                   |          |          | £5,000   |
| Bishop's Park Tennis Pavilion        | Replace boiler and controls                                     |          |          | £7,000   |
| Broadway Children's Centre           | Health and safety upgrades to gas installation                  |          |          | £5,000   |
| Broadway Children's Centre           | Replace roof covering   |          |          | £5,000   |
| Castletown House (6 Castletown Road) | External masonry and render repairs                             |          |          | £12,000  |
| Castletown House (6 Castletown Road) | Flat roof reflective finish, RWGs and flashings                 |          |          | £14,000  |
| Castletown House (6 Castletown Road) | Internal fabric repair and redecoration, san fittings           |          |          | £12,000  |
| Castletown House (6 Castletown Road) | Replace external doors and windows                              |          |          | £20,000  |
| Castletown House (6 Castletown Road) | Replace heating controls and extract to kitchen                 |          |          | £15,000  |
| Castletown House (6 Castletown Road) | Replace lightning protection installation                       |          |          | £12,000  |
| Castletown House (6 Castletown Road) | Resurface paved areas, replace fencing to external areas        |          |          | £12,000  |
| Centre West Information Centre       | Internal fabric repairs and fire safety measures                |          |          | £5,500   |

| ESTABLISHMENT                        | WORKS  | £        |          |          |
|--------------------------------------|--|----------|----------|----------|
|                                      |  | *2012/13 | *2013/14 | *2014/15 |
| Centre West Information Centre       | Replace and upgrade heating and ventilation  |          |          | £20,000  |
| Centre West Information Centre       | Replace lighting and upgrade electrical installation   |          |          | £30,000  |
| Cobbs Hall                           | Replace asphalt roof covering  |          | £80,000  |          |
| Cobbs Hall                           | Internal redecoration  |          |          | £10,000  |
| Cobbs Hall                           | Renew GF toilets   |          |          | £20,000  |
| Cobbs Hall                           | Replace handrails to roof  |          |          | £20,000  |
| Cobbs Hall                           | Replace rainwater goods  |          |          | £13,000  |
| Cobbs Hall                           | Replace roof coverings   |          |          | £16,000  |
| Edward Woods Community Centre        | Replace elecc dist board and rewire to be compliant  | £30,000  |          |          |
| Fulham Cemetery Chapel               | Roof and ceiling repairs to leaking and water damaged areas  | £20,000  |          |          |
| Fulham Central Library               | External fabric repairs, roof and window replacement   | £250,000 |          |          |
| Fulham Central Library               | Internal health and safety and fire safety measures  | £5,000   |          |          |
| Fulham Central Library               | Internal maintenance and refurbishment: Floor screed and covering, remove polystyrene tiles and make good ceilings | £22,000  |          |          |
| Fulham Central Library               | Test and survey, excavate and replace underground drainage   | £70,000  |          |          |
| Fulham Central Library               | Internal fabric repairs and redecoration   |          |          | £100,000 |
| Fulham Central Library               | Replace toilet fittings  |          |          | £5,000   |
| Greswell Centre (HAFAD)              | Internal repair and redecoration including ceilings  |          | £50,000  |          |
| Hammersmith Central Library          | Internal repair to damp area, install DPC  |          |          | £15,000  |
| Hammersmith Central Library          | Overhaul roof, replace RWG's, flashings and leadwork   |          |          | £10,000  |
| Hammersmith Central Library          | Repair or replace faulty heat emitters   |          |          | £14,500  |
| Hammersmith Central Library          | Repairs to ornate ceiling  |          |          | £5,000   |
| Hammersmith Central Library          | Replace timber windows   |          |          | £22,000  |
| Hammersmith Park Bowling Pavilion    | Replace heating and lighting   |          |          | £5,000   |
| Hammersmith Park Bowling Pavilion    | Roof and external fabric repairs   |          |          | £10,000  |
| Hammersmith Park Public Conveniences | Replace and upgrade Mechanical and electrical services   |          |          | £12,000  |
| Hammersmith Town Hall                | Smart Accommodation Project - Space rationalisation (Phase 1)  | 500,000  | 500,000  | £500,000 |
| Hammersmith Town Hall                | Internal repairs and redecorations Phase 1   |          | £150,000 |          |
| Hammersmith Town Hall                | Overhaul windows, install draughtproofing Phase 1  |          | £140,000 |          |
| Hammersmith Town Hall                | Repairs to roof and rooflights and assoc'd asbestos removal  |          | £115,000 |          |
| Hammersmith Town Hall                | Replace and redecorate ceilings to common areas Phase 1  |          | £40,000  |          |
| Hammersmith Town Hall                | Replace flooring to common areas Phase 1   |          | £30,000  |          |
| Hammersmith Town Hall                | Replace hot water storage  |          | £20,000  |          |
| Hammersmith Town Hall                | Internal repairs and redecorations Phase 2   |          |          | £160,000 |
| Hammersmith Town Hall                | Overhaul windows, install draughtproofing Phase 2  |          |          | £150,000 |
| Hammersmith Town Hall                | Replace flooring to common areas Phase 2   |          |          | £30,000  |
| Hammersmith Town Hall Extension      | External wind and weathertight repairs   | £10,000  | £10,000  | £10,000  |

| ESTABLISHMENT  | WORKS   | £        |          |          |
|--|---|----------|----------|----------|
|  |   | *2012/13 | *2013/14 | *2014/15 |
| Hammersmith Town Hall Extension                      | Replace electrical distribution boards  |          | £65,000  |          |
| Lavender Court                                       | Replace external doors and windows  |          |          | £55,000  |
| Lavender Court                                       | Replace hot and cold water distribution pipework                                |          |          | £8,000   |
| Lavender Court                                       | Replace roof covering and rooflights  |          |          | £45,000  |
| Lavender Court                                       | Upgrade electrical install'n and replace lighting                               |          |          | £34,000  |
| Lavender Court Caretaker's Office                    | Replace roof covering   |          |          | £6,000   |
| Linford Christie Stadium                             | Artillery Wall Detailed Feasibility for Demolition*                             | £10,000  |          |          |
| Linford Christie Stadium                             | Kitchen upgrade including asbestos removal                                      | £60,000  |          |          |
| Linford Christie Stadium                             | Replace poor condition/damaged fencing  | £30,000  |          |          |
| Linford Christie Stadium                             | Structural repairs to boundary walls  | £30,000  |          |          |
| Linford Christie Stadium                             | Artillery Wall Demolish and decontaminate                                       |          | £500,000 |          |
| Linford Christie Stadium Outside Female Toilets      | Repair ext fabric, access ramps, replace door, redecorate                       |          |          | £12,000  |
| Linford Christie Stadium Outside Female Toilets      | Replace roof and replace flashings  |          |          | £5,000   |
| Linford Christie Stadium Outside Male Toilets        | External redecoration   |          |          | £6,000   |
| Linford Christie Stadium Outside Male Toilets        | Internal redecoration, flooring and san.fittings                                |          |          | £8,000   |
| Linford Christie Stadium Outside Male Toilets        | Replace external doors and windows  |          |          | £6,000   |
| Linford Christie Stadium Outside Male Toilets        | Replace roof covering and rwg   | £80,000  |          | £5,000   |
| Linford Christie Stadium Pavilion                    | Internal refurbishment  | £10,000  |          |          |
| Linford Christie Stadium Pavilion                    | Roof covering, rainwater goods, drainage and tank enclosure (Feasibility Study) |          |          |          |
| Linford Christie Stadium Pavilion                    | Roof covering, rainwater goods, drainage and tank enclosure                     |          | 100,000  | 100,000  |
| Linford Christie Stadium Pavilion/changing rooms     | Refurbish and upgrade toilets and washing areas                                 | £34,000  |          |          |
| Macbeth Centre                                       | External refurbishment, incl. roofs, windows, doors, dec's, lighting (Phase 1)  | £165,000 | 360,000  |          |
| Macbeth Centre                                       | External Refurb; roofs, windows and doors (Phase 2)                             |          |          | £410,000 |
| Macbeth Centre                                       | Internal refurbishment, incl. redecor, flooring, lighting                       |          | £160,000 |          |
| Margravine Cemetery Chapel                           | External fabric repairs, roof, RWG's, windows                                   |          |          | £10,000  |
| Margravine Cemetery South Chapel                     | Upgrade elec install'n to be compliant and replace lighting                     |          |          |          |
| Masbro Centre  | Install DPC, external repairs, including boundary wall                          | £10,000  |          |          |
| Mortlake Cemetery Chapel                             | Replace roof covering and external fabric repairs                               |          | £25,000  |          |
| Mortlake Cemetery Maintenance Yard                   | Install new electrical services to be compliant                                 |          | £10,000  |          |
| North Sheen Cemetery Maintenance Hut                 | Electrical and mech installation upgrade to be compliant                        |          | £20,000  |          |
| Paragon Centre                                       | Internal redecoration   |          |          | £10,000  |
| Paragon Centre                                       | Renew roof covering and replace rooflights                                      |          |          | £135,000 |
| Phoenix Fitness Centre & Janet Adegoke Swimming Pool | Replace defective rainwater goods   | £5,000   |          |          |
| Phoenix Fitness Centre & Janet Adegoke Swimming Pool | Replace unsafe external paving  | £15,000  |          |          |
| Phoenix Fitness Centre & Janet Adegoke Swimming Pool | External fabric repairs   |          |          | £25,000  |
| Phoenix Fitness Centre & Janet Adegoke Swimming Pool | External fabric repairs, roof and RWG's   |          |          | £25,000  |

| ESTABLISHMENT  | WORKS  | £         |           |           |
|--|--|-----------|-----------|-----------|
|  |  | *2012/13  | *2013/14  | *2014/15  |
| Phoenix Fitness Centre & Janet Adegoke Swimming Pool | Internal fabric repairs  |           |           | £25,000   |
| Phoenix Fitness Centre & Janet Adegoke Swimming Pool | Internal fabric repairs, flooring, doors and re-decorations  |           |           | £25,000   |
| Public Mortuary Fulham                               | Replace/upgrade air conditioning 3 units and CP.   | £60,000   |           |           |
| Ravenscourt Park                                     | Install fire alarm   | £5,000    |           |           |
| Ravenscourt Park Bowling Pavilion                    | Repairs to timber structure  | £10,000   |           |           |
| Ravenscourt Park Pre School                          | Replace roof covering and external fabric repair   |           | £60,000   |           |
| Ravenscourt Park Pre School                          | Full rewire  |           |           | £30,000   |
| Ravenscourt Park Pre School                          | Replace heating distrib'n pipework, controls and vent extract system                                 |           |           | £10,000   |
| Rivercourt Church House                              | External building fabric repairs including reflective roof finish and replace RW goods               |           |           | £6,000    |
| Rivercourt Church House                              | Replace floor coverings  |           |           | £6,000    |
| Seagrave Lodge                                       | Replace kitchens and internal fabric repairs   |           |           | £40,000   |
| Seagrave Lodge                                       | Replace RWG's, flashings and ext fabric repairs  |           |           | £8,000    |
| Spring Cottage                                       | External and internal fabric repairs and decorations   |           |           | £35,000   |
| White City Community Centre                          | Replace roof covering and external fabric repairs and repair damp internal walls                     |           |           | £35,500   |
| White City Estate Adventure Playground               | Replace boiler   |           |           | £11,000   |
| White City Estate Drop-in Centre                     | External and Internal fabric repair including roof soffit and redecoration                           |           |           | £6,000    |
| White City Estate Drop-in Centre                     | Replace lighting   |           |           | £22,000   |
| White City Estate Nubian Life Resource Centre        | External repairs and redecoration  |           |           | £22,000   |
| White City Estate Nubian Life Resource Centre        | Replace timber windows   |           |           | £55,000   |
| Wormwood Scrubs Maintenance Depot                    | Replace roof covering and external fabric repairs  |           |           | £16,000   |
| Parks, Cemeteries and Open spaces                    | Decorations / repairs to fences, walls, surfaces and street assets (Rolling programme)               | 50,000    | 50,000    | 50,000    |
| Various Buildings (rolling programme)                | Security alarm upgrades to comply with ACPO policy   | 30,000    | 30,000    | 30,000    |
| Various Establishments                               | Replacement of A/C units to various Buildings / Comms rooms.   | 20,000    | 20,000    | 20,000    |
| Various Establishments                               | Fire Risk Assessments and associated works (Phase 2)   | 50,000    | 50,000    | 50,000    |
| Various Establishments                               | Energy initiatives (including the installation of SMART Auto Meter Reading - Rolling Programme)      | 100,000   | 100,000   | 100,000   |
| Various Establishments                               | Removal of high risk asbestos  | 60,000    | 60,000    | 60,000    |
| Various Establishments                               | Surge and current arrestors (Protection against power spikes / lightning strikes of instalations)-P3 | 20,000    | 20,000    | 20,000    |
| Various Establishments                               | Fire alarm renewals and upgrades, emergency lighting upgrades  | 25,000    | 25,000    | 25,000    |
| Various Establishments                               | Water tank replacement and works resulting from Legionella Prevention / Treatment reports            | 60,000    | 60,000    | 60,000    |
| Various Establishments                               | Boiler replacement programme   | 25,000    | 25,000    | 25,000    |
|  | <b>Total</b>   | 2,176,000 | 3,760,000 | 3,761,000 |
|  | <b>Fees</b>  | 326,400   | 564,000   | 564,150   |
|  | <b>Grand Total</b>   | 2,502,400 | 4,324,000 | 4,325,150 |

# Agenda Item 8



London Borough of Hammersmith & Fulham

## Cabinet

30 JANUARY 2012

### LEADER

*Councillor Stephen Greenhalgh*

### FUNDING DRAWDOWN FOR ROLLOUT OF SMARTWORKING TO HRD AND PAPER-LESS OFFICE

Wards: All

This report requests funds for the first part of SmartWorking Stage D, which comprises two main projects, HRD and the Paper-less Office.

### CONTRIBUTORS

EDTTS  
EDFCS  
ADLDSG

### Recommendation:

That approval be given to draw down funds for the Full Business Case and first phase of implementation of Stage D (SmartWorking HRD and the Paper-less Office) at a cost of £212,660, £144,309 of which is from the Efficiency Projects Reserve and £68,351 from Housing Revenue Account.

HAS A EIA BEEN COMPLETED?  
YES

HAS THE REPORT CONTENT BEEN RISK ASSESSED?  
YES



## 1. EXECUTIVE SUMMARY

1.1. In July 2010 Cabinet approved a sum of £2.12m for SmartWorking Stage C and £1.45m was drawn down to help deliver savings of £2.3m annually from 2012/13 through:

- The vacation of Barclay House in September 2011, generating savings of £675k per annum.
- Achieving a 30% increase in the utilisation of office space, enabling the generation of further potential income and savings equating to £679k per annum.
- Enabling departments and services to exploit flexible working arrangements to increase productivity (equating to £780k).
- These represent financial benefits beyond the saving of £1.35m already being realised from the vacation of Riverview House in Stage B.

1.2 In July 2011 Cabinet approved a sum of £103k of the remaining SmartWorking allocated budget of £666k to Smart Work Finance & Corporate Services and deliver productivity savings of £90k from 2012/13.

1.3 It was recommended that the remaining £563,334 from the total Stage C budget of £666,334 was held in reserve as possible contribution to the costs of implementing SmartWorking within the Housing and Regeneration department at a later date. H&F Homes had been out-of-scope for Stage C as it was still an independently managed organisation at that time.

1.4 In July 2011 the Programme Sponsor commissioned an Outline Business Case to identify the benefits and indicative costs of further work to promote SmartWorking in H&F. On the basis of its recommendations, this report requests that Cabinet approves the following sums to Smart Work the Housing and Regeneration Department and deliver the Paper-less Office project at a total cost of £791,330, broken down as follows:

- £523,024 General Fund monies from the Efficiency Projects Reserve
- £188,456 HRA
- £79,850 Housing Capital Programme

1.5 It is recommended that Stage D should be managed as two parts:

1.5.1 Part A delivering a Full Business Case with detailed costings and validated benefits for implementation of a Digital Mailroom and electronic outbound mail solution to remove manual paper-based activities from departments; introduction of modern ways of working in HRD and implementation of efficiency changes to invoices and payments at a total cost of £212,660:

£144,309 General Fund  
£68,351 HRA

1.5.2 Part B implementing the Full Business Case, trialling a Digital Mailroom solution, EDMS in HRD Tenancy Management and CSD Finance, and a

second phase of work to further automate the processing of invoices. This request will be brought back to Cabinet for approval on submission of the full business case. Indicative figures from the Outline Business Case show a total cost of £578,670, broken down as follows:

£378,715 General Fund  
£120,105 HRA  
£79,850 Housing Capital Programme

## **2. BACKGROUND**

2.1. SmartWorking is the Council's programme to manage the implementation of new ways of flexible working and to enable significant savings through the improved utilisation of Council office space. The programme started in July 2008 and completed the delivery of Stages A and B at a total cost of £2.2m in July 2010.

- Stage A established the required remote IT and telephony infrastructure, developed the policies and procedures for a SmartWorking organisation and delivered a series of pilots to validate the original business case assumptions. It also included the delivery of a full business case and plan for the corporate rollout in Stage C.
- Stage B involved the implementation of a light level of SmartWorking in the Environment department to enable the vacation of Riverview House, saving the Council circa 1.35m per annum.
- Stage C delivered the corporate rollout of SmartWorking, starting in July 2010, at a total cost of £2.12m. Of this total, Cabinet approval was given to draw down an initial sum of £1.45m for the first phase of Stage C, which included the full SmartWorking of Environment and all staff groups impacted by the vacation of Barclay House prior to the lease expiry in September 2011.

2.3. In August 2011 Cabinet approved the FCS SmartWorking project at a total cost of £103k. This included review and redesign of paper-based workflow, rolling out the required IT and project resources to manage the SmartWorking of all FCS teams based in Hammersmith Town Hall.

2.4. It is currently anticipated that there will be an estimated £48,000 underspend on this project.

## **3. STAGE D – HOUSING & REGENERATION AND PAPER-LESS OFFICE PROJECT**

3.1. As outlined in the July 2011 Cabinet report, there is no viable business case to contract office space further in the short term. The work now proposed however, will support the realisation of office space savings at a later stage

without requiring further SmartWorking project activities and aligns the organisation with key initiatives in cost reduction, improved information security and tri-borough and outsourced service delivery models.

3.2. The following is recommended as part of Stage D:

- Part A: Full Business Case and Early Implementation:
  - Detailed costings and validated benefits for implementation of a Digital Mailroom and electronic outbound mail solution to remove manual paper-based activities from departments;
  - Introduction of modern ways of working in HRD;
  - Implementation of efficiency changes to invoices and payments

Benefits include:

- Increased productivity delivering cashable savings through an increase in levels of remote and home working
- Co-location of all back office staff currently based in Area Offices with HRD colleagues in the Town Hall Extension
- All staff using Openscape (telephony and collaboration tool), contactable from any location
- Appropriate use of mobile devices, compliant with GovConnect security guidelines
- Consistent behaviours, compliance with corporate standards, systems and policies and assurance against fraudulent activities

- Part B: Implementation of the Full Business Case (pending Cabinet approval):
  - Trialling a Digital Mailroom solution;
  - Digital Mailroom rollout on successful completion of trial;
  - EDMS in HRD Tenancy Management and CSD Finance;
  - A second phase of work to further automate the processing of invoices.

Benefits include:

- Removal of manual paper-based outbound post activities across departments
- Mitigating the significant risk of loss of personal and commercially sensitive tenancy data
- Minimum of 30% reduction in paper storage across department.
- Improved customer service and faster response times
- Electronic access to client files and financial information, linked to workflow for efficient service management
- Removal of manual paper-based processing and reconciliation of invoices and payments
- Increased levels of SmartWorking through the ability to access and send mail from any location and reduction in reliance on paper documents

3.3. The project team will also continue to support departments in challenging existing working practices and identifying opportunities for efficiency

improvements through SmartWorking. This approach ensures that the programme maintains focus on the original vision (“Work is what you do, not where you do it”) and objectives, driving staff and service efficiency benefits as well as increasing the utilisation of office space.

3.4. The Outline Business Case for Paper-less Office is in Appendix A.

#### 4. FUNDING REQUEST AND BUSINESS CASE

4.1. The Outline Business Case has calculated that £622,800 is required to fund the implementation of the two phases of SmartWorking Stage D during 2012/13. These are detailed in the table below and relate to HFBP costs and FM costs as part of existing contracts, and project-dedicated delivery resources. A full breakdown of the projected costs and how these are profiled across the two phases of Stage D has been provided in Appendix B.

| Projected Costs          | 2012/13  | 2013/14  | 2014/15  | 2015/16  | 2016/17  | Total    |
|--------------------------|----------|----------|----------|----------|----------|----------|
| Total one-off IT costs   | £252,630 | £0       | £0       | £0       | £0       | £252,630 |
| Total one-off Move costs | £12,000  | £0       | £0       | £0       | £0       | £12,000  |
| Total annual IT costs    | £41,450  | £41,700  | £41,950  | £42,310  | £42,570  | £209,980 |
| Total project team costs | £316,720 | £0       | £0       | £0       | £0       | £316,720 |
| Total costs              | £622,800 | £41,700  | £41,950  | £42,310  | £42,570  | £791,330 |
| Total cumulative costs   | £622,800 | £664,500 | £706,450 | £748,760 | £791,330 |          |

4.2. Project costs for the HRD SmartWorking project are calculated at £240,980 during 2012/13, comprising a total IT cost of £118,180, move costs of £12,000 and project resource costs of £110,800.

4.3. Project costs for the Paper-less Office project are estimated at £381,820 during 2012/13, comprising a total IT cost of £175,900 and project resource costs of £205,920.

4.4. The table below shows the return on investment for the project.

| Benefits                                | 2012/13   | 2013/14  | 2014/15    | 2015/16    | 2016/17    | Total      |
|---|-----------|----------|------------|------------|------------|------------|
| Total cashable benefit                  | £178,139  | £464,713 | £466,508   | £467,790   | £467,790   | £2,044,940 |
| Total non-cashable benefit              | £84,750   | £169,499 | £169,499   | £169,499   | £169,499   | £762,746   |
| Total benefit (cashable + non-cashable) | £262,888  | £634,212 | £636,007   | £637,289   | £637,289   | £2,807,685 |
| Total cumulative cashable benefit       | £178,139  | £642,852 | £1,109,360 | £1,577,150 | £2,044,940 | £2,044,940 |
|   |           |          |            |            |            |            |
| Costs                                   |           |          |            |            |            |            |
| Total one-off IT costs                  | £252,630  | £0       | £0         | £0         | £0         | £252,630   |
| Total one-off Move costs                | £12,000   | £0       | £0         | £0         | £0         | £12,000    |
| Total annual IT costs                   | £41,450   | £41,700  | £41,950    | £42,310    | £42,570    | £209,980   |
| Total programme team costs              | £316,720  | £0       | £0         | £0         | £0         | £316,720   |
| Total costs                             | £622,800  | £41,700  | £41,950    | £42,310    | £42,570    | £791,330   |
| Total cumulative costs                  | £622,800  | £664,500 | £706,450   | £748,760   | £791,330   |            |
|   |           |          |            |            |            |            |
| Investment Appraisal                    |           |          |            |            |            |            |
| Net cashable benefit                    | -£444,662 | £423,013 | £424,558   | £425,480   | £425,220   |            |
| Net cumulative cashable benefit         | -£444,662 | -£21,649 | £402,910   | £828,390   | £1,253,610 |            |
| Return on Investment (%)                | -71%      | -3%      | 57%        | 111%       | 158%       |            |
|   |           |          |            |            |            |            |

- 4.5. The cashable benefits identified have been determined through engagement with budget holders in departments. These are currently in the process of being signed off in each department.

## **5. RISK MANAGEMENT**

- 5.1. Risks are identified and recorded on the programme risk register with mitigating actions and ownership assigned to named individuals to ensure the project is delivering expected financial, efficiency and operational service benefits. This register is managed by the Project Manager and reviewed on a regular basis by the project team. Where risks require escalation they are reviewed at Programme Board or where appropriate escalated through the Portfolio Board to EMT and appropriate mitigating action taken where prudent to do so.
- 5.2 SmartWorking Stage D risk log – see Appendix C.

## **6. EQUALITY IMPLICATIONS**

- 6.1 An Equalities Impact Analysis (EIA) was conducted as part of the original SmartWorking business case and subsequently updated as part of the July 2011 Cabinet paper. The EIA (see Appendix D) has been updated to reflect experience and lessons learnt on the corporate rollout to date (November 2011).
- 6.2 Proposals do not have an impact on front line services, however where service delivery changes may be enabled through SmartWorking, due regard will continue to be given to the Public Sector Equality Duty as proposals are developed and implemented and appropriate action given.

## **7. COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE GOVERNANCE**

- 7.1. The Council has previously set aside resources of £4.5m, from the Efficiency Projects Reserve, to fund the SmartWorking programme. A phased approach to the use of such funding has been adopted with Cabinet required to approve a satisfactory business case for each tranche of work. To date approval has been given to spend £3.963m.
- 7.2. It is now requested that a further £0.213m be drawn down from the reserve. This will be supplemented by additional funding of £0.144m from the HRA. The HRA funding reflects the benefits that will accrue to the HRA from this phase of works. The overall funding that it is proposed to draw down to 2016/17, subject to approval of the Full Business Case, is £0.792m.

- 7.3. The estimated benefits from this investment, to 2016/17, are £2.044m cashable and £0.762m non-cashable. The annual split of the costs and benefits is set out in section 4 of the report. The broad split of the cashable benefit work streams are set out below:

|                                 | Revenue Saving<br>2012/13 to 2016/17 |
|---------------------------------|--------------------------------------|
|                                 | £'000                                |
| Mail Correspondence             | 521                                  |
| Managing the document lifecycle | 426                                  |
| New Ways of Working             | 507                                  |
| Invoices and Payments           | 590                                  |
|                                 | <b>2,044</b>                         |
| Split Between:                  |                                      |
| General Fund                    | 1,350                                |
| Housing Revenue Account         | 694                                  |
|                                 | <b>2,044</b>                         |

- 7.4 The level, and split, of the cashable savings will be subject to final confirmation as the scheme proceeds. They will need to be taken account of within the Council's forward financial plans. With regard to the saving for invoices and payments and EDMS in CSD Finance, this is already accounted for within the MTFS as part of the World Class Financial Programme. The investment required in this area, £0.172m, will help ensure the saving is delivered more effectively.

## **8. COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)**

- 8.1. The work will be procured through the Council's existing arrangements with the HFBP and there are therefore no direct legal implications.

## **9. COMMENTS OF THE ASSISTANT DIRECTOR (PROCUREMENT & IT STRATEGY)**

- 9.1. There are currently no procurement related issues identified in the report.
- 9.2. The technology investment proposed in the report is in line with the direction of travel of the tri-borough ICT strategy and will contribute to delivering the objectives of this strategy.

**LOCAL GOVERNMENT ACT 2000**  
**LIST OF BACKGROUND PAPERS**

| <b>No.</b>              | <b>Description of Background Papers</b>   | <b>Name/Ext of holder of file/copy</b>                    | <b>Department/ Location</b> |
|-------------------------|---|---|-----------------------------|
| 1.                      | Cabinet paper – Funding Request for the SmartWorking Programme. 14 <sup>th</sup> July 2008                                    | Andrew Richards, SmartWorking Programme Manager, Ext 5989 | SmartSpace / HTH            |
| 2.                      | Business Case for SmartWorking at H&F SmartSpace / HTH  | Andrew Richards, SmartWorking Programme Manager, Ext 5989 | SmartSpace / HTH            |
| 3.                      | Cabinet paper – Funding drawdown for the SmartWorking programme and removal expenses related to the decant of Riverview House | Andrew Richards, SmartWorking Programme Manager, Ext 5989 | SmartSpace / HTH            |
| 4.                      | Cabinet paper – Funding drawdown for Corporate Rollout of SmartWorking (Stage C). 1st July 2010                               | Andrew Richards, SmartWorking Programme Manager, Ext 5989 | SmartSpace / HTH            |
| 5.                      | Cabinet paper – Request for funds for SmartWorking project in Finance & Corporate Services                                    | Andrew Richards SmartWorking Programme Manager, Ext 2123  | SmartSpace / HTH            |
| <b>CONTACT OFFICER:</b> |   | <b>NAME: Cheryl Rehal</b><br><b>EXT. 2758</b>             |                             |

# **London Borough of Hammersmith and Fulham**

## **Outline Business Case**

### **SmartWorking Stage D - Paperlight Office**

**Version 0.5**

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## 1 DOCUMENT STATUS

### 1.1 Control

This document is controlled and as such should not be distributed to any parties other than the programme team without the express permission of the author. Uncontrolled modification of content is prohibited; revision procedures should be followed at all times.

### 1.2 Related Documentation

| No. | Description of Background Papers  | Name/Ext of holder of file/copy                   | Department/ Location |
|-----|---|---|----------------------|
| 1.  | Cabinet paper – Funding Request for the SmartWorking Programme. 9 <sup>th</sup> November 2008 | Andrew Richards<br>Programme<br>Manager, Ext 2123 | SmartSpace /<br>HTH  |
| 2.  | Cabinet paper – Funding Request for the SmartWorking Programme. 14 <sup>th</sup> July 2008    | Andrew Richards<br>Programme<br>Manager, Ext 2123 | SmartSpace /<br>HTH  |
| 3.  | Business Case for SmartWorking at H&F   | Andrew Richards<br>Programme<br>Manager, Ext 2123 | SmartSpace /<br>HTH  |
| 4.  | Cabinet paper – Funding drawdown for the Corporate rollout of SmartWorking                    | Andrew Richards<br>Programme<br>Manager, Ext 2123 | SmartSpace /<br>HTH  |
| 5.  | Cabinet paper – Request for funds for SmartWorking project in Finance & Corporate Services    | Andrew Richards<br>Programme<br>Manager, Ext 2123 | SmartSpace /<br>HTH  |

### 1.3 Revisions

| Rev Date   | Rev | Author      | Notes  |
|------------|-----|-------------|--|
| 16/09/2011 | 0.1 | A. Richards | Draft for review   |
| 26/09/2011 | 0.2 | A. Richards | Draft for final team review                                  |
| 28/09/2011 | 0.3 | A. Richards | Updated following final team review                          |
| 10/10/2011 | 0.4 | A. Richards | Updated following review with Nigel Pallace                  |
| 01/12/11   | 0.5 | C. Rehal    | Updated following feedback from departmental representatives |

## **2 EXECUTIVE SUMMARY**

### **2.1 Introduction**

The SmartWorking programme started in July 2008 and has completed the delivery of Stages A, B and C at a total cost of £3.4m in July 2011. The programme has successfully enabled the vacating of Riverview House and Barclay House saving the organisation £1.35m p.a. and £717k p.a. respectively. It has also formed a key enabler for £2m in 2011/12 department MTFS savings.

A total sum of £3.8m has been drawn down from the total sum of £3.944m set aside for SmartWorking from the Efficiency Projects Reserve. This includes Stages A, B and C as well as the SmartWorking FCS project (£103k) which is currently underway and due to complete at end January 2012.

This report sets out the outline business case (based on indicative costs) for Stage D, a Paperlight Office. It requests £212,660 to conduct further work to develop detailed designs, costs and a full business case to deliver the recommendations described in this document.

### **2.2 SmartWorking Vision & Stage D**

The SmartWorking vision is for a more efficient organisation enabled through new ways of flexible and mobile working to deliver services as effectively and efficiently as possible, making the best use of resources. It is also about improving customer service, work/life balance and job satisfaction while maximising the use of assets, both space and IT.

Stage D SmartWorking is still about striving towards this vision, focused on implementing new ways of working through culture change, process and document management efficiency rather than accommodation savings.

SmartWorking vision statement: "Work is what you do, not where you do it"!

### **2.3 Background**

Following the successful completion of Stage C of SmartWorking with the vacation of Barclay House in July 2011, there are no opportunities in the short term to generate further accommodation savings through contractions in the use of office space. The next opportunity presents itself in August 2014 with the lease expiry at Cambridge House.

On completion of Stage C, the Senior Responsible Owner, Nigel Pallace, requested that the programme investigate the potential benefits and costs of a Stage D, Paperlight Office programme. The aim of the programme would be to eliminate inefficient and resource hungry paper processes from the organisation, driving improvements in productivity and enabling higher levels of SmartWorking and Tri-Borough Working.

On 25<sup>th</sup> July 2011 the Transforming Business Portfolio Board specified the areas of focus or priorities for the development of the Stage D Outline Business Case. These included: Mail Correspondence, Managing the Document Lifecycle, Invoices & Payments, Mobile Field Working, Smart Meetings and Quick Wins (solutions to deliver benefits for little or no investment).

These priorities provided the analysis framework for this outline business case and form the structure for presenting the findings in this document.

## **2.4 Strategic case for change**

The pressure to reduce costs at H&F has resulted in a number of business change programmes and initiatives that all require a move away from inefficient resource intensive paper processes towards leaner and more flexible processes. Key initiatives and drivers relevant to Paperlight Office include:

- Cost reduction: Real efficiencies can be made by removing labour intensive outbound and inbound mail processes in departments improving the management of documents and the sharing of information.
- World Class Financial Management (WCFM) and Tri-Borough Managed Services (Project Athena): Both initiatives are driving the need for electronic management of invoicing and payments processes as well as location independent electronic access to information.
- Tri-Borough Total FM project: This is driving the need to prepare for the outsourcing of the post service as part of SmartFM by March 2013. Streamlining and standardising mail processes in advance will prepare the organisation for a smoother transition and aid in contract negotiation.
- SmartWorking: The increasing number of staff working from different locations within H&F, from home and across Tri-Borough means that traditional paper-based processes are no longer fit for purpose. People will need to be able to send and receive mail electronically and access information online.
- Information management compliance: The organisation is under a legal obligation to adhere to data protection legislation as well as ensure information is held securely. Effective management of information is therefore a high business priority.

## **2.5 Overview of approach**

The aim of Stage D is to remove inefficient paper-based activities from departments through the electronic management of inbound and outbound post, effective electronic document management and better management of invoices and payments processes.

The recommended approach is that Stage D should be managed in two stages, a Full Business Case stage followed by an Implementation stage as follows:

A. Full Business Case stage (for which funding is being requested):

- Full business case including validated benefits, detailed designs and costs for the implementation of a Digital Mailroom and an electronic outbound mail

solution to remove manual paper-based post activities from departments. The business case will also include detailed designs and costs for the EDMS project within CSD Finance and a project to scan all inbound paper invoices.

- Service preparation for Digital Mailroom trial in Environment to plan and prepare for the transition to the new service during the trial.
- Service preparation for an EDMS project in CSD Finance including the review and pruning of any unwanted filing prior to back-scanning.
- Service preparation for an EDMS project in HRD Tenancy Management (in conjunction with the HRD New ways of Working project described below) including the review and pruning of any unwanted filing prior to back-scanning.
- Invoices and Payments (Phase 1) project to improve processes, develop staff understanding and compliance to reduce error demand on the Central Payments team.
- Roadmap for further EDMS projects identified as opportunities in this document, namely Housing Management, ENV Highways & Engineering, RSD Trade Waste, CHS Education Psychology, CHS Special Educational Needs and Housing Leaseholder Services.
- Implementation of HRD New Ways of Working to introduce modern, flexible ways of working, co-locate all back office staff and use technologies such as Openscape to support mobile working.

B. Implementation stage (for which funding will be requested on submission of the full business case)

- Digital Mailroom trial within Environment to manage all inbound general correspondence and outbound mail electronically to learn lessons to inform the planning of a corporate rollout.
- Digital Mailroom rollout across the organisation assuming the trial delivered in Environment is a success. Prioritisation during the full business case stage and lessons learnt during the trial will inform the plan and pace of the rollout to the rest of the organisation.
- CSD Finance EDMS project for the electronic management of Financial Assessment and Direct Payments filing and correspondence in Information@Work.
- Housing Management EDMS: Delivery of required back-scanning of tenancy files, set-up and configuration of Info@Work and interfaces within iWorld. Project management and implementation of changes to ways of working in line with Housing requirements.
- Invoices and Payments (Phase 2) project to channel paper invoices to RBS for scanning and upload to the RBS hub.
- Active employee engagement to reduce the printing of paper. Provision of projector facilities in 15 large meeting rooms in main buildings, to enable a reduction in the levels of paper printed for face-to-face meetings.
- Implementation of other EDMS projects as defined in the Full Business Case.

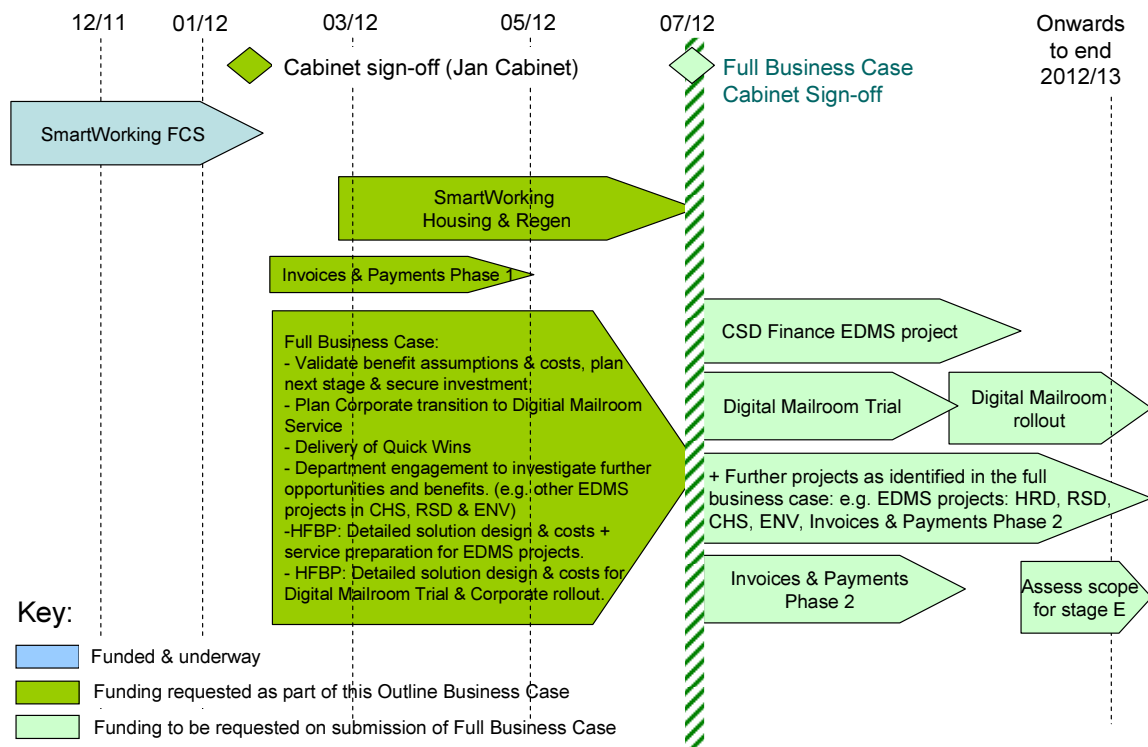
## 2.6 Programme plan

Stage D is a series of projects delivered over a 14 month period including an initial 6 month period to produce a full business case and plan followed by an 8 month implementation stage to complete by end 2012/13.

There are two stages:

1. Full business case stage from February to July 2012.
2. Implementation stage from July 2012 to March 2013.

### SmartWorking Stage D: Paperlight Office High-level Programme Plan



## 2.7 Overview of the financial case

A business case has been produced to implement the scope and approach summarised in the previous section. It is anticipated that cumulative gross cashable savings of £1.25m can be achieved by 2016/17.

Indicative programme costs for Stage D are £623k over 12 months, comprising a total IT cost of £294k, move costs of £12k and programme resource costs of £317k. These costs will be validated through detailed design work conducted during the Full Business Case stage.

Cashable benefits totalling £468k per annum have been identified as follows:

- Reduced cost of post including staff, a vehicle, franking machines and postage totalling £121k pa from 2012/13.
- Increased productivity of the Central Payments team totalling £108k pa from 2012/13 through a reduction in time spent dealing with error demand and manual processes, through the scanning of paper invoices and the increased use of e-invoicing.
- Reduced cost of physical space from the implementation of EDMS in CSD Finance and HRD Tenancy Services totalling £39k p.a. from 2014/15.

In addition, a non-cashable productivity benefit totalling £170k pa has been identified due to the removal of outbound manual mail processes from departments. This includes the manual printing, folding and enveloping of post across departments.

### SmartWorking Stage D: Paperlight Office & SmartWorking HRD Investment Appraisal (Overall)

| Benefits                                | 2012/13   | 2013/14  | 2014/15    | 2015/16    | 2016/17    | Total      |
|---|-----------|----------|------------|------------|------------|------------|
| Total cashable benefit                  | £178,139  | £464,713 | £466,508   | £467,790   | £467,790   | £2,044,940 |
| Total non-cashable benefit              | £84,750   | £169,499 | £169,499   | £169,499   | £169,499   | £762,746   |
| Total benefit (cashable + non-cashable) | £262,888  | £634,212 | £636,007   | £637,289   | £637,289   | £2,807,685 |
| Total cumulative cashable benefit       | £178,139  | £642,852 | £1,109,360 | £1,577,150 | £2,044,940 | £2,044,940 |
|   |           |          |            |            |            |            |
| Costs                                   |           |          |            |            |            |            |
| Total one-off IT costs                  | £252,630  | £0       | £0         | £0         | £0         | £252,630   |
| Total one-off Move costs                | £12,000   | £0       | £0         | £0         | £0         | £12,000    |
| Total annual IT costs                   | £41,450   | £41,700  | £41,950    | £42,310    | £42,570    | £209,980   |
| Total programme team costs              | £316,720  | £0       | £0         | £0         | £0         | £316,720   |
| Total costs                             | £622,800  | £41,700  | £41,950    | £42,310    | £42,570    | £791,330   |
| Total cumulative costs                  | £622,800  | £664,500 | £706,450   | £748,760   | £791,330   |            |
|   |           |          |            |            |            |            |
| Investment Appraisal                    |           |          |            |            |            |            |
| Net cashable benefit                    | -£444,662 | £423,013 | £424,558   | £425,480   | £425,220   |            |
| Net cumulative cashable benefit         | -£444,662 | -£21,649 | £402,910   | £828,390   | £1,253,610 |            |
| Return on Investment (%)                | -71%      | -3%      | 57%        | 111%       | 158%       |            |
|   |           |          |            |            |            |            |

The tables below show the investment appraisal broken down by the three main parts of Stage D: The Digital Mailroom project, the Invoices & Payments projects (including CSD Finance EDMS) and the HRD project.

### SmartWorking Stage D: Paperlight Office Investment Appraisal (Digital Mailroom only)

| Investment appraisal - Digital Mailroom |           |          |          |          |          |          |
|---|-----------|----------|----------|----------|----------|----------|
| Benefits                                | 2012/13   | 2013/14  | 2014/15  | 2015/16  | 2016/17  | Total    |
| Total cashable benefit                  | £60,331   | £120,661 | £120,661 | £120,661 | £120,661 | £542,975 |
| Total cumulative cashable benefit       | £60,331   | £180,992 | £301,653 | £422,314 | £542,975 | £542,975 |
|   |           |          |          |          |          |          |
| Costs                                   |           |          |          |          |          |          |
| Total costs                             | £254,130  | £15,400  | £15,400  | £15,400  | £15,400  | £315,730 |
| Total cumulative costs                  | £254,130  | £269,530 | £284,930 | £300,330 | £315,730 |          |
|   |           |          |          |          |          |          |
| Investment Appraisal                    |           |          |          |          |          |          |
| Net cashable benefit                    | -£193,800 | £105,261 | £105,261 | £105,261 | £105,261 |          |
| Net cumulative cashable benefit         | -£193,800 | -£88,539 | £16,723  | £121,984 | £227,245 |          |
| Return on Investment (%)                | -76%      | -33%     | 6%       | 41%      | 72%      |          |
|   |           |          |          |          |          |          |

Note: Digital mailroom benefits represent new savings which are not already included in MTFS targets.

### SmartWorking Stage D: Paperlight Office Investment Appraisal (Invoices & Payments, CSD Finance EDMS)

| Benefits                          | 2012/13  | 2013/14  | 2014/15  | 2015/16  | 2016/17  | Total    |
|-----------------------------------|----------|----------|----------|----------|----------|----------|
| Total cashable benefit            | £108,000 | £108,000 | £109,795 | £111,077 | £111,077 | £547,949 |
| Total cumulative cashable benefit | £108,000 | £216,000 | £325,795 | £436,872 | £547,949 | £547,949 |
|                                   |          |          |          |          |          |          |
| Costs                             |          |          |          |          |          |          |
| Total costs                       | £127,690 | £11,100  | £11,150  | £11,210  | £11,270  | £172,420 |
| Total cumulative costs            | £127,690 | £138,790 | £149,940 | £161,150 | £172,420 |          |
|                                   |          |          |          |          |          |          |
| Investment Appraisal              |          |          |          |          |          |          |
| Net cashable benefit              | -£19,690 | £96,900  | £98,645  | £99,867  | £99,807  |          |
| Net cumulative cashable benefit   | -£19,690 | £77,210  | £175,855 | £275,722 | £375,529 |          |
| Return on Investment (%)          | -15%     | 56%      | 117%     | 171%     | 218%     |          |
|                                   |          |          |          |          |          |          |

Note: Invoices / payments and CSD Finance EDMS benefits represent savings which have already been included in MTFS targets (WCFM 2012/13).

### SmartWorking Stage D: Paperlight Office Investment Appraisal (HRD)

| Benefits                                | 2012/13   | 2013/14  | 2014/15  | 2015/16  | 2016/17    | Total      |
|---|-----------|----------|----------|----------|------------|------------|
| Total cashable benefit                  | £18,465   | £253,365 | £253,365 | £253,365 | £253,365   | £1,031,925 |
| Total non-cashable benefit              | £0        | £0       | £0       | £0       | £0         | £0         |
| Total benefit (cashable + non-cashable) | £18,465   | £253,365 | £253,365 | £253,365 | £253,365   | £1,031,925 |
| Total cumulative cashable benefit       | £18,465   | £271,830 | £525,195 | £778,560 | £1,031,925 | £1,031,925 |
| <b>Costs</b>                            |           |          |          |          |            |            |
| Total one-off IT costs                  | £103,180  | £0       | £0       | £0       | £0         | £103,180   |
| Total one-off Move costs                | £12,000   | £0       | £0       | £0       | £0         | £12,000    |
| Total annual IT costs                   | £15,000   | £15,200  | £15,400  | £15,700  | £15,900    | £77,200    |
| Total programme team costs              | £110,800  | £0       | £0       | £0       | £0         | £110,800   |
| Total costs                             | £240,980  | £15,200  | £15,400  | £15,700  | £15,900    | £303,180   |
| Total cumulative costs                  | £240,980  | £256,180 | £271,580 | £287,280 | £303,180   |            |
| <b>Investment Appraisal</b>             |           |          |          |          |            |            |
| Net cashable benefit                    | -£222,516 | £238,165 | £237,965 | £237,665 | £237,465   |            |
| Net cumulative cashable benefit         | -£222,516 | £15,650  | £253,615 | £491,280 | £728,745   |            |
| Return on Investment (%)                | -92%      | 6%       | 93%      | 171%     | 240%       |            |

## 3 INTRODUCTION

### 3.1 Background

SmartWorking is the Council's programme to manage the implementation of new ways of flexible working and to enable significant savings through the improved utilisation of Council office space. The programme started in July 2008 and has completed the delivery of Stages A, B and C at a total cost of £3.4m in July 2011.

The programme has enabled the following savings to date:

- Productivity savings. SmartWorking formed a key enabler for circa £2m in departmental MTFS savings for 2011/12.
- Savings from vacated properties - Riverview House in January 2010, saving £1.35 pa; Barclay House in July 2011, saving £717k pa).
- IT savings from a reduced PC estate totalling £108k pa.

At the present time there are no further opportunities to make additional savings from vacating other properties. The next opportunity presents itself in August 2014 with the lease expiry at Cambridge House.

The Senior Responsible Owner, Nigel Pallace, requested that the programme investigate the potential savings and costs of delivering a Paperlight Office for Stage D. This programme would focus on process improvement, eliminating paper and resource hungry processes across the organisation, implementing Smarter ways of working.



On 25<sup>th</sup> July 2011 the Transforming Business Portfolio Board specified five areas of focus or themes for the development of the Stage D Outline Business Case. These themes included:

- Mail Correspondence – Streamlining paper-based resource intensive processes for inbound and outbound mail correspondence.
- Managing the Document Lifecycle – Improving the management of documents (ie. effective indexing, version control, archiving, de-duplication etc)
- Invoices & Payments – Improving H&F's cross-cutting processes for managing invoices and payments.
- Mobile Field Working – Investigate requirements for mobile solutions enabling Field Officers to access and update information on the move.
- Smart Meetings – Awareness raising with meeting organisers and challenge over paper usage. Analysis of requirements to reduce paper at meetings.
- Quick wins - Ideas to deliver benefits with little or no investment (e.g. raising awareness by publishing MFD bills, better use of hyperlinks in emails....)

These themes provided the priority areas of focus for this outline business case and they form the structure for the presentation of findings in this document.

## **3.2 Current state findings**

### **3.2.1 Mail correspondence**

There is currently a mix of automated and heavily manual post processes and arrangements in place across departments, which have largely been driven by service needs.

In terms of outbound physical mail arrangements, the following processes have been identified:

- Standard manual outbound mail: Staff print off letters, manually fold and envelope and leave for the Post Room to pick-up, frank and send them out via Royal Mail. Examples include ad hoc letters, RSD mail shots, Planning and Building Control consultations and notifications.
- HRD Housing Office manual outbound mail: Staff print off letters (e.g. offers of accommodation, appointments, viewing dates, general correspondence), manually fold and envelope them before they are franked locally (in Fulham North and Hammersmith North Housing Offices) and then picked-up directly by Royal Mail.
- H&F Direct manual outbound mail: Staff print off letters (e.g. trade refuse, parking permits, benefit letters), manually fold and envelope them before they are franked by Pay & Park and then picked-up directly by Royal Mail.
- High-volume automated outbound mail: This includes high-volume standard letters sent out at a regular frequency by a third party. Electronic data is sent to the following contractors where letters are printed, franked and sent out via the following carriers (e.g. Royal Mail) at a volume discount:
  - FDM (e.g. Housing Rent Arrears letters – triggered by iWorld, Council Tax and Business Rate letters – triggered by Academy, others triggered by Account Receivables module in Cedar). Data is sent to FDM where letters are printed, franked and sent out via Royal Mail at a volume discount.

- Liberty (letters for Parking Permit applications). H&F Direct pull together contents for letters and send to Liberty where they are folded, enveloped and sent out.
- Liberty (letters for Parking PCNs). Payment reminder letters are triggered automatically by ICPS to Liberty where they are printed, enveloped and sent out.

For inbound physical mail, the following processes have been identified:

- Standard manual inbound mail: Royal Mail deliver mail to the Post Room where it is sorted before being physically delivered on a daily basis to the main buildings and schools. Teams then sort and deliver mail to services where it is either physically distributed or scanned into local document management systems (e.g. Environment Planning applications into Idox).
- PO Box mail: Some services have arrangements with Royal Mail to have post delivered direct and teams scan, index and store correspondence in local document management systems. (e.g. H&F Direct Council Tax and Housing Benefits in Information@Work, Parking Permits and Electoral Registration).

### 3.2.2 Managing the document lifecycle

Representatives from business areas identified as having paper-heavy processes were engaged in a series of interviews and workshops, to capture their paper storage issues and understand their requirements for electronic document management.

The following project requirements were identified:

- CSD Finance: The need to improve productivity to meet WCFM savings targets are driving the need to implement EDMS in CSD Finance. The bulk of paper storage is associated with Financial Assessment and Direct Payments workflow. Requirements identified include:
  - Electronic management of Direct Payments documentation and correspondence in Information@Work to enable Direct Payment workflow to be conducted in Frameworki along with existing ASC case management process.
  - Electronic management of Financial Assessments and associated correspondence in Information@Work.(Other areas in CSD use Frameworki for electronic document management.)
- Housing Management: The electronic management of tenancy files (and housing and transfer files) using Information@Work in the Fulham North and Hammersmith North Housing Offices from document creation in Housing Options through in-life and to tenancy closure in Housing Management. This is required to enable improved sharing of information between offices and teams, to reduce the risk of information loss and to eliminate the duplication of effort in gathering customer information (e.g. tenant risk assessments).

In addition, the following opportunities for further investigation and scoping as part of the preparation of a full business case during the first phase of Paperlight Office were identified:

- CHS Education Psychology.
- CHS Special Educational Needs.
- RSD Trade Waste.
- ENV Highways & Engineering.

### 3.2.3 Invoices and payments

Representatives from Central and Departmental Finance teams were engaged in a series of workshops to understand the existing processes for invoices and payments and to identify opportunities for improvements.

The following invoices and payments processes were identified. For further information about each process including the process maps see Appendix A: Invoices and Payments.

- Purchase Orders and Invoices raised through Civica.
- Purchase Orders and Invoices raised through iWorld (Housing).
- Purchase Orders and Invoices raised through Frameworki (for Home Care).
- Purchase Orders raised through Frameworki (for Residential Care).

Identified issues with current invoices and payments processes include:

- Finance time spent resolving errors created by staff not following due process with raising POs and correctly GRNing on receipt in Civica, iWorld and Frameworki. Payments are also held up when part deliveries are received – users are unaware of how to part-GRN in Civica.
- Supplier issues. Agency suppliers send large numbers of invoices with a different charge rate to the Hyphen rate resulting in a backlog of unpaid invoices and Admin having to chase resolution. This applies to half of agency invoices received.
- High volume of paper invoices received drive up costs for physical storage and internal post (for ad hoc invoices and invoices sent in internal post from CSD Finance to Central Finance). Electronic storage is limited, encouraging people to keep paper copies rather than store electronically.
- Time is taken across departments to print out, fax and post purchase orders.
- Double entry of data by Finance team:
  - There is no integration between Frameworki and Cedar for CSD Finance Homecare payments meaning Central Finance have to manually enter payment details into Cedar.
  - CSD Financial assessment data must also be double entered as there is no integration between Abacus and Frameworki.
  - Double entry of invoice details for ad hoc invoices (those not raised properly as a Purchase Order in a system) into a system and Cedar. Often invoices are received from unknown suppliers meaning new suppliers need to be set-up, taking up more Finance team time.
- Delays in processing payments in Housing. All invoices are currently sent to Housing Finance as previously invoices were going missing. Housing Finance then reconcile them and spend significant time liaising with managers to resolve

errors and to ensure goods are receipted. Time could be saved if invoices were sent to managers first for initial approval before being sent to Housing Finance for final approval and payment.

### **3.2.4 Mobile Field Working**

A series of workshops were conducted with RSD Street Scene Enforcement (SSE), Neighbourhood Wardens and Parks Constabulary to understand whether there is a requirement and business case to implement a mobile field working solution.

A requirement and cashable productivity benefit were identified in SSE, equivalent to 0.8 FTE, if officers are able to receive and update information on jobs in the field. No productivity benefits were identified in the Neighbourhood Wardens or Parks Constabulary teams.

### **3.3 Current best practice & research**

Three visits to other councils who have implemented similar programmes were conducted to inform this outline business case and plan. These included:

- Hackney Council – Paperless Office and Digital Mailroom programme. The programme has included the implementation of a corporate document management system and central mail scanning team for scanning and channelling all inbound mail. The programme has enabled savings through the rationalisation of disparate post functions, enabled process change efficiencies and improved information management and control (one source of information with accurate version control)
- Ealing Council – Greenford Business Support Centre (established August 2008). The solution comprises a strategic and consolidated approach to the scanning, post, print and reprographics requirements of the organisation and its partners. It includes scanning and back office workflow for Planning, Housing Benefits, Revenues, Invoice Processing, Housing (Ealing Homes), Parking Services.
- Harrow Council – Housing, Revenues & Benefits and Planning Transformation programme. This comprises a new central scanning facility to ensure all paper documents received from clients are digitised upon receipt and indexed. A new workflow system ensures work is allocated more effectively, tracked and that enhanced management information is available

### **3.4 Main conclusions**

Mail correspondence. There are real opportunities to make tangible business improvements in the following ways:

- Cashable savings of £121k p.a. in postage, equipment, vehicles and post room staffing by implementing a standard, streamlined electronic process for outbound post.

- Removal of existing manual post activities from departments, freeing-up time for staff (equivalent to £124.5k p.a.) to focus on higher value activities (a non-cashable productivity benefit).
- Electronic management of inbound post meaning recipients can receive mail correspondence faster and wherever they are located. This will lead to quicker response times for customers, better alignment to a flexible and mobile working environment as well as Tri-Borough Working.
- Significant reductions in paper correspondence being received by services, enabling them to maintain and further reduce their levels of physical storage achieved through SmartWorking.

Managing the document lifecycle. Findings from initial analysis and engagement with departments indicate the following:

- EDMS (Information@Work) is required in CSD Finance to provide electronic access to Financial Assessment and Direct Payments correspondence, enabling a £108k pa productivity saving.
- EDMS (Information@Work) is required in HRD Tenancy Services to provide electronic access to tenancy files (and housing, leaseholders and transfer files) in the Fulham North and Hammersmith North Housing Offices enabling documents to be accessible across H&F Advice, Housing Options, Temporary Accommodation, Tenancy Services and Management, enabling a £60k pa productivity saving.
- There is an opportunity for further electronic document management projects in Education Psychology and Special Educational Needs (SEN), RSD Trade Waste and ENV Highways & Engineering. Further investigation to clarify requirements, benefits and costs needs to be conducted as part of the full business case.

Invoices and payments. Findings from analysis conducted with Finance teams identify the following opportunities:

- There is a need to develop staff understanding and compliance in following procurement processes correctly in existing systems (e.g. Civica, Frameworki and iWorld), to reduce the level of error demand currently being managed by Central Finance. This includes understanding the full process from requisition through to goods receipt, the correct codes to use, and how to manage the raising of emergency purchase orders and part GRN goods to ensure timely payments.
- There is a requirement to improve existing processes to standardise and simplify the steps, speeding up payments and reducing the level of Finance team effort expended on (back-and-forth) chasing for manager payment authorisations. There is an opportunity to learn from better ways of doing things in other departments where the same system is used but with different effectiveness.
- There are opportunities for quick wins such as emailing all Purchase Orders electronically rather than faxing or posting to save time.
- After reducing error demand, there is an opportunity to send all paper invoices to RBS for scanning and uploading to the RBS hub. This will then enable inbound paper invoices to be managed in the same way as existing e-invoices and be automatically approved in Cedar. There will only be benefits from this solution if staff follow the process correctly and errors are minimised. If not, Central Finance will just be resolving errors with electronic invoices rather than paper versions.
- As part of the full business case further analysis is needed to clarify the CSD Finance requirement for integration between Frameworki and Cedar for Home

Care payments and integration between Frameworki and Abacus to avoid double entry of financial assessment data.

Mobile Field Working. Early analysis identified an opportunity with RSD Street Scene Enforcement to improve productivity and customer responsiveness with a mobile solution. However, due to the small number of officers in-scope (6) there is simply not a business case to implement a fully integrated mobile solution including remote download and updating of jobs direct to backend systems in the field.

## **4 RECOMMENDATIONS & OPTIONS**

The purpose of this business case is to provide a high-level evaluation of the outline costs and benefits of a Paperlight Office programme. As such, these recommendations are based on indicative costs and high-level solution designs. Additional work will be required to validate the assumptions and develop these recommendations further as part of the Full Business Case stage.

### **4.1 Recommendation 1: Mail correspondence**

It is recommended that outbound mail correspondence is managed electronically in order to completely remove manual paper-based outbound post activities from departments. More specifically:

- A. For high-volume automated post which requires complex data management (e.g. CTAX bills), it is recommended that the organisation continues to use the existing preferred contractor (Cabinet approved) FDM.
- B. For medium and low volume post items (e.g. one-off mailshots requiring simple mail merges, ie. name and addresses, not complex data such as CTAX balance info) it is recommended that services send post items electronically to Hammerprint for printing, folding and enveloping before pick-up by FDM at the end of each day. FDM are then able to sort the items and benefit from discounted Royal Mail rates. This solution has already been successfully piloted by Environment for the Earls Court Regeneration consultation letters and represents half the average price of a standard letter compared to sending out via the existing manual approach.
- C. A digital mailroom is established to manage the scanning and channelling of inbound general correspondence to officers and teams at any location using Sharepoint 2010. This will enable a reduction in physical deliveries and associated savings in vehicles and staffing as well as being a solution aligned to a flexible office environment and Tri-Borough Working. It is recommended that an initial trial of the Digital Mailroom is run in Environment initially to identify issues and lessons learnt to inform transition planning for the rest of the organisation during 2012/13.

### **4.2 Recommendation 2: Managing the document lifecycle**

Requirements analysis for this business case was focused on business areas with high levels of paper filing and the potential to realise significant benefits from improving the management of documents. A business need and case to implement

EDMS has been identified in CSD Finance and HRD Tenancy Services and indicative costs developed.

The CSD Finance project will include electronic management of Financial Assessments and Direct Payments documentation and correspondence in Information@Work to enable workflow to be conducted within Frameworki along with ASC.

Tenancy Services: The electronic management of tenancy files (and housing, leaseholders and transfer files) using Information@Work in the Fulham North and Hammersmith North Housing Offices enabling documents to be accessible across H&F Advice, Housing Options, Temporary Accommodation, Tenancy Services and Management.

As part of the development of the full business case, detailed designs and costs will be required and a solution proposal produced for this project.

### **4.3 Recommendation 3: Invoices and payments**

It is recommended that work for “Invoices and payments” is conducted in two phases:

- A. Phase one - Reduce order and payment error demand and manual activities for Finance staff. This will include:
  - Process improvement project with Finance teams to streamline and standardise the procurement processes using existing IT to reduce manual paper-based activity and speed up the payment authorisation process.
  - Communication and training to develop staff understanding of procurement processes across all systems to reduce mistakes which lead to error demand.
  - Implementation of compliance mechanism to ensure managers adhere to procurement processes.
- B. Phase two – Scan all paper invoices for upload to RBS hub. This will include:
  - Scanning all invoices would yield little benefit to Finance without first resolving the problems with error demand. However, once error demand has been reduced in phase one it would be possible to channel all paper-based invoices to RBS for scanning and upload to the e-invoicing hub. These invoices would then work in the same way as existing e-invoices and be sent to Cedar Accounts Payable for automatic approval and payment.

### **4.4 Options**

The following options have been identified as part of this Outline Business Case:

- A. Managing the document lifecycle: A requirement for an EDMS project in Housing Management has been identified but it has not been possible to attribute a cashable saving at this stage. The project would comprise electronic management of tenancy files (and housing and transfer files) using Information@Work in the Fulham North and Hammersmith North Housing Offices

enabling documents to be accessible across H&F Advice, Housing Options, Temporary Accommodation, Tenancy Services and Management.

- B. Managing the document lifecycle: As part of the full business case, further investigation is conducted in areas which have been identified as paper heavy, including CHS Education Psychology, CHS Special Educational Needs, ENV Highways & Engineering (requirement for improved management of electronic information) and RSD Trade Waste.
- C. Managing the document lifecycle: The existing HR EDMS project has completed the detailed design stage including solution proposals. Depending on timescales for starting this project it may make sense to manage this project as part of this programme to ensure a consistent approach and to maximise the benefits from implementation.



## 5 PROGRAMME DETAIL

### 5.1 Vision

The SmartWorking vision is for a more efficient organisation enabled through new ways of flexible and mobile working to deliver services as effectively and efficiently as possible, making the best use of resources. It is also about improving customer service, work/life balance and job satisfaction while maximising the use of assets, both space and IT.

Stage D SmartWorking is still about striving towards this vision, focused on implementing new ways of working through culture change, process and document management efficiency rather than accommodation savings.

SmartWorking vision statement: "Work is what you do, not where you do it"!

### 5.2 Outcomes & Strategic Objectives

The table below shows the main strategic objectives relevant to Paperlight Office, the key anticipated outcomes and how they relate to each one.

| Strategic objective                                 | Stage D outcomes  |
|---|---|
| Cost reduction                                      | <ul style="list-style-type: none"> <li>• Reduced cost of the Post Room including staff, vehicles, postage and franking machines used across the organisation.</li> <li>• Removal of manual physical outbound mail activities from departments.</li> <li>• Increased productivity of Finance teams through reduced management of payments error demand.</li> <li>• Increased productivity of CSD Finance &amp; Housing staff through improved document management, information sharing and reduced duplication of effort.</li> </ul> |
| Tri-Borough Managed Services & Total FM Outsourcing | <ul style="list-style-type: none"> <li>• Removal of Finance physical paper-based payments processes in preparation for Managed Services (Project Athena).</li> <li>• Streamlining of inbound &amp; outbound post processes in preparation for Total FM Outsourcing.</li> </ul>  |
| World Class Financial Management                    | <ul style="list-style-type: none"> <li>• Removal of Finance physical paper-based payments processes enabling further centralisation of finance functions.</li> <li>• Reduced Finance team time spent chasing physical payment authorisations where a Purchase Order hasn't been raised.</li> </ul>  |
| Improved customer service                           | <ul style="list-style-type: none"> <li>• Faster customer response times to mail enquiries scanned and channelled to recipients at point of entry.</li> </ul>  |
| SmartWorking  | <ul style="list-style-type: none"> <li>• Reduction in paper correspondence resulting in reduced storage and clearer desks in departments.</li> <li>• Reduction in physical storage space.</li> </ul>  |

|                                 |  |
|---------------------------------|--|
| Improved information management | <ul style="list-style-type: none"> <li>• Reduced risk of loss of physical mail correspondence.</li> <li>• Reduced risk of loss of tenancy files in Housing and financial assessment and direct payments files in CSD Finance through fire, other damage or being mislaid.</li> <li>• Improved management (version control, destruction) of tenancy files in Housing Management.</li> </ul> |
|---------------------------------|--|

### 5.3 Programme Plan

Stage D – Paperlight Office is a series of projects delivered over a 14 month period including an initial 6 month period to produce a full business case and plan followed by an 8 month implementation stage to complete by end 2012/13.

- A. Full Business Case stage (for which funding is being requested) will specifically include:
1. Full business case including validated benefits, detailed designs and costs for the implementation of a Digital Mailroom and an electronic outbound mail solution to remove manual paper-based post activities from departments. The business case will also include detailed designs and costs for the EDMS project within CSD Finance and a project to scan all inbound paper invoices for upload to the RBS hub.
  2. Service preparation for a Digital Mailroom trial in Environment to plan and prepare for the transition to the new service during the trial.
  3. Service preparation for an EDMS project in CSD Finance including the review and pruning of any unwanted filing prior to back-scanning.
  4. Invoices and Payments (Phase 1) project to improve processes, develop staff understanding and compliance to reduce error demand on the Central Payments team.
  5. Roadmap for further EDMS projects identified as opportunities in this document, namely Housing Management, ENV Highways & Engineering, RSD Trade Waste, CHS Education Psychology, CHS Special Educational Needs and Housing Leaseholder Services.
- B. Implementation stage (for which funding will be requested on submission of the Full Business Case). This will include:
1. Digital Mailroom trial and rollout planning: Delivery of a Digital Mailroom trial (to manage the electronic delivery of inbound general correspondence) within Environment to learn lessons to inform and develop the plan for a wider organisation rollout.
  2. Digital Mailroom rollout across the organisation assuming the trial delivered in Environment is a success. Prioritisation during the full business case stage and lessons learnt during the trial will inform the plan and pace of the rollout to the rest of the organisation.
  3. CSD Finance EDMS: Delivery of required back-scanning of Financial Assessment and Direct Payments files, set-up and configuration of Info@Work and interfaces within Frameworki. Project management and implementation of changes to ways of working in line with CSD Finance requirements.

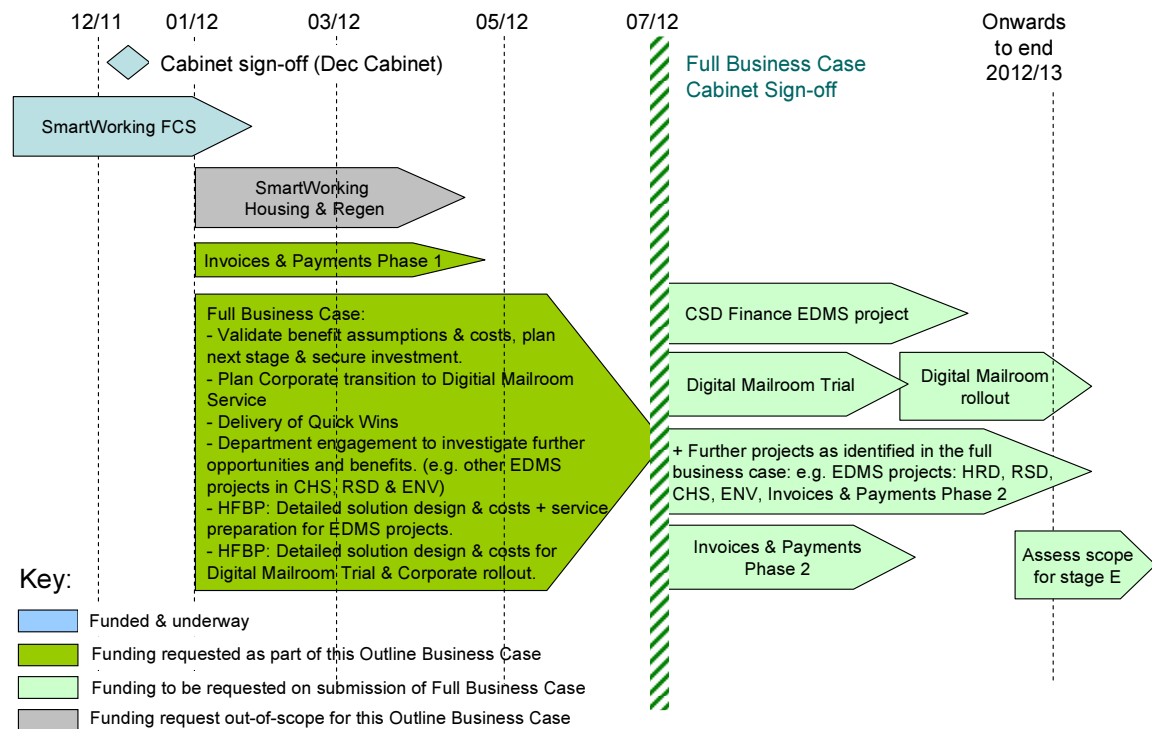
4. Invoices & Payments Phase 2: Scanning of inbound paper invoices for upload to the RBS hub to remove the inflow of paper invoices into the organisation and maximise the level of automatic payment approvals through Cedar.
5. Implementation of other EDMS projects as defined in the Full Business Case: Opportunities have been identified in Housing Management, ENV Highways & Engineering, RSD Trade Waste, CHS Education Psychology and Special Educational Needs.

Further projects, which will be managed as part of Stage D of SmartWorking but are either funded or out-of-scope for this outline business case include:

1. SmartWorking Housing & Regeneration: Requirements have not yet been identified for this project and so it is considered out-of-scope for this business case. Associated benefits and costs are unknown at this stage.
2. SmartWorking FCS: This project is funded and underway but will be managed as part of SmartWorking Stage D.

High-level timelines for the delivery of this work are shown in the diagram below. The plan is based on a January 2012 start, assuming Cabinet approval can be gained in December 2011.

SmartWorking Stage D: Paperlight Office High-level Programme Plan



## 5.4 Programme Organisation

As Paperlight Office builds on and forms a next step for SmartWorking it is recommended that the SmartWorking Programme Board is used to provide management oversight and support to the Programme Manager to drive the programme forward. Membership of the Board will need to include Business Change Managers, the Senior IT Supplier (HFBP) and relevant specialists (e.g. Information Management, OD). The Board membership will need to reflect the shift towards Paperlight Office and the way the organisation manages its information. The Board will need to maintain its strong emphasis on implementing new ways of working.

The SmartWorking Programme Board forms part of the “Transforming Business Portfolio Board”. Although the Portfolio Board will not have direct management oversight of this programme, it will act as a steering group to advise on direction and ensure alignment and coherence with the rest of the portfolio.

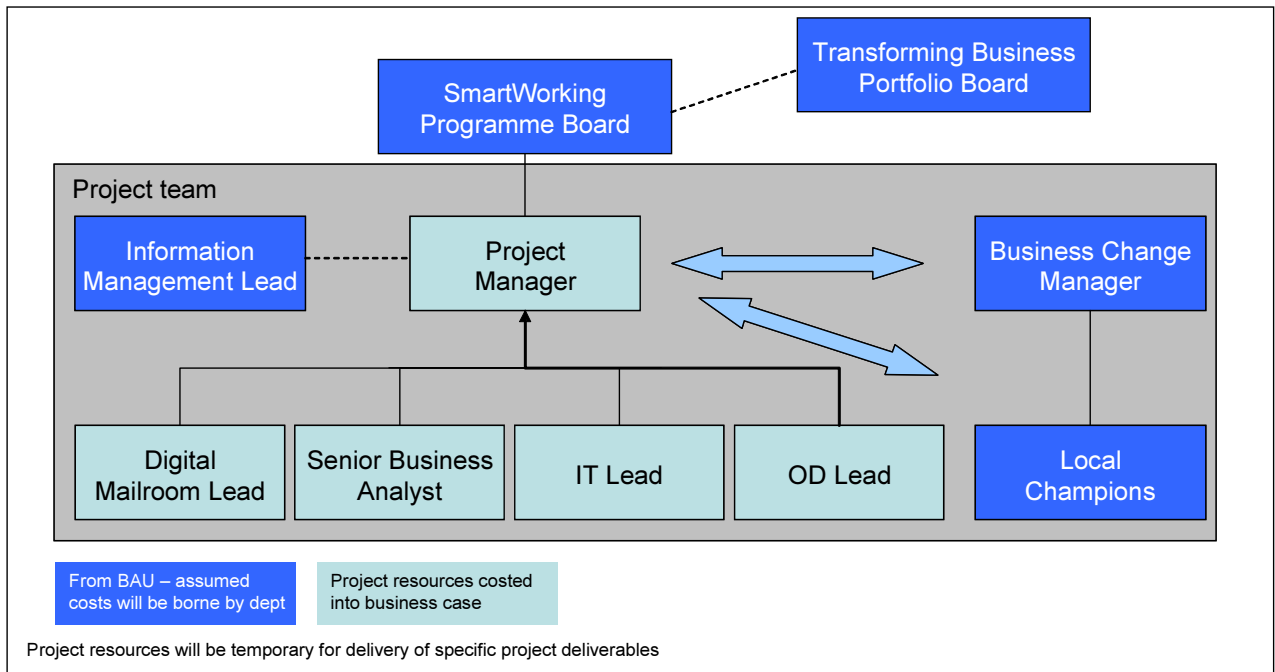
The Programme Manager will report directly to the SRO, Nigel Pallace, and will have overall responsibility for the delivery of the Stage D projects. The Programme Manager will report to Programme Board at an agreed frequency and attend the Transforming Business Portfolio Board as needed as part of the engagement required in the development of the full business case and plans.

The Programme Organisation is shown in the diagram below. The following roles will be required:

- Project Manager – Overall responsibility for the delivery of SmartWorking Stage D including the full business case stage and implementation stage. Responsible for the delivery of the Digital Mailroom trial as well as the planning and delivery of the corporate transition to the new Digital Mailroom service.
- Information Management Lead – Responsible for providing guidance and support to the programme to ensure benefits are maximised in terms of fulfilling the organisation’s obligations in meeting information management compliance requirements (anticipated will be undertaken from within the business).
- Senior Business Analyst – Responsible for leading the Invoices & Payments Phase 1 project, validating benefits assumptions and investigating the further opportunities identified in this paper. Leads on requirements capture, communications and engagement on all implementation projects.
- OD Lead – Overall responsibility for developing and facilitating change interventions to support HRD New Ways of Working, including behaviour change, virtual team working and corporate culture work.
- IT Lead – Overall HFBP responsibility and single point of contact for delivery of solution proposals and implementation projects during Stage D.
- Business Change Manager – AD sponsor for SmartWorking in each department responsible for actively supporting and helping the programme to move forward in each part of the business, successfully implement the new capabilities and realise business benefits (anticipated will be undertaken from within the business).

- **Local Champion** – Enthusiastic individuals appointed within each department who are able to act as advocates for the SmartWorking Paperlight agenda and provide active support and input to programme activities (anticipated will be undertaken from within the business).

**SmartWorking Stage D: Paperlight Office Organisation Structure**



## 6 COST BENEFIT ANALYSIS

### 6.1 Benefits

The table below shows the gross cashable and non-cashable benefits from Stage D of SmartWorking. See section 7 for details of assumptions and risks to benefit realisation.

| Cashable benefits  |                 |                 |                 |                 |                 |                   |  |      |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|--|------|
|  | 2012/13         | 2013/14         | 2014/15         | 2015/16         | 2016/17         | Total             | Assumptions  | Dept |
| <b>Mail correspondence</b>                               |                 |                 |                 |                 |                 |                   |  |      |
| Reduced costs of staff in the Post Room                  | £18,726         | £37,451         | £37,451         | £37,451         | £37,451         | £168,530          | Includes reduced post collections & deliveries; NOTE: TFM contract will take over savings from contract commencement 13/14           | ENV  |
| Reduced cost of Post Room vehicles                       | £4,828          | £9,656          | £9,656          | £9,656          | £9,656          | £43,452           | Leased vehicle can be reallocated for other use in H&F   | ENV  |
| Removed cost of franking machines; Post Room             | £3,202          | £6,404          | £6,404          | £6,404          | £6,404          | £28,818           |  | ENV  |
| Removed cost of franking machines: Housing Offices       | £2,456          | £4,912          | £4,912          | £4,912          | £4,912          | £22,104           |  | HRD  |
| Removed cost of franking machines: Parking Services      | £2,638          | £5,276          | £5,276          | £5,276          | £5,276          | £23,742           |  | ENV  |
| Removed cost of franking machines: H&F Direct            | £1,198          | £2,395          | £2,395          | £2,395          | £2,395          | £10,778           |  | FCS  |
| Reduced cost of postage                                  |                 |                 |                 |                 |                 |                   | FDM discounted rates rather than 1st and 2nd class, based on total known spend of <b>£260,013</b>                                    |      |
| Reduced cost of postage: HRD                             | 6,009           | 12,017          | 12,017          | 12,017          | 12,017          | £54,077           | Area Offices: £5,148; Other £6,869   | HRD  |
| Reduced cost of postage: CHS                             | 1,960           | 3,919           | 3,919           | 3,919           | 3,919           | £17,636           |  | CHS  |
| Reduced cost of postage: CSD                             | 2,121           | 4,241           | 4,241           | 4,241           | 4,241           | £19,085           |  | CSD  |
| Reduced cost of postage: RSD                             | 289             | 578             | 578             | 578             | 578             | £2,601            |  | RSD  |
| Reduced cost of postage: FCS                             | 7,038           | 14,075          | 14,075          | 14,075          | 14,075          | £63,338           | Pay & Park £7,430; Electoral Reg £4,110; Other £2,535  | FCS  |
| Reduced cost of postage: ENV                             | 9,677           | 19,353          | 19,353          | 19,353          | 19,353          | £87,089           | Parking £8779; Other £10,574   | ENV  |
| <b>Total cashable benefit</b>                            | <b>£60,139</b>  | <b>£120,277</b> | <b>£120,277</b> | <b>£120,277</b> | <b>£120,277</b> | <b>£541,247</b>   |  |      |
| <b>Managing the document lifecycle</b>                   |                 |                 |                 |                 |                 |                   |  |      |
| Reduced cost of physical storage (Chse lease expiry)     | £0              | £0              | £1,795          | £3,077          | £3,077          | £7,949            | Space saving cost can be realised from 14/15 C.Hse lease expiry  | ENV  |
| Reduced cost of physical storage (HRD & CSD)             | £0              | £39,999         | £39,999         | £39,999         | £39,999         | £159,996          | Space saving cost can be realised from 13/14 onwards; for HRD includes eliminated office maintenance costs of £19k per annum         | ENV  |
| Increased productivity of HRD staff                      | £0              | £60,000         | £60,000         | £60,000         | £60,000         | £240,000          | Productivity improvement of 2 FTE, equiv 10 min saving per day, can be realised from 13/14   | HRD  |
| <b>Total cashable benefit</b>                            | <b>£0</b>       | <b>£99,999</b>  | <b>£101,794</b> | <b>£103,076</b> | <b>£103,076</b> | <b>£407,945</b>   |  |      |
| <b>New ways of working HRD</b>                           |                 |                 |                 |                 |                 |                   |  |      |
| Increased productivity of Field, Mobile and Home Workers | £0              | £126,437        | £126,437        | £126,437        | £126,437        | £505,748          | 3% increase in efficiency through role redesign & workload allocation (in line with original business case productivity assumptions) | HRD  |
| <b>Total cashable benefit</b>                            | <b>£0</b>       | <b>£126,437</b> | <b>£126,437</b> | <b>£126,437</b> | <b>£126,437</b> | <b>£505,748</b>   |  |      |
| <b>Invoices and payments</b>                             |                 |                 |                 |                 |                 |                   |  |      |
| Increased productivity of the Central Payments team      | £108,000        | £108,000        | £108,000        | £108,000        | £108,000        | £540,000          | Process change & training realises 3 FTE saving  | FCS  |
| Increased productivity of Finance staff in HRD           | £10,000         | £10,000         | £10,000         | £10,000         | £10,000         | £50,000           | Realised through restructuring of functions  | HRD  |
| <b>Total cashable benefit</b>                            | <b>£118,000</b> | <b>£118,000</b> | <b>£118,000</b> | <b>£118,000</b> | <b>£118,000</b> | <b>£590,000</b>   |  |      |
| <b>Grand total cashable benefit</b>                      | <b>£178,139</b> | <b>£464,713</b> | <b>£466,508</b> | <b>£467,790</b> | <b>£467,790</b> | <b>£2,044,940</b> |  |      |

| Non-cashable benefits   |                                  |                 |                 |                 |                 |                   |  |  |
|---|----------------------------------|-----------------|-----------------|-----------------|-----------------|-------------------|--|--|
| Mail correspondence   | 2012/13                          | 2013/14         | 2014/15         | 2015/16         | 2016/17         | Total             | Assumptions  |  |
| Reduced cost of local staff time conducting manual outbound mail activities through use of provider | £62,250                          | £124,499        | £124,499        | £124,499        | £124,499        | £560,246          | e-signature solution viable for services; 30 sec handling time per letter, 730,168 letters per yr across H&F, resulting in more effective use of time  |  |
|   |                                  |                 |                 |                 |                 |                   |  |  |
| Managing the document lifecycle   | 2012/13                          | 2013/14         | 2014/15         | 2015/16         | 2016/17         | Total             | Assumptions  |  |
| Reduced cost of paper & printing  | 22,500                           | 45,000          | 45,000          | 45,000          | 45,000          | £202,500          | Minimum 15% reduction in the use of paper; due to recharges via SLA cannot assign costs to individual departments, therefore deemed non-cashable benefit at present as dependent on contract renegotiation |  |
| Reduced risk of loss of information and associated costs through fire, damage or other              | tbc - based on likelihood x cost |                 |                 |                 |                 |                   |  | Majority of file contents can be stored electronically |
| Increased productivity of Finance staff in CSD  |                                  |                 |                 |                 |                 |                   | Cashable element included in Central Payments team   |  |
|   |                                  |                 |                 |                 |                 |                   |  |  |
| Total non-cashable benefit  | £84,750                          | £169,499        | £169,499        | £169,499        | £169,499        | £762,746          |  |  |
|   |                                  |                 |                 |                 |                 |                   |  |  |
| <b>Grand total cashable + non-cashable benefit</b>  | <b>£262,888</b>                  | <b>£634,212</b> | <b>£636,007</b> | <b>£637,289</b> | <b>£637,289</b> | <b>£2,807,685</b> |  |  |

## 6.2 Costs

The following indicative costs have been developed based on the high-level requirements described in this document. A detailed breakdown of the costs are shown in Appendix B.

- One-off IT costs – **Total = £252,630**
- Annual IT costs – **Total = £41,450**
- Project team costs – **Total = £316,720**

**Total costs: £610,800**

Ongoing annual IT costs total £41,700.

### 6.3 Investment Appraisal

| <b>Investment Appraisal</b>             |                |                |                |                |                |              |
|---|----------------|----------------|----------------|----------------|----------------|--------------|
| <b>Benefits</b>                         | <b>2012/13</b> | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>Total</b> |
| Total cashable benefit                  | £178,139       | £464,713       | £466,508       | £467,790       | £467,790       | £2,044,940   |
| Total non-cashable benefit              | £84,750        | £169,499       | £169,499       | £169,499       | £169,499       | £762,746     |
| Total benefit (cashable + non-cashable) | £262,888       | £634,212       | £636,007       | £637,289       | £637,289       | £2,807,685   |
| Total cumulative cashable benefit       | £178,139       | £642,852       | £1,109,360     | £1,577,150     | £2,044,940     | £2,044,940   |
| <b>Costs</b>                            |                |                |                |                |                |              |
| Total one-off IT costs                  | £252,630       | £0             | £0             | £0             | £0             | £252,630     |
| Total one-off Move costs                | £12,000        | £0             | £0             | £0             | £0             | £12,000      |
| Total annual IT costs                   | £41,450        | £41,700        | £41,950        | £42,310        | £42,570        | £209,980     |
| Total programme team costs              | £316,720       | £0             | £0             | £0             | £0             | £316,720     |
| Total costs                             | £622,800       | £41,700        | £41,950        | £42,310        | £42,570        | £791,330     |
| Total cumulative costs                  | £622,800       | £664,500       | £706,450       | £748,760       | £791,330       |              |
| <b>Investment Appraisal</b>             |                |                |                |                |                |              |
| Net cashable benefit                    | -£444,662      | £423,013       | £424,558       | £425,480       | £425,220       |              |
| Net cumulative cashable benefit         | -£444,662      | -£21,649       | £402,910       | £828,390       | £1,253,610     |              |
| Return on Investment (%)                | -71%           | -3%            | 57%            | 111%           | 158%           |              |

## 7 RISKS

Risks to benefit realisation identified at the outline business case stage include the following:

- Resistance to change:** There is a risk that parts of the organisation will resist the introduction of an electronic inbound and outbound post function. It is likely that trust issues will need to be overcome, especially in dealing with confidential correspondence and to convince staff that it's workable to store and access information electronically with the result that paper copies do not need to be kept in the majority of cases. Additionally there is a risk that the current post room staff could see this project as a direct threat to their jobs and therefore be uncooperative in the transition to electronic working. Strong departmental sponsorship and engagement on department requirements will be required as part of the project.
- Change capacity:** There is a risk that departments will not have the capacity to engage on this programme due to the number of change initiatives already underway at H&F (e.g. Tri-Borough, Bi-Borough, organisational change in Housing and Regeneration). The success of the digital post room trial will largely depend on sufficient engagement from Environment staff who may have more pressing priorities. Departmental resource commitment should be sought as a pre-cursor to commencing the project.
- Central Payments team staff saving:** There is a risk that despite efforts to train staff and enforce compliance in following invoice payments processes the level of error demand does not fall. This means there is a risk that it will not be possible to realise the Finance FTE saving.
- Sharepoint 2010:** The Digital Mailroom project is based on the use of Sharepoint 2010 to channel inbound mail correspondence electronically to recipients. There is a risk that current plans to implement Sharepoint do not come to fruition, due



to lack of hfbp resources or the technology not working as envisaged, meaning an alternative technology would be required resulting in significant time delays and increasing project costs.

5. Stage D timelines and costs: There is a risk that the Digital Mailroom implementation across departments is more complex (in terms of requirements, gaining buy-in) than anticipated, requiring an extension to timelines and further costs.

## APPENDIX A – INVOICES & PAYMENTS PROCESSES

Current invoices and payments processes were analysed for each main business application where purchase orders are raised: Civica, iWorld and Frameworki. The attachments below include the process maps produced for each type.

- Purchase Orders and Invoices raised through Civica: Purchase Orders raised in Civica are sent to suppliers via various channels (XML, email, fax or physical delivery). Suppliers set-up for e-invoicing send invoices (only 3% of invoices) via the RBS e-invoicing hub which is integrated with Civica for automatic payment approval. All paper invoices (approx 97%) are received by Finance, where they are sorted, manually checked and authorised for payment before being manually inputted into Cedar for payment.
- Purchase Orders and Invoices raised through iWorld (Housing): Purchase Orders raised in iWorld are emailed to suppliers. Suppliers then send paper invoices to Housing Finance where they are manually reconciled against POs in iWorld. A large number of invoices fail to reconcile and Finance must chase technical officers to confirm the correct price and / or ensure the goods have been receipted correctly. Despite this initial checking, the invoice is then sent to the technical officer anyway to authorise payment in iWorld.
- Purchase Orders and Invoices raised through Frameworki (for Home Care): A Home Care Package is created and a requisition is raised in Frameworki. On approval a PO is sent to a supplier. On a four weekly basis suppliers send electronic hours of care returns to CSD Finance for reconciliation. Following timesheet approval suppliers send electronic or paper invoices to CSD Finance where they are approved before being sent in the internal mail to Central Finance for manual entry into Accounts Payable.
- Purchase Orders raised through Frameworki (for Residential Care): Care packages are agreed with Service Managers before Purchase Orders are raised in Frameworki. No invoices are received from suppliers as payments are sent out automatically on a monthly basis based on the care received and the financial status of the care user.



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**APPENDIX B – INDICATIVE COSTS BREAKDOWN**

| <b>One-off IT costs</b>  | <b>2012/13</b>  | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>Total</b>    |
|--|-----------------|----------------|----------------|----------------|----------------|-----------------|
| Digital Mailroom: Set-up Sharepoint solution for inbound mail correspondence                               | £44,000         |                |                |                |                | £44,000         |
| Additional scanners & Citrix server procurement  | £2,000          |                |                |                |                | £2,000          |
| Outbound mail - Development of required interfaces to enable outbound mail to be sent to FDM / Hammerprint | £25,700         |                |                |                |                | £25,700         |
| Housing EDMS: Set-up & configuration of Info@Work  | £26,000         |                |                |                |                | £26,000         |
| Housing EDMS: Development of additional interfaces btwn iWorld & Info@Work                                 | £5,000          |                |                |                |                | £5,000          |
| Housing EDMS: Additional scanners (4) & Citrix server procurement  | £4,000          |                |                |                |                | £4,000          |
| Housing EDMS: Lookup & search capability from I@W witin iWorld   | £21,000         |                |                |                |                | £21,000         |
| Housing EDMS back scanning costs + HFBP import   | £47,180         |                |                |                |                | £47,180         |
| CSD Finance EDMS: Set-up & configuration of Info@Work  | £14,300         |                |                |                |                | £14,300         |
| CSD Finance EDMS: Development of additional interfaces btwn Frameworki & Info@Work                         | £7,700          |                |                |                |                | £7,700          |
| CSD Finance EDMS: Additional scanners (2) & Citrix server procurement                                      | £2,000          |                |                |                |                | £2,000          |
| CSD Finance EDMS: Lookup & search capability from I@W within Frameworki                                    | £21,000         |                |                |                |                | £21,000         |
| CSD Finance EDMS upfront scanning costs  | £14,000         |                |                |                |                | £14,000         |
| Installation of projectors in main meeting rooms   | £18,750         |                |                |                |                | £18,750         |
| <b>Total one-off IT costs</b>  | <b>£252,630</b> | <b>£0</b>      | <b>£0</b>      | <b>£0</b>      | <b>£0</b>      | <b>£252,630</b> |

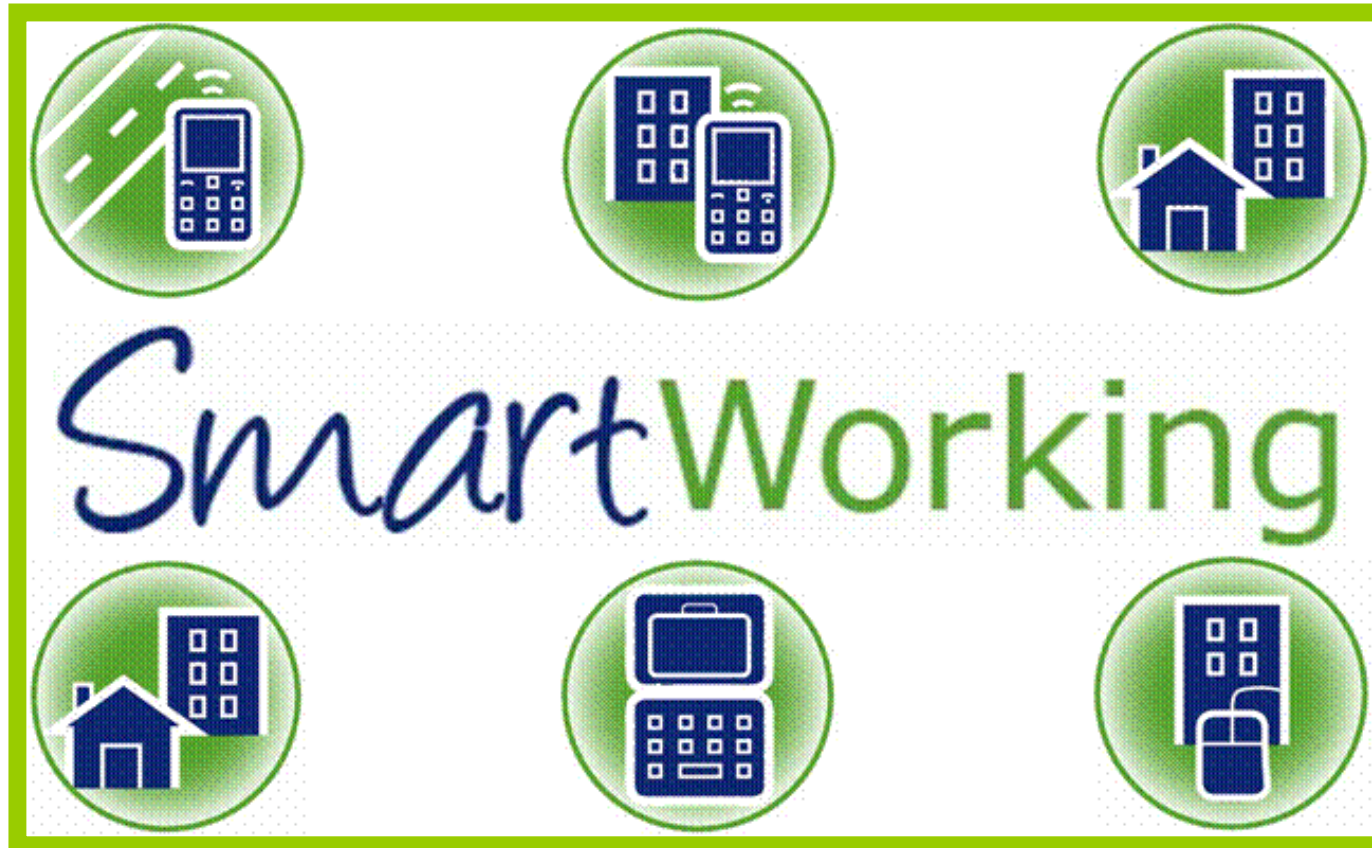
| <b>One-off Move costs</b>       | <b>2012/13</b> | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>Total</b>   |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| HRD                             | £12,000        | £0             | £0             | £0             | £0             | £12,000        |
| <b>Total one-off Move costs</b> | <b>£12,000</b> | <b>£0</b>      | <b>£0</b>      | <b>£0</b>      | <b>£0</b>      | <b>£12,000</b> |

| Annual costs   | 2012/13        | 2013/14        | 2014/15        | 2015/16        | 2016/17        | Total           |
|--|----------------|----------------|----------------|----------------|----------------|-----------------|
| Digital Mailroom: Sharepoint annual support costs  | £7,500         | £7,500         | £7,500         | £7,500         | £7,500         | £37,500         |
| Annual maintenance costs for scanners & Citrix servers   | £1,000         | £1,000         | £1,000         | £1,000         | £1,000         | £5,000          |
| Allowance for additional electronic storage  | £500           | £500           | £500           | £500           | £500           | £2,500          |
| Annual maintenance costs for outbound mail solution  | £6,400         | £6,400         | £6,400         | £6,400         | £6,400         | £32,000         |
| Housing EDMS: Annual Info@Work maintenance costs   | £6,000         | £6,000         | £6,000         | £6,000         | £6,000         | £30,000         |
| Housing EDMS: Annual maintenance of iWorld / Info@Work interfaces                                | £1,000         | £1,000         | £1,000         | £1,000         | £1,000         | £5,000          |
| Housing EDMS: Annual maintenance for scanners  | £2,000         | £2,000         | £2,000         | £2,000         | £2,000         | £10,000         |
| Housing EDMS: Annual maintenance for lookup & search capability from I@W within iWorld           | £4,000         | £4,000         | £4,000         | £4,000         | £4,000         | £20,000         |
| Housing EDMS: Additional eStorage costs (based on 1.8m page depressions. Annual growth @ 20%)    | £2,000         | £2,200         | £2,400         | £2,700         | £2,900         | £12,200         |
| CSD Finance EDMS: Annual Info@Work maintenance costs   | £3,600         | £3,600         | £3,600         | £3,600         | £3,600         | £18,000         |
| CSD Finance EDMS: Annual maintenance of Frameworki / Info@Work interfaces                        | £2,000         | £2,000         | £2,000         | £2,000         | £2,000         | £10,000         |
| CSD Finance EDMS: Annual maintenance for scanners  | £1,000         | £1,000         | £1,000         | £1,000         | £1,000         | £5,000          |
| CSD Finance EDMS: Annual maintenance for lookup & search capability from I@W within Frameworki   | £4,000         | £4,000         | £4,000         | £4,000         | £4,000         | £20,000         |
| CSD Finance EDMS: Additional eStorage costs (based on 53k page depressions. Annual growth @ 10%) | £450           | £500           | £550           | £610           | £670           | £2,780          |
| <b>Total annual IT costs</b>   | <b>£41,450</b> | <b>£41,700</b> | <b>£41,950</b> | <b>£42,310</b> | <b>£42,570</b> | <b>£209,980</b> |

| Project team                                  | 2012/13         | 2013/14   | 2014/15   | 2015/16   | 2016/17   | Total           |
|---|-----------------|-----------|-----------|-----------|-----------|-----------------|
| Project Manager - Full BC stage (60%)         | £43,200         | £0        | £0        | £0        | £0        | £43,200         |
| Days  | 72              | 0         | 0         | 0         | 0         |                 |
| Project Manager - Implementation (HRD)        | £32,400         | £0        | £0        | £0        | £0        | £32,400         |
| Days  | 54              |           |           |           |           |                 |
| Senior Business Analyst - Full BC stage (60%) | £38,160         | £0        | £0        | £0        | £0        | £38,160         |
| Days  | 72              | 0         | 0         | 0         | 0         |                 |
| Digital Mailroom Lead (60% for 9 months)      | £59,400         | £0        | £0        | £0        | £0        | £59,400         |
| Days  | 108             | 0         | 0         | 0         | 0         |                 |
| Senior Business Analyst (40% for 9 months)    | £38,160         | £0        | £0        | £0        | £0        | £38,160         |
| Days  | 72              | 0         | 0         | 0         | 0         |                 |
| Senior Business Analyst (HRD EDMS)            | £23,850         | £0        | £0        | £0        | £0        | £23,850         |
| Days  | 45              | 0         | 0         | 0         | 0         |                 |
| OD Lead                                       | £36,000         | £0        | £0        | £0        | £0        | £36,000         |
| Days  | 72              | 0         | 0         | 0         | 0         |                 |
| HFBP Analyst (HRD New Ways of Working)        | £18,550         | £0        | £0        | £0        | £0        | £18,550         |
| Days  | 35              |           |           |           |           |                 |
| Project Support Officer 1 (100% for 9 months) | £27,000         | £0        | £0        | £0        | £0        | £27,000         |
| Days  | 180             | 0         | 0         | 0         | 0         |                 |
| <b>Total project team costs</b>               | <b>£316,720</b> | <b>£0</b> | <b>£0</b> | <b>£0</b> | <b>£0</b> | <b>£316,720</b> |

**APPENDIX C – ASSUMPTIONS**

| No. | Benefit  | Assumptions  |
|-----|--|--|
| 1   | Reduced cost of staff in the Post Room                   | <p>Saving = £37,451 pa</p> <ul style="list-style-type: none"> <li>TO BE team: 1 mgr (PO2), 2 scanners &amp; 2 drivers (Scale 6) = £138,332 (@£34,583), PO2 @£44,018 = <u>£182,350</u>.</li> <li>AS IS staff cost = <u>£219,801</u> (7 FTE)</li> <li>Current inbound volume 450,000 pa.</li> </ul> <p>Assume 70% scannable = 315,000 letters pa.<br/>Assume 252 working days pa (2011). Therefore 1,250 per day.<br/>(H&amp;F Direct, 1 person scans av. 788 per day)</p> |
| 2   | Reduced cost of Post Room vehicles                       | <p>Annual saving for small van = £9,656</p> <ul style="list-style-type: none"> <li>Lease cost = £3,990 + fuel &amp; maintenance @ £5,666</li> <li>Assumption that it is possible to reallocate this van to another part of H&amp;F. Penalty charge for giving back small van = £6k, large van = £12k</li> </ul>  |
| 3   | Removed cost of franking machines                        | <p>Annual costs of franking machines: £17,988</p> <ul style="list-style-type: none"> <li>Housing Offices (Fulham North &amp; Hammersmith North) = £3,912</li> <li>H&amp;F Direct = £2,395</li> <li>Post Room = £6,404</li> <li>Parking Services = £5,276</li> </ul>  |
| 4   | Reduced cost of postage                                  | <p>Current cost of postage = £260,013. At 2nd class this would be £204,447. Potential saving if all 2nd class = £55,666</p> <ul style="list-style-type: none"> <li>Existing post that is sent out manually from Housing, the Post Room, H&amp;F Direct (Pay &amp; Park) and part of Parking, is a mix of 1st &amp; 2nd class.</li> </ul>   |
| 5   | Reduced cost of physical storage                         | <p>Assumes space saving can be realised at Cambridge House lease expiry.</p> <ul style="list-style-type: none"> <li>CSD Finance shelving occupies 10sqm @ £461.52 per sqm pa) = £4,615</li> <li>2/3 of storage is scannable.</li> <li>Total saving = £3,077 pa</li> </ul>  |
| 6   | Increased productivity of the Central Payments team      | <p>3 FTE saving for Central Payments team from 2012/13 based on reduced error demand, process improvement and reduced paper-based admin. Included in WCFM Phase 2 target.</p>  |
| 7   | Reduced costs of paper and printing                      | <p>Total of 14m MFD and Retained printer clicks April 2010 – March 2011 @ £313k. Assume conservative 15% reduction in printing equates to £45k annual saving (non-cashable).</p>   |
| 8   | Increased productivity of the Tenancy Services functions | <p>Productivity improvement based on 10 min saving per day<br/>1 FTE at SO1 (top of grade)</p>   |
|     |  |  |



***SmartWorking HRD & Paper-less Office  
Stage D Business Case***

**DRAFT v4: Following feedback from Portfolio Bd prior to EMT**

*SmartWorking*

## Overview & Contents

This pack summarises the Outline Business Case for Stage D: SmartWorking HRD and Paper-less Office. It is intended for review and comments from key stakeholders before submission to EMT for approval.

It comprises of the following request for funds to deliver the first part of Stage D:

1. General Fund (Efficiency Projects Reserve) monies of:  
£144,309 for required IT and programme resources
2. HRA Fund monies of:  
£ 56,351 for required IT, telephony and programme resources  
£12,000 for accommodation moves

This document includes the following:

- Background & Achievements so far
- Outline scope & Requests for funding
- Return on investment and indicative benefits by department
- Summary of costs
- Timeline

## Background

- Cabinet approved funding of £1.529m on 14<sup>th</sup> July 2008, to cover Stage A of the SmartWorking programme
- In November 2009 Cabinet approved a funding drawdown of £673k to SmartWork teams in Environment to enable the disposal of Riverview House in February 2010 (Stage B)
- In July 2010 Cabinet approved a funding drawdown of £2.773m to deliver Stage C, enabling the vacation of Barclay House and MTFS savings. A subsequent SmartWorking FCS project with a budget of £103k is due to complete end Jan 2012.
- A total sum of £3.5m has been drawn down from the total sum of £3.944m set aside for SmartWorking from the Efficiency Projects Reserve.
- In July 2011 the Transforming Business Portfolio Board requested investigation of the following areas as part of an Outline Business Case for Stage D: Paper-less Office: Mail Correspondence, Managing the Document Lifecycle, Invoices & Payments, Mobile Field Working and Smart Meetings
- This Outline Business Case recommends pursuing the following initiatives:
  - **Mail Correspondence:** Streamlining paper-based processes for inbound and outbound mail
  - **Managing the Document Lifecycle:** Establishing efficient electronic management of documents
  - **Invoices & Payments:** Improving cross-cutting processes for managing invoices and payments
  - **HRD New Ways of Working:** Culture change and flexible working practices



## What we've achieved so far

- Stage A of the SmartWorking programme established the IT infrastructure, policies and procedures, and methodology for SmartWorking and included service team pilots and set up of the SmartSpace
- Stage B (Environment and H&F Homes – SmartWork Lite) has enabled the disposal of Riverview House, generating an annual cashable saving of circa £1.35m
- Stage C has enabled the vacation of Barclay House and reduction in accommodation footprint in the Town Hall Extension, generating an annual cashable saving of circa £717k, and enabled £2.8m in 2011/12 departmental MTFS savings

## Stage D Outline Scope

### **Part A: Cabinet approval and funding will be sought at this stage for:**

- SmartWorking HRD (new ways of working)
- Full Business Case
  - Digital Mailroom detailed design, costs and benefits
  - EDMS projects in HRD Housing Management and CSD Finance
- Invoices & Payments project – phase 1
- Service preparation for EDMS (HRD and CSD)

### **Part B: a subsequent Cabinet funding request will be made on provision of a Full Business Case for:**

- Digital Mailroom Trial and rollout
- EDMS implementation in HRD Housing Management and CSD Finance
- Invoices & Payments project – phase 2
- ROI for further EDMS projects

## Stage D Request for funding

### Cabinet funding requested now:

| Total Part A cost          | 2012/13  | 2013/14  | 2014/15  | 2015/16  | 2016/17  | Total    |
|----------------------------|----------|----------|----------|----------|----------|----------|
| <b>Costs</b>               |          |          |          |          |          |          |
| Total one-off Move costs   | £12,000  | £0       | £0       | £0       | £0       | £12,000  |
| Total programme team costs | £200,660 | £0       | £0       | £0       | £0       | £200,660 |
| Total costs                | £212,660 | £0       | £0       | £0       | £0       | £212,660 |
| Total cumulative costs     | £212,660 | £212,660 | £212,660 | £212,660 | £212,660 |          |
| <b>General Fund</b>        | £144,309 | £0       | £0       | £0       | £0       | £144,309 |
| <b>HRA</b>                 | £68,351  | £0       | £0       | £0       | £0       | £68,351  |

### Indicative Cabinet funding to be requested on provision of Full Business Case:

Confirmation and sign-off of these costs in conjunction with CMO to be undertaken as part of production of Full Business Case

| Total Part B cost                | 2012/13  | 2013/14  | 2014/15  | 2015/16  | 2016/17  | Total    |
|----------------------------------|----------|----------|----------|----------|----------|----------|
| Total one-off IT costs           | £252,630 | £0       | £0       | £0       | £0       | £252,630 |
| Total annual IT costs            | £41,450  | £41,700  | £41,950  | £42,310  | £42,570  | £209,980 |
| Total programme team costs       | £116,060 | £0       | £0       | £0       | £0       | £116,060 |
| Total costs                      | £410,140 | £41,700  | £41,950  | £42,310  | £42,570  | £578,670 |
| Total cumulative costs           | £410,140 | £451,840 | £493,790 | £536,100 | £578,670 |          |
| <b>General Fund</b>              | £272,385 | £26,500  | £26,550  | £26,610  | £26,670  | £378,715 |
| <b>HRA</b>                       | £57,905  | £15,200  | £15,400  | £15,700  | £15,900  | £120,105 |
| <b>Housing Capital Programme</b> | £79,850  | £0       | £0       | £0       | £0       | £79,850  |

## Return on investment (Stage D)

Return on investment (£'000s)

End of Stage D

| Benefits                                | 2012/13   | 2013/14  | 2014/15    | 2015/16    | 2016/17    | Total      |
|---|-----------|----------|------------|------------|------------|------------|
| Total cashable benefit                  | £178,139  | £464,713 | £466,508   | £467,790   | £467,790   | £2,044,940 |
| Total non-cashable benefit              | £84,750   | £169,499 | £169,499   | £169,499   | £169,499   | £762,746   |
| Total benefit (cashable + non-cashable) | £262,888  | £634,212 | £636,007   | £637,289   | £637,289   | £2,807,685 |
| Total cumulative cashable benefit       | £178,139  | £642,852 | £1,109,360 | £1,577,150 | £2,044,940 | £2,044,940 |
|   |           |          |            |            |            |            |
| <b>Costs</b>                            |           |          |            |            |            |            |
| Total one-off IT costs                  | £252,630  | £0       | £0         | £0         | £0         | £252,630   |
| Total one-off Move costs                | £12,000   | £0       | £0         | £0         | £0         | £12,000    |
| Total annual IT costs                   | £41,450   | £41,700  | £41,950    | £42,310    | £42,570    | £209,980   |
| Total programme team costs              | £316,720  | £0       | £0         | £0         | £0         | £316,720   |
| Total costs                             | £622,800  | £41,700  | £41,950    | £42,310    | £42,570    | £791,330   |
| Total cumulative costs                  | £622,800  | £664,500 | £706,450   | £748,760   | £791,330   |            |
|   |           |          |            |            |            |            |
| <b>Investment Appraisal</b>             |           |          |            |            |            |            |
| Net cashable benefit                    | -£444,662 | £423,013 | £424,558   | £425,480   | £425,220   |            |
| Net cumulative cashable benefit         | -£444,662 | -£21,649 | £402,910   | £828,390   | £1,253,610 |            |
| Return on Investment (%)                | -71%      | -3%      | 57%        | 111%       | 158%       |            |
|   |           |          |            |            |            |            |

# Cross departmental Indicative Benefits – to be reviewed and signed off by all departments

## Non-cashable benefits:

| Mail correspondence   | 2012/13 | 2013/14  | 2014/15  | 2015/16  | 2016/17  | Total    | Assumptions  |
|---|---------|----------|----------|----------|----------|----------|--|
| Reduced cost of local staff time conducting manual outbound mail activities through use of provider | £62,250 | £124,499 | £124,499 | £124,499 | £124,499 | £560,246 | e-signature solution viable for services; 30 sec handling time per letter, 730,168 letters per yr across H&F, resulting in more effective use of time  |
|   |         |          |          |          |          |          |  |
| Managing the document lifecycle   |         |          |          |          |          |          |  |
| Reduced cost of paper & printing  | 22,500  | 45,000   | 45,000   | 45,000   | 45,000   | £202,500 | Minimum 15% reduction in the use of paper; due to recharges via SLA cannot assign costs to individual departments, therefore deemed non-cashable benefit at present as dependent on contract renegotiation |

# Environment Indicative Benefits – to be reviewed and signed off by department

## Cashable benefits:

| Mail correspondence                                  | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | Total    | Assumptions  |
|--|---------|---------|---------|---------|---------|----------|--|
| Reduced costs of staff in the Post Room              | £18,726 | £37,451 | £37,451 | £37,451 | £37,451 | £168,530 | Includes reduced post collections & deliveries; NOTE: TFM contract will take over savings from contract commencement 13/14   |
| Reduced cost of Post Room vehicles                   | £4,828  | £9,656  | £9,656  | £9,656  | £9,656  | £43,452  | Leased vehicle can be reallocated for other use in H&F   |
| Removed cost of franking machines; Post Room         | £3,202  | £6,404  | £6,404  | £6,404  | £6,404  | £28,818  |  |
| Removed cost of franking machines: Parking Services  | £2,638  | £5,276  | £5,276  | £5,276  | £5,276  | £23,742  |  |
| Reduced cost of postage                              |         |         |         |         |         |          | FDM discounted rates rather than 1st and 2nd class, based on total known spend of <b>£260,013</b>                            |
| Reduced cost of postage: ENV                         | 9,677   | 19,353  | 19,353  | 19,353  | 19,353  | £87,089  | Parking £8779; Other £10,574   |
|  |         |         |         |         |         |          |  |
|  |         |         |         |         |         |          |  |
| <b>Managing the document lifecycle</b>               |         |         |         |         |         |          |  |
| Reduced cost of physical storage (Chse lease expiry) | £0      | £0      | £1,795  | £3,077  | £3,077  | £7,949   | Space saving cost can be realised from 14/15 C.Hse lease expiry  |
| Reduced cost of physical storage (HRD & CSD)         | £0      | £39,999 | £39,999 | £39,999 | £39,999 | £159,996 | Space saving cost can be realised from 13/14 onwards; for HRD includes eliminated office maintenance costs of £19k per annum |

# CHS Indicative Benefits – to be reviewed and signed off by department

## Cashable benefits:

| Mail correspondence          | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | Total   | Assumptions   |
|------------------------------|---------|---------|---------|---------|---------|---------|---|
| Reduced cost of postage      |         |         |         |         |         |         | FDM discounted rates rather than 1st and 2nd class, based on total known spend of <b>£260,013</b> |
| Reduced cost of postage: CHS | 1,960   | 3,919   | 3,919   | 3,919   | 3,919   | £17,636 |   |

# RSD Indicative Benefits – to be reviewed and signed off by department

## Cashable benefits:

| Mail correspondence          | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | Total  | Assumptions   |
|------------------------------|---------|---------|---------|---------|---------|--------|---|
| Reduced cost of postage      |         |         |         |         |         |        | FDM discounted rates rather than 1st and 2nd class, based on total known spend of <b>£260,013</b> |
| Reduced cost of postage: RSD | 289     | 578     | 578     | 578     | 578     | £2,601 |   |



# HRD Indicative Benefits – to be reviewed and signed off by department

## Cashable benefits:

| Mail correspondence                                      | 2012/13 | 2013/14  | 2014/15  | 2015/16  | 2016/17  | Total    | Assumptions  |
|--|---------|----------|----------|----------|----------|----------|--|
| Reduced cost of postage: HRD                             | 6,009   | 12,017   | 12,017   | 12,017   | 12,017   | £54,077  | Area Offices: £5,148; Other £6,869   |
| <b>Managing the document lifecycle</b>                   |         |          |          |          |          |          |  |
| Increased productivity of HRD staff                      | £0      | £60,000  | £60,000  | £60,000  | £60,000  | £240,000 | Productivity improvement of 2 FTE, equiv 10 min saving per day, can be realised from 13/14   |
| <b>New ways of working HRD</b>                           |         |          |          |          |          |          |  |
| Increased productivity of Field, Mobile and Home Workers | £0      | £126,437 | £126,437 | £126,437 | £126,437 | £505,748 | 3% increase in efficiency through role redesign & workload allocation (in line with original business case productivity assumptions) |
| <b>Invoices and payments</b>                             |         |          |          |          |          |          |  |
| Increased productivity of Finance staff in HRD           | £10,000 | £10,000  | £10,000  | £10,000  | £10,000  | £50,000  | Realised through restructuring of functions  |

## Non-cashable benefits:

| Managing the document lifecycle  | 2012/13                          | 2013/14 | 2014/15 | 2015/16 | 2016/17 | Total | Assumptions  |
|--|----------------------------------|---------|---------|---------|---------|-------|--|
| Reduced risk of loss of information and associated costs through fire, damage or other | tbc - based on likelihood x cost |         |         |         |         |       | Majority of file contents can be stored electronically |

NOTE: Non-cashable benefits to be quantified

# FCS Indicative Benefits – to be reviewed and signed off by department

## Cashable benefits:

| Mail correspondence                                 | 2012/13  | 2013/14  | 2014/15  | 2015/16  | 2016/17  | Total    | Assumptions   |
|---|----------|----------|----------|----------|----------|----------|---|
| Removed cost of franking machines: H&F Direct       | £1,198   | £2,395   | £2,395   | £2,395   | £2,395   | £10,778  |   |
| Reduced cost of postage                             |          |          |          |          |          |          | FDM discounted rates rather than 1st and 2nd class, based on total known spend of <b>£260,013</b> |
| Reduced cost of postage: FCS                        | 7,038    | 14,075   | 14,075   | 14,075   | 14,075   | £63,338  | Pay & Park £7,430; Electoral Reg £4,110; Other £2,535   |
| <b>Invoices and payments</b>                        |          |          |          |          |          |          |   |
| Increased productivity of the Central Payments team | £108,000 | £108,000 | £108,000 | £108,000 | £108,000 | £540,000 | Process change & training realises 3 FTE saving   |

# CSD Indicative Benefits – to be reviewed and signed off by department

## Cashable benefits:

| Mail correspondence          | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | Total   | Assumptions   |
|------------------------------|---------|---------|---------|---------|---------|---------|---|
| Reduced cost of postage      |         |         |         |         |         |         | FDM discounted rates rather than 1st and 2nd class, based on total known spend of <b>£260,013</b> |
| Reduced cost of postage: CSD | 2,121   | 4,241   | 4,241   | 4,241   | 4,241   | £19,085 |   |

## Non-cashable benefits:

| Managing the document lifecycle                | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | Total | Assumptions  |
|--|---------|---------|---------|---------|---------|-------|--|
| Increased productivity of Finance staff in CSD |         |         |         |         |         |       | Cashable element included in Central Payments team |

NOTE: Non-cashable benefits to be quantified

## Phase 2: further potential benefit areas to be quantified

### **Mobile working:**

Eg Street Scene Enforcement, Housing Officers

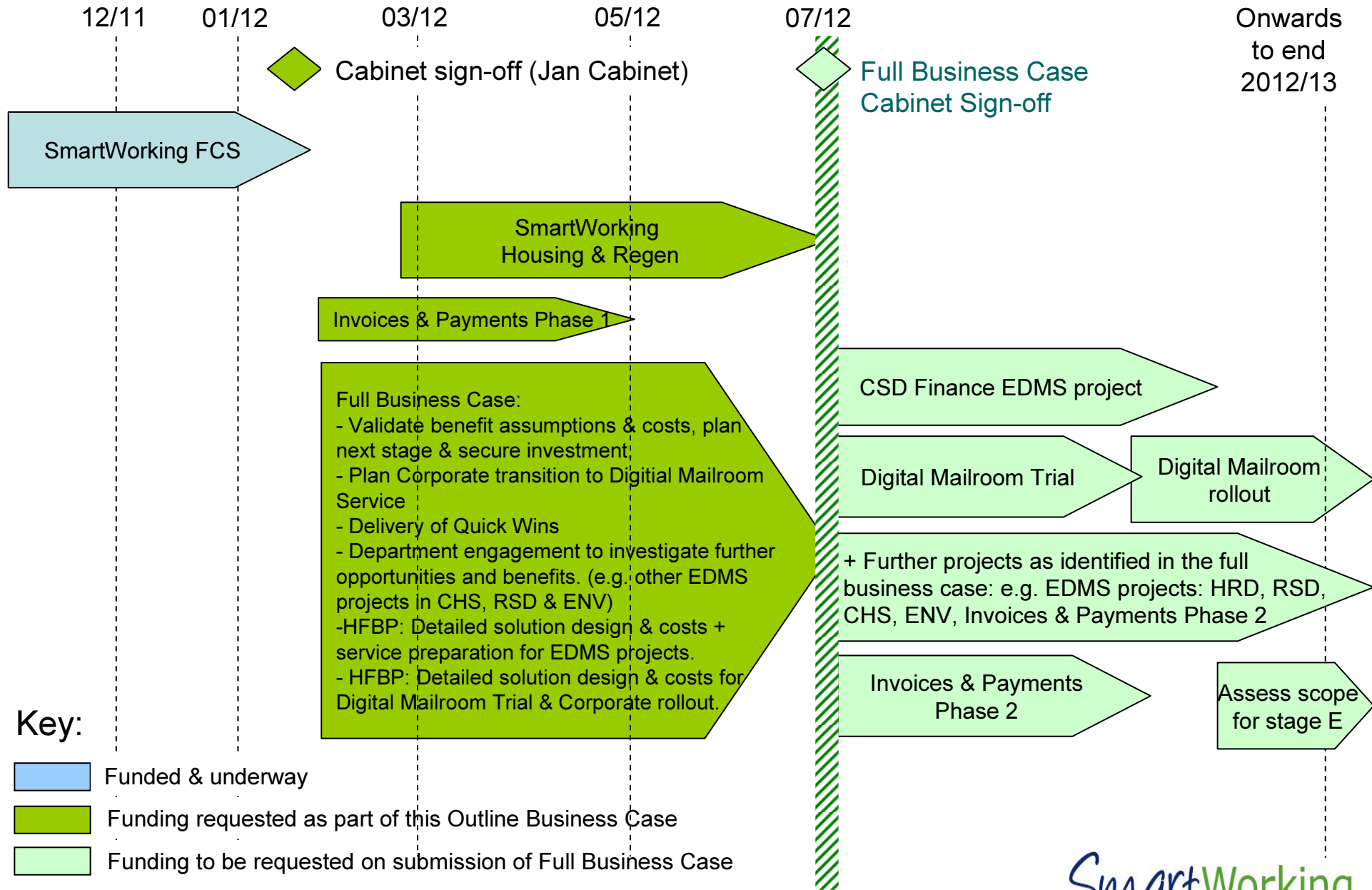
### **EDMS workflow:**

Eg SEN, Child Psychology

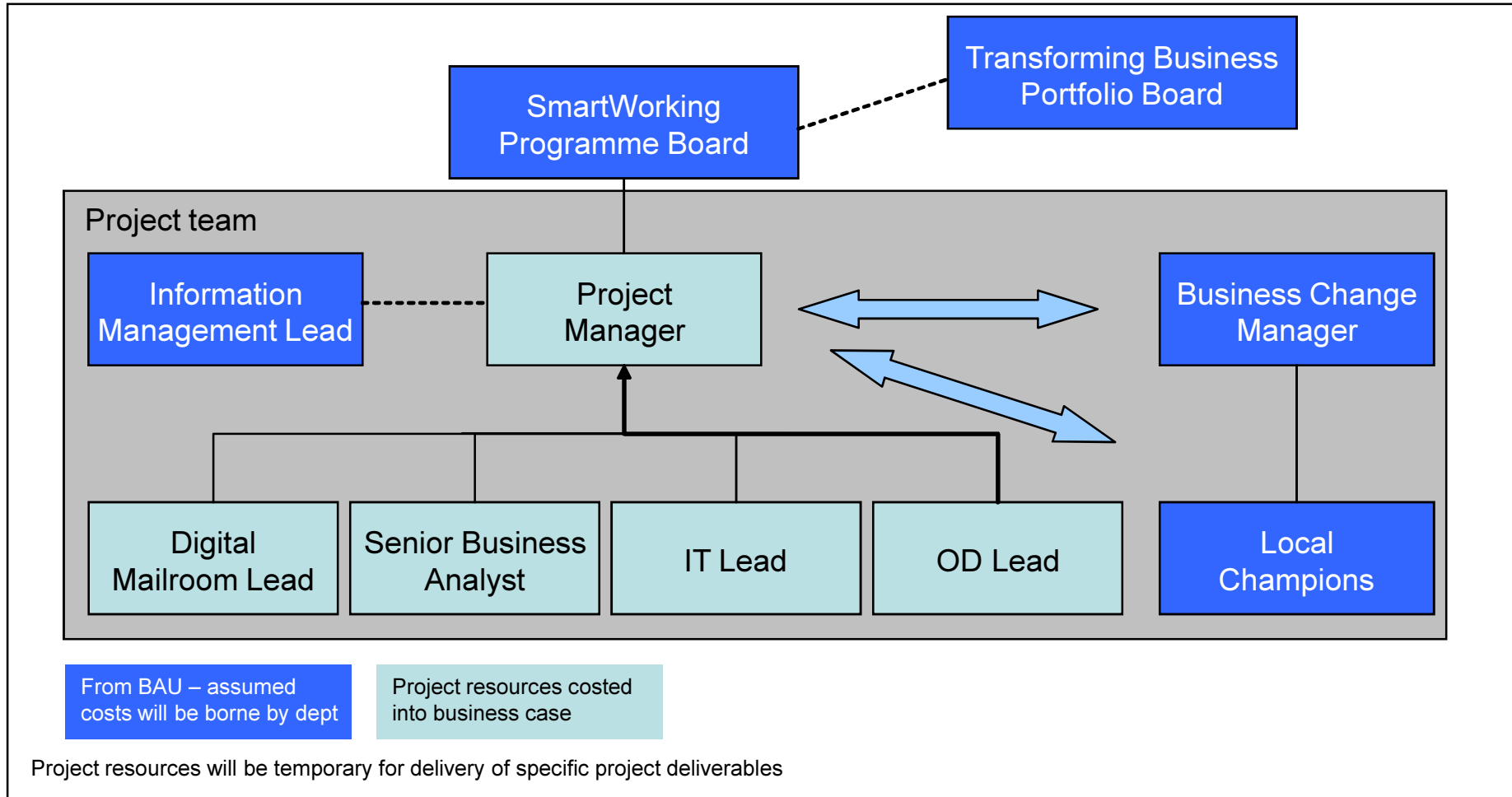
### **E-storage via EDMS or other cheaper route:**

Eg Highways & Engineering, Trade Waste

# Stage D SmartWorking – Feb 2012 to end 2012



# SmartWorking Stage D Organisation



# Extra slides

## Stage D – Projected costs: One-off costs

| One-off IT costs   | 2012/13         | 2013/14   | 2014/15   | 2015/16   | 2016/17   | Total           |
|--|-----------------|-----------|-----------|-----------|-----------|-----------------|
| Digital Mailroom: Set-up Sharepoint solution for inbound mail correspondence                               | £44,000         |           |           |           |           | £44,000         |
| Additional scanners & Citrix server procurement  | £2,000          |           |           |           |           | £2,000          |
| Outbound mail - Development of required interfaces to enable outbound mail to be sent to FDM / Hammerprint | £25,700         |           |           |           |           | £25,700         |
| Housing EDMS: Set-up & configuration of Info@Work  | £26,000         |           |           |           |           | £26,000         |
| Housing EDMS: Development of additional interfaces btwn iWorld & Info@Work                                 | £5,000          |           |           |           |           | £5,000          |
| Housing EDMS: Additional scanners (4) & Citrix server procurement  | £4,000          |           |           |           |           | £4,000          |
| Housing EDMS: Lookup & search capability from I@W witin iWorld   | £21,000         |           |           |           |           | £21,000         |
| Housing EDMS back scanning costs + HFBP import   | £47,180         |           |           |           |           | £47,180         |
| CSD Finance EDMS: Set-up & configuration of Info@Work  | £14,300         |           |           |           |           | £14,300         |
| CSD Finance EDMS: Development of additional interfaces btwn Frameworki & Info@Work                         | £7,700          |           |           |           |           | £7,700          |
| CSD Finance EDMS: Additional scanners (2) & Citrix server procurement                                      | £2,000          |           |           |           |           | £2,000          |
| CSD Finance EDMS: Lookup & search capability from I@W within Frameworki                                    | £21,000         |           |           |           |           | £21,000         |
| CSD Finance EDMS upfront scanning costs  | £14,000         |           |           |           |           | £14,000         |
| Installation of projectors in main meeting rooms   | £18,750         |           |           |           |           | £18,750         |
|  |                 |           |           |           |           |                 |
| <b>Total one-off IT costs</b>  | <b>£252,630</b> | <b>£0</b> | <b>£0</b> | <b>£0</b> | <b>£0</b> | <b>£252,630</b> |
|  |                 |           |           |           |           |                 |
| One-off Move costs   | 2012/13         | 2013/14   | 2014/15   | 2015/16   | 2016/17   | Total           |
| HRD  | £12,000         | £0        | £0        | £0        | £0        | £12,000         |
| <b>Total one-off Move costs</b>  | <b>£12,000</b>  | <b>£0</b> | <b>£0</b> | <b>£0</b> | <b>£0</b> | <b>£12,000</b>  |



## Stage D – Projected costs: Annual IT costs

| Annual costs   | 2012/13        | 2013/14        | 2014/15        | 2015/16        | 2016/17        | Total           |
|--|----------------|----------------|----------------|----------------|----------------|-----------------|
| Digital Mailroom: Sharepoint annual support costs  | £7,500         | £7,500         | £7,500         | £7,500         | £7,500         | £37,500         |
| Annual maintenance costs for scanners & Citrix servers   | £1,000         | £1,000         | £1,000         | £1,000         | £1,000         | £5,000          |
| Allowance for additional electronic storage  | £500           | £500           | £500           | £500           | £500           | £2,500          |
| Annual maintenance costs for outbound mail solution  | £6,400         | £6,400         | £6,400         | £6,400         | £6,400         | £32,000         |
| Housing EDMS: Annual Info@Work maintenance costs   | £6,000         | £6,000         | £6,000         | £6,000         | £6,000         | £30,000         |
| Housing EDMS: Annual maintenance of iWorld / Info@Work interfaces                                | £1,000         | £1,000         | £1,000         | £1,000         | £1,000         | £5,000          |
| Housing EDMS: Annual maintenance for scanners  | £2,000         | £2,000         | £2,000         | £2,000         | £2,000         | £10,000         |
| Housing EDMS: Annual maintenance for lookup & search capability from I@W witin iWorld            | £4,000         | £4,000         | £4,000         | £4,000         | £4,000         | £20,000         |
| Housing EDMS: Additional eStorage costs (based on 1.8m page depressions. Annual growth @ 20%)    | £2,000         | £2,200         | £2,400         | £2,700         | £2,900         | £12,200         |
| CSD Finance EDMS: Annual Info@Work maintenance costs   | £3,600         | £3,600         | £3,600         | £3,600         | £3,600         | £18,000         |
| CSD Finance EDMS: Annual maintenance of Frameworki / Info@Work interfaces                        | £2,000         | £2,000         | £2,000         | £2,000         | £2,000         | £10,000         |
| CSD Finance EDMS: Annual maintenance for scanners  | £1,000         | £1,000         | £1,000         | £1,000         | £1,000         | £5,000          |
| CSD Finance EDMS: Annual maintenance for lookup & search capability from I@W within Frameworki   | £4,000         | £4,000         | £4,000         | £4,000         | £4,000         | £20,000         |
| CSD Finance EDMS: Additional eStorage costs (based on 53k page depressions. Annual growth @ 10%) | £450           | £500           | £550           | £610           | £670           | £2,780          |
|  |                |                |                |                |                |                 |
| <b>Total annual IT costs</b>   | <b>£41,450</b> | <b>£41,700</b> | <b>£41,950</b> | <b>£42,310</b> | <b>£42,570</b> | <b>£209,980</b> |

## Stage D – Projected costs: project team

| Project team                                  | 2012/13  | 2013/14 | 2014/15 | 2015/16 | 2016/17 | Total    |
|---|----------|---------|---------|---------|---------|----------|
| Project Manager - Full BC stage (60%)         | £43,200  | £0      | £0      | £0      | £0      | £43,200  |
| Days  | 72       | 0       | 0       | 0       | 0       |          |
| Project Manager - Implementation (HRD)        | £32,400  | £0      | £0      | £0      | £0      | £32,400  |
| Days  | 54       |         |         |         |         |          |
| Senior Business Analyst - Full BC stage (60%) | £38,160  | £0      | £0      | £0      | £0      | £38,160  |
| Days  | 72       | 0       | 0       | 0       | 0       |          |
| Digital Mailroom Lead (60% for 9 months)      | £59,400  | £0      | £0      | £0      | £0      | £59,400  |
| Days  | 108      | 0       | 0       | 0       | 0       |          |
| Senior Business Analyst (40% for 9 months)    | £38,160  | £0      | £0      | £0      | £0      | £38,160  |
| Days  | 72       | 0       | 0       | 0       | 0       |          |
| Senior Business Analyst (HRD EDMS)            | £23,900  | £0      | £0      | £0      | £0      | £23,900  |
| Days  | 45       | 0       | 0       | 0       | 0       |          |
| OD Lead                                       | £36,000  | £0      | £0      | £0      | £0      | £36,000  |
| Days  | 72       | 0       | 0       | 0       | 0       |          |
| HFBP Analyst (HRD New Ways of Working)        | £18,500  | £0      | £0      | £0      | £0      | £18,500  |
| Days  | 36       |         |         |         |         |          |
| Project Support Officer 1 (100% for 9 months) | £27,000  | £0      | £0      | £0      | £0      | £27,000  |
| Days  | 180      | 0       | 0       | 0       | 0       |          |
| Total project team costs                      | £316,720 | £0      | £0      | £0      | £0      | £316,720 |

## Risk Log

|                        |                                  |
|------------------------|----------------------------------|
| <b>Project Title</b>   | SmartWorking Programme - Stage D |
| <b>Project Manager</b> | Cheryl Rehal (Portfolio Manager) |

| Risk Number | Class of Risk  | Risk Description   | Consequence   | Proposed Action  | Likelihood (1-5) | Impact (1-5) | Exposure level | Date reviewed | Owner                 | Escalate | Date Closed |
|-------------|----------------|--|---|--|------------------|--------------|----------------|---------------|-----------------------|----------|-------------|
| SW-R-D0001  | Process        | There is a risk that the Council's vision and objectives for SmartWorking are unclear and that this will impact the level and type of benefits achieved  | The level and types of benefits achieved from SmartWorking will be impacted.  | The original vision and objectives for SmartWorking will be communicated as part of the launch and rollout of Stage C.<br>07/07 - Programme will work with the SmartWorking Stakeholder Group to clarify the vision and what it means specifically for departments.<br>29/10 - SW Maturity model being used to clarify SW objectives at dept level as part of OD engagement.<br>25/02, 15/04 - No update<br>04/08/11 - Stage C successfully established and communicated the vision to the organisation<br>07/12/11 - Stage D will include communication and continue expectation setting for staff and departments  | 2                | 3            | 6              | 25.02.11      | Project Manager       | No       |             |
| SW-R-D0002  | Process        | There is a risk that local cultural management and staff barriers and challenges to SmartWorking will not be effectively addressed during the Stage D rollout.   | The required changes to working practices will not be implemented impacting the level of benefits achieved from the programme.  | The Stage C approach is based on change being owned by departments with support from the Corporate team and OD. Department Leads and SWIT teams will form part of the programme team to ensure that an understanding of local issues informs implementation planning and delivery.<br>29/10, 25/02, 15/04 - No update<br>04/08/11 - SWIT teams engaged effectively and worked through issues. Any outstanding issues have been handed over to business units as part of closure process<br>07/12/11 - Stage D will build on Stage C approach of ownership and realisation of benefits by department leads  | 2                | 4            | 8              | 25.02.11      | Department Leads      | No       |             |
| SW-R-D0003  | Process        | There is a risk that it will not be possible to attribute the realisation of benefits to SmartWorking rather than other programmes.  | SmartWorking is not recognised for the benefits it has contributed towards, impacting future investment in SW   | A Benefits Realisation Strategy for SmartWorking is required and agreement with Corporate Efficiency as to how it will interface to Council-wide benefits realisation.<br>07/07 - No update<br>29/10 - Benefits Realisation Strategy approved at Programme Board on 03/09.<br>25/02 - Benefits work underway with reporting to Programme Board planned for coming months.<br>15/04 - No update<br>07/12/11 - Stage D cashable benefits have been assigned to department leads and will be monitored by Programme Board (see also Benefits Register)  | 2                | 3            | 6              | 25.02.11      | Project Manager       | No       |             |
| SW-R-D0004  | Process        | There is a risk that business as usual support from HFBP, HR and H&S will not be in place during full corporate rollout.   | The level of benefits from the programme will be impacted as staff lack the organisational support to adopt the new workstyles. (e.g. HFBP homeworker support processes in place) | HR and H&S policies were developed during Stage A. Work is ongoing with HFBP to develop a Home Worker support SLA for Stage C. Further work includes agreeing support SLA for Openscape.<br>29/10 - HFBP homeworker support SLA approved. HR engaged positively with programme.<br>25/02 - Openscape & Lynx 24/7 SLA agreed and to be in place end of March.<br>15/04 - No update<br>04/08/11 - Closed<br>07/12/11 - Reopened for Stage D - collaboration with BAU units proposed to continue in line with Stage C arrangements  | 3                | 3            | 9              | 25.02.11      | Project Manager       | No       |             |
| SW-R-D0005  | Economic       | There is a risk that there is a lack of capacity within departments to deliver the work required of the Department Lead and SWIT roles to SmartWork teams  | Programme engagement approach undermined and team unable to gather and implement service requirements. Impacts effectiveness of implementation and consequent benefits            | Departmental buy-in (i.e. sign-off) to the Stage C approach and roles and responsibilities will be gained early as part of Stage C business case engagement. Budget for project roles (HFBP, OD and Property / FM) has been included to provide necessary support to department teams (as per experience during Stage B).<br>07/07 - Dept Leads appointed for ENV and Barclay House projects. SWITs appointed in CHS, ENV, and being identified in CSD and RSD.<br>29/10 - Reduced likelihood to 1 due to positive experience<br>25/02 - Low likelihood but left open due to remaining work to be completed.<br>15/04 - No update<br>04/08/11 - Stage C was delivered. This risk didn't materialise<br>07/12/11 - Reopened for Stage D - risk to be monitored by Programme Board | 1                | 5            | 5              | 25.02.11      | Project Manager       | No       |             |
| SW-R-D0006  | Human Resource | There is a risk that parts of the organisation will resist the introduction of an electronic inbound and outbound post function. Additionally there is a risk that the current post room staff could see this project as a direct threat to their jobs.  | Staff may be uncooperative in the transition to electronic working.   | It is likely that trust issues will need to be overcome, especially in dealing with confidential correspondence and to convince staff that it's workable to store and access information electronically with the result that paper copies do not need to be kept in the majority of cases. Strong departmental sponsorship and engagement on department requirements will be required as part of the project. The project will also need to work with HR colleagues through this process.  | 3                | 4            | 12             |               | Project Manager       | No       |             |
| SW-R-D0007  | Economic       | There is a risk that competing priorities with other change initiatives (e.g. Tri-Borough, Bi-Borough, organisational change in Housing and Regeneration). The success of the digital post room trial will largely depend on sufficient engagement from Environment staff who may have more pressing priorities. | Overload or competing priorities may cause Change Teams to disengage with SmartWorking threatening delivery and realisation of benefits   | Departmental resource commitment will be sought as a pre-cursor to commencing the project.   | 3                | 4            | 12             | 07.07.10      | Nigel Pallace         | No       |             |
| SW-R-D0008  | Process        | There is a risk that despite efforts to train staff and enforce compliance in following invoice payments processes the level of error demand does not fall.  | This means there is a risk that it will not be possible to realise the Finance FTE saving.  | Central Payments Team to monitor and promptly address recurring issues as part of sustainable improvement.   | 2                | 5            | 10             |               | Department Lead       | No       |             |
| SW-R-D0009  | Technological  | The Digital Mailroom project is based on the use of Sharepoint 2010 to channel inbound mail correspondence electronically to recipients. There is a risk that current plans to implement Sharepoint do not come to fruition, due to lack of hfbp resources or the technology not working as envisaged.           | This will mean an alternative technology would be required resulting in significant time delays and increasing project costs.   | Project Team close working with HFBP and Tri-Borough IT strategy to obtain early sight of potential risks to solution identified and assess alternative low-cost options.  | 2                | 3            | 6              |               | Digital Mailroom Lead | No       |             |
| SW-R-D0010  | Technological  | There is a risk that the Digital Mailroom implementation across departments is more complex (in terms of requirements, gaining buy-in) than anticipated.   | This will require an extension to timelines and further costs.  | Planning and solution design to take a high-engagement, collaborative approach with suitable departmental representatives to ensure fit with business requirements.  | 2                | 5            | 10             |               | Digital Mailroom Lead | No       |             |
| SW-R-D0011  | Economic       | There is a risk that there is insufficient resource available in HFBP during 2012/13 where a number of SPs and implementation activity will be underway.   | There may be delays to Stage D or other H&F change initiatives if there is insufficient resource available to achieve programme milestones.                                       | 07/12/11 - Portfolio Manager meeting with HFBP to clarify resource requirements and assist with pipeline and resource management   | 3                | 4            | 12             |               | Peter Brooke          | No       |             |



**Very High**

**High**

**Medium**

**Low**

**Very Low**

**5**

**4**

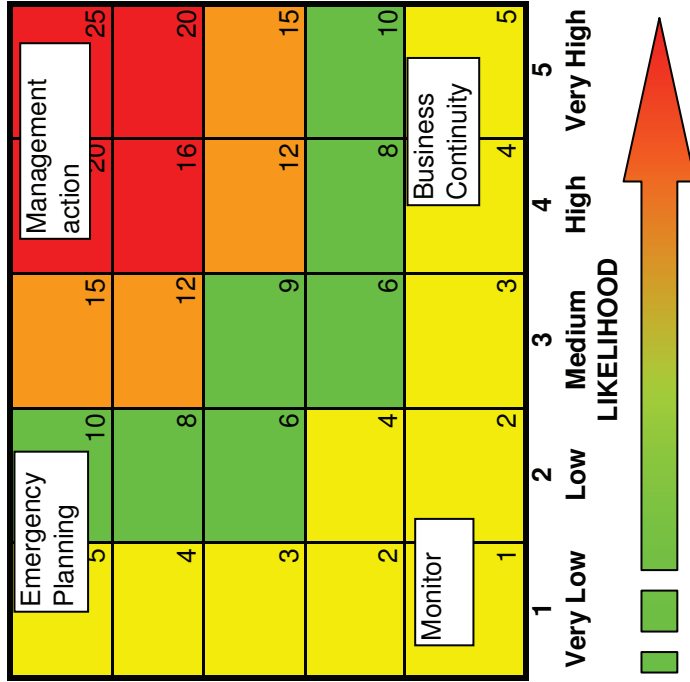
**3**

**2**

**1**

**IMPACT**

**Scoring illustration**



**Very Low Low Medium High Very High**

**LIKELIHOOD**



**Key**

**Score**



High and very high risk - immediate management action  
 Medium risk - review of controls  
 Low risk - monitor and if escalates quickly check controls  
 Very low risk - monitor periodically

16-25

11-15

6-10

1-5

## **London Borough of Hammersmith and Fulham**

### **Risk Log**

- Does the status indicate whether action has been taken?
- Are the Project Risks uniquely identified, including to which product they refer?
- Is access to the Risk Log controlled?
- Is the Risk Log kept in a safe place?

# Equalities Impact Analysis

SmartWorking Programme

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## 1. Document Change Control

### Control

This document is controlled and as such should not be distributed to any parties other than the project team without the express permission of the author. Uncontrolled modification of content is prohibited; revision procedures should be followed at all times.

### Revisions

| Rel Date    | Rev  | Author          | Notes  |
|-------------|------|-----------------|--|
| 12 Feb 2008 | 0.1  | Kate Bishop     | First Draft – This document builds upon the PEIA of September 2007 that accompanied the Leaders Urgent Decision paper for funding of the mobilisation stage of this programme. |
| 22 Feb 2008 | 0.2  | Kate Bishop     | 2 <sup>nd</sup> Draft – following review with Roxana Spencer   |
| 25 Feb 2008 | 0.2a | Kate Bishop     | Added paragraph to section 3.4 – re the car parking issue.   |
| 28 Dec 2009 | 0.3  | Dave Bennett    | Updated document to include experience from SW Phase 1 – Pilots and SW Light in Environment for submission as part of Stage C business case                                    |
| 31 May 2011 | 0.4  | Andrew Richards | Updated document for submission of funding request for SmartWorking FCS project. (Cabinet Briefing 20/06/11)   |
| 2 Dec 2011  | 0.5  | Cheryl Rehal    | Updated document for submission of funding request for first part of Stage D (Cabinet Briefing 19/12/11)   |
| 03 Jan 2012 | 0.6  | Julie Matthews  | Updated to ensure coverage of all 9 Protected Characteristics included in the Public Sector Equality Duty, further to comments from Lillian Magero                             |
| 05 Jan 2012 | 0.7  | Julie Matthews  | Minor amendments based on comments from Steve McPherson  |
| 6 Jan 2012  | 1.0  | Cheryl Rehal    | Final amendments for submission of funding request for first part of Stage D (Cabinet 30/01/12)  |



## 2. Introduction & Scope

In February 2008 H&F Cabinet approved the selection of a developer to deliver a new Civic building (plus homes, shops etc) on the site adjacent to Hammersmith Town Hall. The development included the demolition of the existing Hammersmith Town Hall Extension to create a new public piazza in front of the Town Hall itself.

However, the economic events of autumn 2008 created a significantly altered financial landscape within which the intentions of the earlier cabinet decision have been subject to revision, specifically, the timeline for the construction of the new Civic centre. This was originally scheduled for 2012 but at the time of writing this has updated to 2015 at the earliest.

It was originally thought that the new Civic building, by itself, would not have sufficient office space to decant all H&F employees from the various large office buildings that the council currently occupies and some, but not all, of these buildings would be retained. The delay in the building of the new civic centre has afforded the council an opportunity to focus it's attention on the existing H&F estate and, in alignment with the disposal plan, to examine in detail how SmartWorking can rationalise the council's use of its current buildings with the specific intention of reducing the overall accommodation footprint to release savings.

It was recognised in the planning stages of the SmartWorking programme that space and desk utilisation in H&F offices is at best sub-optimal. In addition it is all too common to find both work practice and technology combining to tie productive work to a single fixed desk location for each employee when a wide range of current technology solutions are available to help enable a much more flexible and productive approach to "doing a days work".

The SmartWorking Programme is now the principal means of identifying the necessary space optimisations that will allow H&F to realise cashable savings from our civic accommodation in the years running up to the new Civic accommodation becoming available and will optimise our subsequent occupancy and use of the new Civic campus, thereby minimising the number of additional buildings that will need to be retained. Executed well, the programme will also deliver benefits in the form of employees' motivation and productivity as well as additional service efficiencies.

"SmartWorking" is a term used for all that is involved in creating a more mobile and flexible workforce operating beyond the traditional 9-5 same-desk permanent-location means of working that is currently in place across much of the council. SmartWorking will exploit a range of "workstyle" options described in later sections of this document to deliver mutual benefits to both the council, its employees and our residents. Many H&F employees will be provided with flexible solutions that will enable them to work the way they need to in order to deliver real service improvements whilst minimising the cost to the council of its office accommodation.

Bearing in mind the scale and potential impact of the SmartWorking Programme it was agreed with the Corporate Projects Manager (Diversity and Organisational Development) that the more usual PEIA short-form would by itself be insufficient to

fully consider and predict the equalities impact across H&F. This more extensive Equalities Impact Assessment has therefore been produced to accompany the business case and Cabinet Papers for Stage D of SmartWorking programme.

This document has taken the Initial Equalities Impact Assessment done by Kate Bishop in 2007 as its starting point (see appendix) and seeks to incorporate detail and information that has been gathered by the SmartWorking Programme since its launch in September 2008 to date.

## **2.1 How many employees will ultimately be affected?**

The original SmartWorking business case (July 2008) put forward the following summary:

- Total posts in Trent: 4800
- Total posts currently not yet in SmartWorking: 1500
- Total posts to be SmartWorked: 3300

A number of roles were deemed as not yet being within the scope of the programme. These include employees such as kitchen assistants, front of office employees such as receptionists, cashiers and librarians and employees working at places such as children's day centres – i.e. where the very nature of the role demands that the person works their fixed contract hours from a designated permanent location. In the longer-term however some of the innovations introduced by the programme may well get rolled-out to these employees.

By September 2008, the programme had refined the numbers to the point that there were 2441 roles across the council in scope for SmartWorking Phase 1.

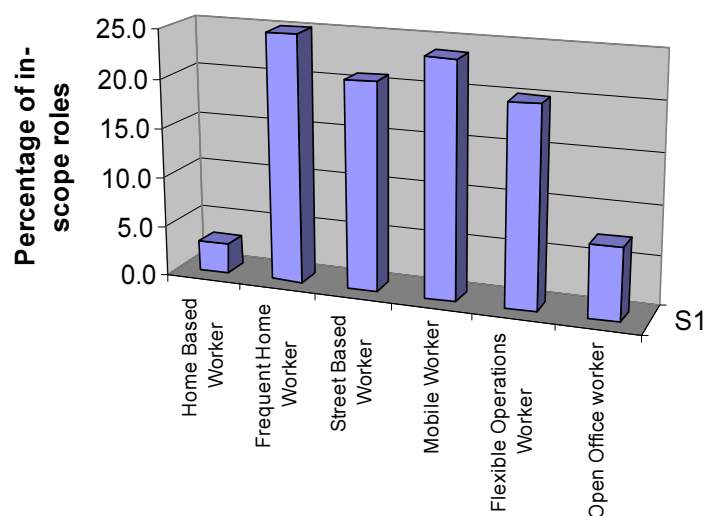
At the time of writing Stage C of SmartWorking had been concluded, SmartWorking 1300 staff impacted by the decant of Barclay House. SmartWorking within FCS (circa 300 staff) is underway. Stage D intends to implement SmartWorking in Housing and Regeneration department (including the former H&F Homes) to complete the corporate rollout of SmartWorking, and build on new ways of working in other parts of the business with the Paper-/less Office concept.

## **2.2 How will these employees be expected to work in future?**

The 2000 or so current roles that remain within the scope of SmartWorking have been initially mapped into 6 distinct workstyles:

- Home based worker – normally working full time from home, with only occasional visits to the office.
- Frequent home worker – 2 or more days a week working from home, remainder of time at the office or mobile.
- Field worker – spending most of their time on the street or out and about across the borough.
- Mobile worker – works mostly out of the office but with residents, businesses or travelling.
- Flexible operations worker – mostly office based but regularly away from their desk interacting with colleagues etc.

- Open office worker – spends the vast majority of their day working at their assigned desk.



### 2.3 The H&F Approach to rolling out SmartWorking

The programme’s original aim was to have introduced SmartWorking to all of the currently considered roles in advance of the new Civic accommodation becoming available in 2012. This was to allow the closure of some office buildings in advance of the new Civic centre opening and realise some cost savings, which in turn would offset the investment needed to implement SmartWorking.

The rollout was to be on a team by team basis with readiness consultations carried out with each team in turn along the way and this approach was to be first tested by establishing 3 pilots that would be run for a 6 month period before any major roll out was envisaged. The pilot areas were;

- Corporate Anti-Fraud Service
- Occupational Therapists
- Procurement Team

The pilots were run for between 6 and 3 months, ending in October 2009 and each pilot targeted a group of approximately 20 people.

However, in order to help make savings by letting go of the lease on Riverview House from April 2010, the programme was asked to focus on the Environment department for light touch SmartWorking in order to co-locate the whole department in Hammersmith Town Hall extension. In effect, this activity became a fourth (much larger) pilot. Information from the pilots and the Environment experience that pertains directly to this PEIA is detailed in **Section 4 – Research and Consultations Carried Out to Date.**

Underpinning this work, a SmartWorking intranet area and a SmartWorking Toolkit have been created and published. Taken together, the SmartWorking pages and

Toolkit will help to mainstream the consideration of equalities impact as the programme moves forward.

### 3. Initial Equality Impact Assessment

This assessment will be carried out using an “equalities matrix” approach. Please see Section 3.2 where a matrix has been plotted to identify disproportionate impact on any of the considered employees and customer equalities groups (i.e. age, disability, gender reassignment, marriage / civil partnerships, pregnancy & maternity, race, religion and belief, sex and sexual orientation) arising from any of the 6 workstyles proposed in Section 2.2.

The workstyles are plotted on the left hand side column of the matrix and the 6 considered groups are identified across the top row. The cells of the matrix are filled as follows:

- “P” indicates a potential positive impact that could benefit the particular group
- “U” indicates a potential impact that is currently uncertain and will require further discussions / consultations (either with individuals or groups) to obtain clarification on its likelihood and/or effect.
- “N” indicates a potential negative impact that, without mitigation, would adversely affect the group
- “-“ i.e. a blank cell in any part of the matrix indicates no specific impact (either positive or negative) is anticipated.

On a row by row basis each Positive, Negative or Uncertain impact is then discussed in the matrix notes that follow in Section 3.3.

Finally Section 3.4 discusses the anticipated overall impact (positive and negative) of implementing SmartWorking on all employees and customers, irrespective of which of the equalities groups they fall within.

#### 3.1 The Equalities Matrix for SmartWorking

|       |                            | Age | Disability | Gender reassignment | Marriage / Civil partnerships | Pregnancy & Maternity | Race | Religion and belief | Sex | Sexual Orientation |
|-------|----------------------------|-----|------------|---------------------|-------------------------------|-----------------------|------|---------------------|-----|--------------------|
| 3.3.1 | Home Based Worker          | P   | P          | -                   | -                             | P                     | -    | P                   | U   | -                  |
| 3.3.2 | Frequent Home Worker       | P   | P          | -                   | -                             | P                     | -    | P                   | U   | -                  |
| 3.3.3 | Field Worker               | -   | -          | -                   | -                             | -                     | -    | -                   | -   | -                  |
| 3.3.4 | Mobile Worker              | P   | P          | P                   | P                             | U                     | P    | P                   | P   | P                  |
| 3.3.5 | Flexible Operations Worker | -   | P          | -                   | -                             | -                     | -    | -                   | -   | -                  |
| 3.3.6 | Open Office Worker         | -   | -          | -                   | -                             | -                     | -    | -                   | -   | -                  |

## 3.2 Matrix Notes

### 3.2.1 Impact of Home Based Worker workstyle

A Home Based worker normally works full time from home, with only rare occasional visits to the office. They will be provided with the equipment they need whilst working from home and will not have a desk allocated to them in the office but will make use of a hot desk on their infrequent visits to the office.

The impact on employees whose roles could be migrated to this workstyle may include:

- Positive impact on employees that have a progressively degenerating disability. Home based working may help them to be able to defer having to take early retirement due to ill-health.
- Positive impact on employees with a non-degenerating disability. Home based working may help some individuals to better manage their disability.
- Positive impact on employees recovering from serious illnesses / accidents – including those that might be regarded as having a temporary disability. The ability to work full-time from home (for at least a limited period) may help some of them to make a return to work (and full pay) sooner than might otherwise have been possible.
- Positive impact on recruiting employees with disabilities - i.e. where insurmountable issues in regularly travelling between home and the office may have prohibited them from applying for work at H&F.
- Positive impact on employees approaching retirement - some employees may choose to work longer if they are able to work from home, so enabling the council to retain knowledge and skills for longer.
- Positive impact on employees with a particular religion / belief through increased flexibility to meet the requirements of that religion or belief – i.e. prayer times, fasting, attendance at group worship etc.
- Positive impact on pregnant employees – home based working may help some individuals who are uncomfortable with the physical prospect of a commute during pregnancy, particularly later stages
- Positive impact on employees on maternity leave – enabling the employee to stay in touch more easily with the work of their team / department / the Council in general
- Uncertain impact on sex – whilst we anticipate that many people would welcome the opportunity to become home based workers there may well be some whose personal circumstances may not make home working an appropriate option. This could be, but is not necessarily, gender based. The readiness consultation that will be conducted prior to migrating people to this workstyle will be sensitive to these kinds of issues and not force an individual into a workstyle that is counter-productive for both them and the council.

Note: it is unlikely, at least in the short to medium term, that H&F will be able to offer home based working to trainee employees – hence the question of impact on

(largely) very young people of the implementation of this workstyle simply does not arise.

### **3.2.2 Impact of Frequent Home Worker workstyle**

The definition of a frequent home worker (FHW) is someone who spends 2 or more days per week working from home with the remainder of their time spent at the office, attending meetings, or working remotely.

The work to date has allocated a 50% desk utilisation to an identified FHW role. The assessments have been made on a team by team basis and our experience has demonstrated that this approach is the most practical way forward. Exceptions are being made for employees that need certain aids/adaptations to a standard workstation (perhaps because of some form of disability) and these will continue to be provided at one of the SmartWorking shared desks in their team area. The difference is that when they are not in the office the adapted workstation may be able to be used by someone else as a standard shared desk. The programme is encouraging teams to take local responsibility for ensuring that those individuals for whom a particular desk is adapted have priority use of that workstation.

The impact upon employees whose roles could be migrated to this workstyle may include:

- Positive impact on employees with a disability. Frequent Home working may help some individuals to better manage their disability.
- Positive impact on employees recovering from serious illnesses / accidents – including those that might be regarded as having a temporary disability. The ability to frequently work from home may help some of them to make a return to work (and full pay) sooner than would otherwise have been possible.
- Positive impact on recruiting employees with disabilities – i.e. where their disability does not preclude them from travelling between home and work, but is not easily managed on a 5 day a week basis.
- Positive impact on pregnant employees – i.e. where their pregnancy does not preclude them from travelling between home and work, but is not easily managed on a 5 day a week basis.
- Positive impact on parents / those with carer responsibilities – e.g. for those people with older children who need an adult presence (rather than supervision) the additional flexibility of being able to work some of the week from home can alleviate the need for other arrangements.
- Positive impact on employees approaching retirement – i.e. in making the transition from full time employment.
- Positive impact on those seeking career advancement – in striking a better balance between their work life, their pursuit of professional / vocational qualifications and their home life.
- Positive impact on employees with a particular religion / belief through increased flexibility to meet the requirements of that religion or belief – i.e. prayer times, fasting, attendance at group worship etc.

- Uncertain impact in regard to sex – whilst we now have anecdotal evidence to support the contention that the vast majority of employees will welcome the flexibility that this will give them, there are some who are unable to meet the requirements of their designated workstyles. When this occurs, the issue is dealt with by treating the individual as an “exception”

In respect of all the above categories it should be noted that the workstyle allocation is to the role and not to the individual and the evidence from experience to date shows that the circumstances of each individual will have a distinct “relativity” to the designated workstyle of their role. Our experience has shown that the instances where an individual has to be exempted from the workstyle of their role are low and therefore relatively easy to accommodate within the overall workstyle profile of the team/s.

The impact on customer groups will be more fully realised as SmartWorking enables employees to be more responsive to customers at their point of need. – as well as realising the benefits from a more highly motivated, better qualified and less stressed H&F workforce.

### **3.2.3 Impact of Field Worker workstyle**

Many Field workers already work flexibly so the workstyles definition will not have a significant impact on how they work. There are a number of developments already taking place and/or planned with Field workers and although the SmartWorking programme maintains a “light touch” engagement with the projects delivering changes in these areas, ultimately the programme itself will have no responsibility for delivery. Hence in the Equalities Matrix we have not claimed any specific impact (positive or negative) on any of the groups as a result of the SmartWorking programme.

That said, the likely impact of the technology developments on employees that come within this workstyle include:

- The development of intelligent mobile solutions that enable officers involved in a number of Field processes to complete all aspects of the business process on site and update the back office remotely will positively benefit all groups by greatly reducing the number of trips to and from base that they will need to make. Furthermore the developments in this area will also aim to deliver lighter and better technology that is easier to read and use. This may be particularly positive in the case of those with disabilities.
- Developments will also consider integrating remote worker safety features – such as GPS functionality so that the location of employees is known, panic alarms and possibly timer alarms alerting back office employees if the Field worker is overdue in their reporting in etc. Such features should improve the safety and security of all street-based employees, but particularly those who because of their race, gender, sexual orientation or belief may be particularly vulnerable to attack and abuse.

Customers will benefit from the more effective delivery of the core services that these Field workers will deliver.

### **3.2.4 Impact of Mobile Worker workstyle**

This workstyle differs from the Field worker workstyle in that it covers employees who are frequently out and about visiting schools, businesses, other agencies, residents

in their homes etc. Traditionally workers in these groups have often tended to have an allocated desk that they return to at points during the day to write up the results of their visits and meetings.

Under SmartWorking these employees will be better equipped with technology such as lightweight laptops that will allow them to do more at the point of contact with the customer, client or task. Furthermore, instead of regularly returning to a fixed office location to receive, back up or transfer information, a number of touchdown points will be available to them across the borough. The SmartSpace that opened in September 2009 is the first of these touchdown points to have been realised. They will also have equipment and connectivity made available so they can complete their work at home when appropriate. They will not have a desk permanently allocated to them but will make use of a shared desk when in the office.

This approach has been piloted with the Occupation Therapist (OT) team in the later half of 2009 and produced significant tangible benefits. For more detail on those benefits please see section 4 below.

As a consequence the impacts upon employees whose roles will be migrated to this workstyle include:

- Positive impact on all employees in terms of reducing the amount of travelling to and from the office that they are required to do. Employees will have much better flexibility to manage their visits more effectively, more easily fit in with client arrangements and manage personal obligations differently, which may be particularly important for faith groups in managing their work around prayer times etc. There is now evidence from the OT pilot to support this assertion. See section 4 below for the detail.
- Positive impact on all employees by being able to complete their work during the visit itself or during lengthy train journeys (e.g. on prison visits etc). At present many employees, due the lack of any other option, make handwritten notes which have to be typed up once they return to the office. This clearly is a duplication of time and effort, can also be a source of errors and is a further factor in disrupting the work / life balance of these employees. There is now evidence from the OT pilot to support this assertion. See section 4 below for the detail.
- Positive impact on all employees groups by having information available electronically. At present employees have to anticipate what information they will need and photocopy the relevant sections of case files before they leave the office. Not only is this a yet further drain on their time and work / life balance, it can also often result in essential paperwork being forgotten – perhaps resulting in the need for a return visit. It can also often involve employees having to carry heavy paperwork around – which may be particularly difficult for disabled employees. There is now evidence from the OT pilot to support this assertion. See section 4 below for the detail.
- Positive impact on employees within this workgroup that also get involved in inter-agency working. The points raised in the previous two bullet points become even more pertinent when attending offsite meetings with other



agencies where the case files of a number of customers may need to be available for actions to be agreed and taken.

- Positive impact on employees within this workgroup that would appreciate an increased ability to work from a wider variety of settings. This is particularly the case for youth workers who would be able to work effectively from venues such as Youth Clubs, young people’s homes, other Local Authority sites and ensure that young people’s views are captured and stored accurately.
- Positive impact on all employees where the use of technology leads to a higher level of resolution of customer issues during the visit itself. The employees involved feel more empowered and their job satisfaction increases. There is now evidence from the OT pilot to support this assertion. See section 4 below for the detail.
- Uncertain impact for employees with the kind of disability that requires aids / adaptations to a standard workstation as this workstyle assumes the ability to transport and use portable equipment. The readiness consultations would identify any issues with these employees and recommend appropriate responses.
- Uncertain impact for pregnant as this workstyle assumes the ability to transport and use portable equipment. The readiness consultations would identify any issues with these employees and recommend appropriate responses.

Of all the workstyles, Mobile Working has potentially the highest impact on customer groups. With less time wasted doing unnecessary travelling and administrative chores, officers should be better able to respond quickly to customer requests and demands. There is now evidence from the OT pilot to support this assertion. See section 4 below for the detail.

Mobile Workers should also have much more and better information at their fingertips when meeting the customer and may well be better placed to resolve a number of issues on the spot. The customer groups that they deal with tend to be the most vulnerable and least able to fend for themselves (e.g. young people, single parents, elderly people, disabled people, recent immigrants etc) where any slowness or uncertainty in the council’s response to their needs can have a disproportionately adverse impact. There is now evidence from the OT pilot to support this assertion. See section 4 below for the detail.

**3.2.5 Impact of Flexible Operations Worker workstyle**

The Flexible Operations workstyle employees are generally based in-house (i.e. mostly on council premises). A Flexible Operations worker will typically on a day-to-day basis face the challenge of trying to fit in “doing work” between the many meetings that they have to attend. They will not have a desk permanently allocated to them but will make use of a shared desk when in their team area and other shared desks / touchdown points as they move about between meetings. Many flexible operation workers will also benefit from occasionally working from home.

Employees who are migrated to this workstyle will find it easier to fit in doing work in between meetings as they will be able to use any free workstation in the vicinity of where they actually are, rather than having to return to their team area. This may help to reduce stress and slightly improve their work / life balance. There will be a

perceived loss of “their” permanent desk / cellular office but with most people operating some form of SmartWorking they should quickly become acclimatised to the new working environment. With these factors in mind we consider that there will be no specific impact on most equalities groups.

A possible exception is employees with a disability:

- Uncertain impact on employees with the kind of disability that requires aids / adaptations being made to a standard workstation. Whilst the necessary aids / adaptations can be provided on one of the shared desks in their own team area, the very nature of the Flexible Operations workstyle is based on the assumption that they can use any shared desk in any location. In practice, there is a recognition that not all employees will be able to operate according to their designated workstyles. Any issue that impedes an employee working to their designated workstyle can be picked up and addressed at the readiness consultation. Please see section 4 where there are details and examples from real experience from the Environment department and the pilots.

The adoption of this workstyle will affect internal employees only and will not impact upon customer groups.

### **3.2.6 Impact of Open Office Worker workstyle**

Open office workers will see the least change to their current workstyle in that they will be required to attend the office on a full time basis and operate from a workstation within their team work area. The main change they will experience is that unless there is an overriding issue, they are expected to use shared desks in their designated team areas. If they are assigned a fixed desk, whilst they are away from the office (e.g. on leave or due to sickness etc.) their vacant desk can be used as a shared desk. They are therefore expected to always leave their desk in a suitable state for someone else to use in line with the council’s clear desk policy.

It should be emphasised that all workstyles will be provided with telephony appropriate to their designated workstyle, enabling them to deal with their own telephone calls, so the Open office worker will not be expected to handle and redirect a number of other colleagues calls.

Hence, on an overall basis, we consider that there will be no specific impact on any of the equalities groups – be they employees or customers.

### **3.3 Discussion**

Like most large organisations, the proportion of women and disabled employees in more junior grades is not always reflected in the more senior roles within the council. The SmartWorking programme is not expected to significantly impact upon or redress these imbalances in the workforce as the programme will (almost) exclusively be working with existing employees in their current roles and grades.

However, the additional flexibilities that SmartWorking will bring to many roles, if intelligently combined with how we recruit, train and develop people, can help to make a difference in the future. The council has already started to move away from classroom style training in its CBT-based delivery of courses such as H&F corporate induction and the presence of SmartWorking will encourage further innovations in how we deliver training and development thereby giving employees greater freedom

in how and when they take advantage of these opportunities. These areas are outside of the current scope of the SmartWorking programme itself, but nevertheless will become some of the inevitable consequences that it will engender.

The initial PEIA for the programme raised a potential risk of a perception that SmartWorking mostly benefits those individuals who are already in better paid jobs. The chart in Section 2.2 shows that only some 6% of the in-scope roles would remain in an Open Office workstyle once the programme is completed, meaning the perception would be erroneous. The current programme has put in place a communications methodology that is able to provide the required information that can address the formulation and spread of such perceptions.

As SmartWorking progresses some employees may perceive some of the SmartWorking workstyles to be much more “desirable” than others and be disappointed if the readiness consultation results in their role being assigned to one of the other workstyles. Two points should initially be noted: firstly perceptions will vary from individual to individual and what is the most desirable workstyle to one person may very easily be the least desirable to another and secondly we would re-emphasise that it is the requirements of the role, rather than the post holder’s preferences, that will dictate the workstyle.

As the corporate rollout progresses we will be examining whether work practices or the lack of available technology have combined to restrict teams to a particular workstyle and we will be working with teams to adopt a workstyle more suitable to their role in the council. Whilst not everyone will get the workstyle they want, we will have identified what options are appropriate for each role.

As the SmartWorking programme is rolled out, there will be a need to restrict the reliance on paper and encourage greater use of the electronic data management system (eDMS). There should also be a greater use of conferencing facilities for meetings, giving positive benefits to employees with some mobility problems or those who experience difficulty handling large amounts of paper.

The Environment departments and H&F Homes decant from Riverview House to HTHX has resulted in a reduction in council-provided free car parking spaces and, in the future, as the site of the new Civic building includes what is presently the staff car park the availability of free car parking will consequently become severely restricted. This could impact on employees with mobility problems, even with high priority given to their needs. SmartWorking workstyles will enable a clearer sense of priority for the available places and reduce any ambiguity around matching available places to the demand for them.

Finally, with the large range of properties that it current operates from the council has always faced a struggle to make the reasonable adjustments needed to ensure that all its buildings are fully DDA compliant. With a limited budget, priorities have had to be established and work on some areas has had to take precedence over other adjustments needed elsewhere. SmartWorking’s impact will be to reduce the number of buildings that we occupy and as a consequence reduce the competition for the resources that are available for ensuring DDA compliance. Eventually, being purpose built, the new civic accommodation will meet (and exceed) the necessary requirements

## **4. Research and Consultations carried out to-date**

### **4.1 Initial Research**

One of the effects of SmartWorking will be to move managers out of their enclosed individual offices (which take up a disproportionate amount of space) into the shared open office area. Managers on the floor, in contact with their employees, should become far better attuned to the general atmosphere within the open office and be much better placed to nip in the bud any form of adverse behaviour (including any negative behaviour directed against any of the equalities groups). The issue of remote management of employees working outside of the office will be tackled as part of Organisational Development's series of initiatives on performance management, rather than as part of the SmartWorking programme but the programme will work closely with the people that are taking this work forward.

In carrying out the mobilisation phase of SmartWorking we have made very good use of the wealth of best practice data available from Project Nomad, a Centre of Excellence for mobile and flexible working in local government led by Cambridgeshire County Council. In addition to the sources identified through Project Nomad there are a number of London councils that are further along the path than h&f and have valuable experience that we have already tapped into. We have already visited Hillingdon, Ealing, Westminster and others to learn lessons from their experiences.

It is through Project Nomad that we were able to get hold of Equalities Impact Assessments done by Leeds Council (for the use of Home Working within their Benefits Assessment Service) and Barnsley Council (for the use of mobile solutions within their Regulatory Services). Copies of these assessments are embedded in the appendices of this document and have been used to inform its contents.

The Making Change Happen event in December 07 for middle managers focused upon SmartWorking. Our ideas and proposals were warmly and in many cases enthusiastically received. This was followed up with a SmartWorking survey, which together with our consultations with HR Business Partners resulted in our initial mapping of workstyles to roles in Trent.

### **4.2 Findings from the Pilots**

As outlined above, three Smartworking Pilots were carried out between March 2009 and October 2009. These were with the Corporate Anti-Fraud Service, the CSD Occupational Therapist team and Procurement team.

#### **4.2.1 CAFS**

The majority of the CAFS officers were categorised within the Frequent Home Worker workstyle (see 3.2.2)

The pilot did not uncover any major unforeseen negative equality and diversity impacts on managers, staff or customers.

The issues that did arise were focused around physical space and equipment and the specific adaptation of desks and equipment in a desk-sharing environment. One member of this group has a raised desk and this meant that special arrangements

needed to be put in place so that they were able to participate in the new desk sharing arrangement. This was not difficult to accommodate as the Smartworking model we piloted had sufficient inbuilt flexibility.

The managers in the section did not report any insurmountable difficulties associated with managing their officers in a flexible working environment.

With regard to customers and clients of the service there have been no reported instances of a drop in service delivery or in previous levels of contactability of officers or access to services.

With regard to the expected positive impacts of flexible working on individual members of staff, a survey of the team was carried out during the pilot and the results were very positive. Please see the embedded survey document below:



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#### **4.2.2 Occupational Therapists**

The majority of the OT officers were categorised within the Mobile Worker workstyle (see 3.2.4)

The pilot did not uncover any major unforeseen negative equality and diversity impacts on managers, staff or customers.

One officer on the team reported that there were ergonomic issues when using the tablet PC that they had been provided with as it was too heavy for that particular individual to carry around for any lengthy time period. This issue can be readily addressed by the issue of an alternative (lighter) device.

As with CAFS above, there were two people who had adapted desks and the same allowances (or exceptions) from general desk sharing were applied to address the issue.

With regard to the expected positive impacts of flexible working on individual members of staff and customers, the results from this pilot were very encouraging. For instance, the enhanced mobility that the portable devices gave to the officers showed that they were able to spend more time with clients/customers in their homes and to provide an enhanced service while there as they also now had real-time access to H&F network systems. Also, having portable devices allowed the officers to reduce the amount of time travelling from home visits back to the office in order to update records as this could now be done while travelling or on reaching home. A percentage of that time saving was directly enjoyed by the individuals themselves as they could go straight into visiting in the mornings and straight home afterwards at the days end.

### **4.2.3 Procurement**

The data from this pilot is still being evaluated and this will be updated in due course.

### **4.3 Findings from the Corporate Rollout to date**

Stage C of the corporate rollout completed in July 2011 and enabled the decant from Barclay House. This stage of the programme included approximately 1300 staff in Resident Services, Community Services, Children Services, Environment and Housing Options.

Issues raised to date, which are relevant to equalities, include the following. They are physical/ergonomic and system-based in nature and can be addressed through the application of the most suitable technology.

- The first issue to arise has been levels of noise in an open-plan environment – This can be addressed using screens and by the application of office rules concerning noise.
- The second issue has been the need for fully adjustable monitor screens so individuals are able to use any desks in the area. This could be addressed by purchasing equipment that is fit for purpose.
- The third issue has been how to organise and monitor specially adapted chairs in a flexible working environment. This issue is currently under review as a solution is sought but that solution is likely to be behavioural/organisational and therefore relatively unproblematic to implement.

From the perspective of the impact on service delivery to customers and client there have been no reported problems.

## **5. Factors that could contribute or detract from the desired outcomes**

Some of the key challenges we are still working to resolve through the council-wide implementation of SmartWorking include:

- Realising the productivity benefits from SmartWorking in real financial terms.
- Demonstrating the benefits of SmartWorking quickly enough to show what is possible.
- The “Culture of Possession” – a territorial belief that space belongs to individuals & departments.
- Managers’ cultural mistrust over remote working.
- Overcoming the view that SmartWorking is only about technology.

SmartWorking are working closely with Organisational Development, Human Resources and the Accommodation programme to ensure that all these risks are successfully managed.

## **6. Moving Forward**

As part of the SmartWorking approach, readiness consultations are carried out on an area by area basis to ensure that all the components needed for a successful

implementation are fully in place before teams are migrated to a SmartWorking environment.

The early adopters of SmartWorking have provided the team with valuable early feedback on how well our planned approaches actually work in practice. Most importantly we have gained valuable information on any disproportionate impact and unwelcome outcomes. The seeking out of experience and lessons learned from external sources such as Project Nomad and other London councils will continue throughout the lifetime of the programme.

## 7. Conclusions to date

We firmly believe that the vast majority of H&F employees will welcome and grasp the flexibility and other benefits that SmartWorking will deliver. Moreover, aligned with incremental cultural changes across the organisation, the adoption of Smartworking practices will be key component in the modernisation of H&F.

In conducting this Equalities Impact Analysis we have identified a small number of issues in terms of employees with specific disabilities which will require further close attention as we move forward, but in the main our conclusion is that the overall impact of SmartWorking will be overwhelmingly positive for the vast majority of employees and customers irrespective of which equalities group(s) they may come within.

## 8. Appendices

Copies (below – for reference) of the impact assessments carried out by Leeds Council for the use of Home Working within their Benefits Assessment Service and Barnsley Council for the use of mobile solutions within their Regulatory Services.



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# Cabinet

30 JANUARY 2012

**LEADER**

*Councillor Stephen Greenhalgh*

**WORKS TO ENABLE THE RELOCATION OF THE REGISTRARS SERVICE FROM FULHAM TOWN HALL TO HAMMERSMITH TOWN HALL**

**Ward:**  
**Hammersmith Broadway**

This report seeks approval to place an order under the Council's Measured Term Contract for Non Housing Projects 2011/2015. The works are construction related and are proposed at Hammersmith Town Hall (ground floor and second floor areas including the Mayor's Parlour). The works of adaptation and refurbishment are required in order to enable the relocation of the Registrars Service from Fulham Town Hall. This project is part of the package of works necessary to facilitate the total decant of Fulham Town Hall, to achieve vacant possession of the building prior to disposal of the freehold in 2012/2013.

This procurement route is based on a framework agreement with three contractors.

A separate report on the exempt Cabinet agenda provides exempt information about the procurement process and its outcome.

**CONTRIBUTORS:**

ENV(BPM)  
EDFCG  
FCSD (HL&DS)  
FCSD (PITS)  
ADLDS,  
EDELRS

**HAS THE REPORT CONTENT BEEN RISK ASSESSED?  
YES**

**HAS AN EIA BEEN COMPLETED?  
YES**

**Recommendations:**

- 1. That approval be given for an order to be placed under the Measured Term Contract for Non-Housing Projects 2011/2015, at an estimated cost of £310,000 (inc contingency of £30,000) to which fees of £46,500 will be added, making a total cost of £356,500 as set out in section 3 of this report.**
- 2. That the funding for this project be met from the Corporate Planned Maintenance Programme 2011/2012 as approved by Cabinet on 7 February 2011 and the agreed protocol for variation as delegated to the Executive Director of Finance and Corporate Governance and the Assistant Director Building and Property Management.**
- 3. To note that the contract is programmed to start on 20 February 2012 for a period of 12 working weeks.**



## **1. BACKGROUND**

- 1.1 The proposed works constitute a variation to the 2011/12 Planned Maintenance - Capital Programme for which the Cabinet Member for Environment and Asset Management has responsibility.
- 1.2 These works need to be undertaken to facilitate the relocation of the Registrars Service from the ground floor of Fulham Town Hall to the ground floor of Hammersmith Town Hall, with the use of Ante-room 2 and shared the use of the Mayor's Parlour for wedding ceremonies. The Registrars service currently occupies 509.48 m2 of floor space at Fulham Town Hall and will occupy 393.16 m2 of floor space at Hammersmith Town Hall. The existing floor plan Appendix A and proposed floor plan Appendix B are attached to the report for information

## **2. BRIEF DETAILS OF THE WORKS**

- 2.1 The proposals require internal alterations to Hammersmith Town Hall ground floor to provide a reception area, six interview rooms, waiting area, staff offices, secure file storage and works comprise of the following;
  - Demolition of existing internal walls and partitions to form open plan office space
  - Re-plastering and making good to all surfaces
  - Installation of an "Equality Act 2010" compliant visitor toilet
  - Provision of new doors and acoustic glazed screens
  - New partitioning for the formation of interview rooms
  - Provision of fully accessible toilet and kitchenette facilities
  - Formation of a marriage waiting room with reception desk
  - Painting and redecoration works
  - New carpets
  - New lighting
  - New roller racking system for births, deaths and marriages certificates
  - Temperature control for vault for storage of paperwork (listed above)
  - Keypad security access
  - New entrance doors at exit one
  - All power and data connections for telephones, PCs and MFDs
  - Smoke detection and emergency lighting
  - Heating and ventilation alterations
  - Furniture
- 2.2 The Mayor's Parlour, Ante Room 2 and associated 2<sup>nd</sup> floor Mayoral offices will be fully redecorated. and the kitchenette within will also be renewed as part of this project.
- 2.3 All new lighting will be low energy fittings
- 2.4 The proposed works require Listed Building Consent which has been submitted as part of the overall application for the proposed Hammersmith Town Hall - Smart Accommodation programme of works. No works will be carried out until formal consent has been received.

### 3. FEES

- 3.1 The professional services previously provided by Building & Property Management (Environment Directorate) are now, following market testing, being provided by EC Harris LLP. Consequently fees are calculated on the basis of the tendered schedule of rates plus the cost of the Client Agent Team, which is funded via a percentage fee to the value of the commissions placed. Fees are charged on the basis of 15% with final account reconciliation at the end of each financial year. Therefore fees are applicable to the proposed works at a rate of 15% which is an amount of £46,500. Hence, the total of works and fees recommended for approval is £356,500.

### 4. COMMENTS OF THE EXECUTIVE DIRECTOR OF TRANSPORT AND TECHNICAL SERVICES AND DETAILS OF FUNDING PROVISIONS

- 4.1 The comments of the Executive Director are contained within the main body of the report.
- 4.2 The 2011/2012 Corporate Planned Maintenance Programme (CPMP) was approved at the Cabinet meeting of 7 February 2011. The CPMP has subsequently been amended to support this project in accordance with the agreed protocol for change and scheme substitution, by the Assistant Director Building and Property Management and the Executive Director of Finance and Corporate Governance. The monitoring report that went to the Environment Cabinet member meeting (ECM) on 10 October 2011 and then to Corporate Asset Delivery Team on the 31 October 2011, forecast a programme underspend of £738,277 (Works and Fees) against the approved budget. Consequently it is proposed that the funding for this project (£356,500) should be met from the 2011/2012 CPMP. This programme variation will be reported in the next monitoring report to ECM and CADT.
- 4.3 The anticipated cashflow of the project is as follows:

|                  | 2011/2012<br>£ | 2012/2013<br>£ | Totals:<br>£ |
|------------------|----------------|----------------|--------------|
| Works:           | 160,000        | 120,000        | 280,000      |
| Contingency Sum: | 20,000         | 10,000         | 30,000       |
| Fees:            | 26,500         | 20,000         | 46,500       |
| Total:           | 206,500        | 150,000        | 356,500      |

### 5. PROGRAMME OF WORK

- 5.1 The anticipated programme of work is as follows:

|                             |             |       |
|-----------------------------|-------------|-------|
|                             | Date:       | Year: |
| Approval (Cabinet) :        | 30 January  | 2012  |
| Issue Letter of Acceptance: | 7 February  | 2012  |
| Proposed Start on Site:     | 20 February | 2012  |
| Anticipated Completion:     | 7 May       | 2012  |

## **6. RISK MANAGEMENT**

- 6.1 Risks relating to the project's pre-construction processes have been ascertained, and the project will not commence until the necessary actions identified on the register have been undertaken. A post-contract risk register will be developed jointly with the contractor once they have been appointed, in order that risks can be managed throughout the duration of the project.

## **7. COMMENTS OF THE EXECUTIVE DIRECTOR OF ENVIRONMENT, LEISURE AND RESIDENTS SERVICES**

- 7.1 The relocation of the Registrars Service from Fulham Town Hall to Hammersmith Town Hall provides an opportunity to review the Registrars Service provision. A lean approach to both front and back office processes provides the opportunity for the Registrars Service to require less space.
- 7.2. Siting the Registrars Service at Hammersmith Town Hall provides further opportunity to deliver synergies for co-locating front line services, thus supporting the wider customer access strategy.

## **8. COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE GOVERNANCE**

- 8.1 The total estimated cost of the proposed scheme - £356,500 (including fees) - can be contained within the overall corporate planned maintenance programme for 2011/12. As per the cashflow, detailed in 5.3 above, slippage of £150,000 will be carried into 2012/13.
- 8.2 Other comments are in the separate report on the exempt Cabinet agenda.

## **9. COMMENTS OF THE ASSISTANT DIRECTOR FOR PROCUREMENT AND IT STRATEGY.**

- 9.1 These are in the separate report on the exempt Cabinet agenda.

## **10. COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)**

- 10.1 The AD Legal and Democratic Services agrees with the recommendation contained in this report.

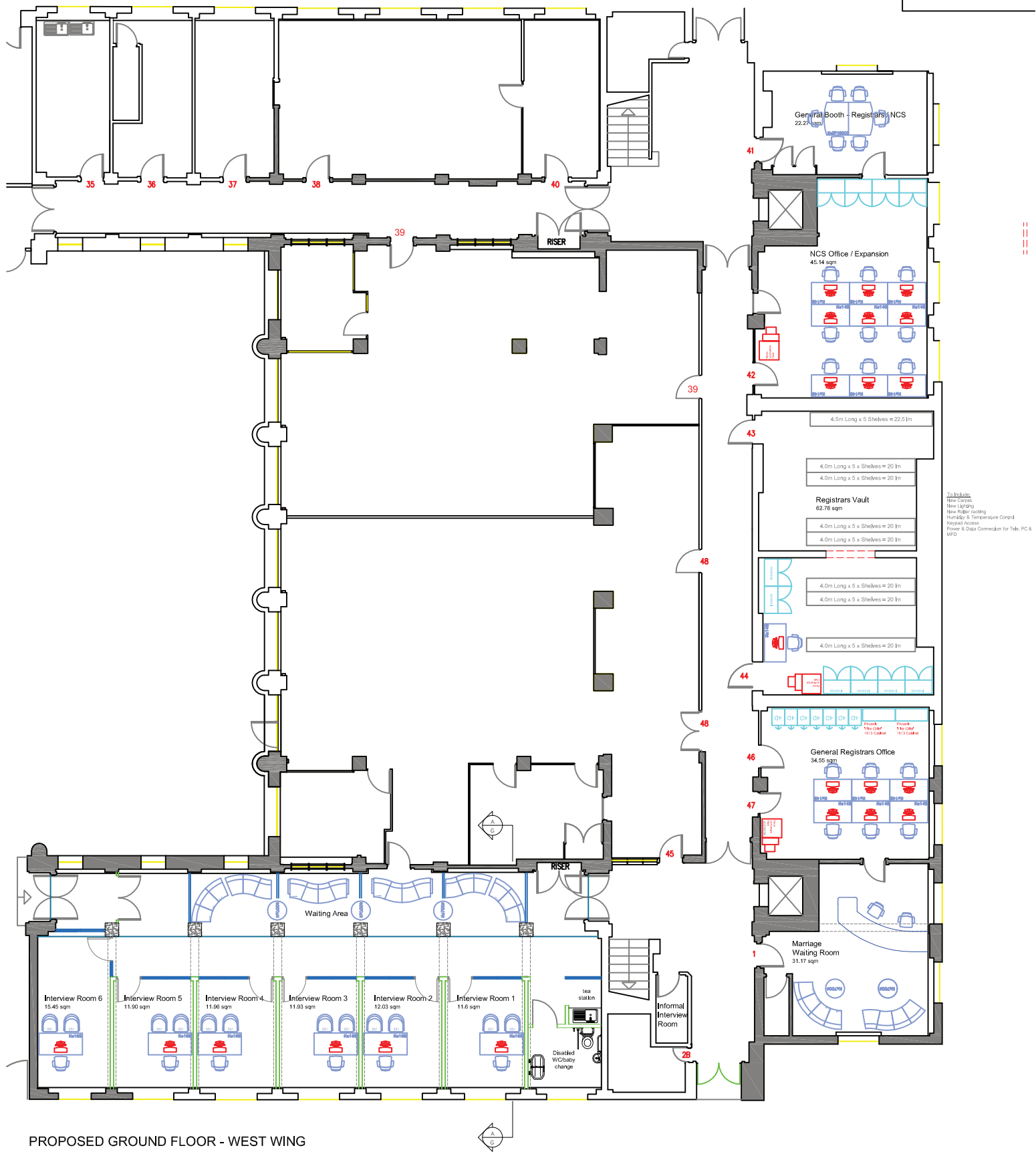
**LOCAL GOVERNMENT ACT 2000**  
**BACKGROUND PAPERS**

| <b>No.</b> | <b>Description of Background Papers</b>  | <b>Name/Ext of holder of file/copy</b> | <b>Department/ Location</b>   |
|------------|--|--|---|
| 1.         | Tender preparation details, Specification, Approximate order of costs, correspondence, project file, Quality Assurance Plan. | Nick Wallsworth<br>07855 323723        | EC Harris<br>181 King Street<br>Hammersmith W6 9JU  |
| 2.         | Project development  | Adele Casey<br>Ext.                    | BPM/ENV, 6 <sup>TH</sup> floor,<br>Hammersmith Town<br>Hall Extension<br>King Street,<br>Hammersmith W6 9JU |

|                         |  |
|-------------------------|--|
| <b>CONTACT OFFICER:</b> | <b>NAME: Mike Cosgrave</b><br><b>EXT: 4849</b> |
|-------------------------|--|

*Final Version 7.11.11*





To include:  
 New Carpet  
 New Lighting  
 New Rafter roofing  
 Humidity & Temperature Control  
 Keycard Access  
 Power & Data Connection for Tele. PC & MPD

PROPOSED GROUND FLOOR - WEST WING  
 Registrars - Option 9  
 08.11.2011

DRAWING TO IDENTIFY ADDITIONAL WORKS  
 NOT SHOWN ON LISTED BUILDING APPLICATION



London Borough of Hammersmith & Fulham

## Cabinet

30 JANUARY 2012

**DEPUTY LEADER (+ ENVIRONMENT AND ASSET MANAGEMENT)**  
*Councillor Nicholas Botterill*

**HIGHWAY MAINTENANCE APPROVAL OF THE 2012/13 PROGRAMME**

**Wards:**  
**All**

The report seeks approval for the Carriageway and Footway Planned Maintenance Programme and authority to manage the programme and overall budget throughout the year. Planned maintenance intervention is required at specific levels of deterioration to ensure very expensive and disruptive full depth road and footway reconstruction is not required. Each scheme is individually designed according to existing condition to maximise value for money.

**CONTRIBUTORS**

EDTTS  
 EDFCG  
 ADLDS

**Recommendations:**

1. That the list of carriageway and footway maintenance schemes as set out in Appendix A be approved.
2. That authority be delegated to the Deputy Leader (+Environment and Asset Management), in conjunction with the Executive Director of Transport and Technical Services and the Executive Director of Finance and Corporate Governance, to make amendments to the programme as agreed for operational and cost effective reasons in order to make the optimum use of resources allowing virements to contain expenditure within the approved resources and not subject to the normal virement rules.
3. That officers report and update programme amendments (additions and removals) to the approved scheme list to the Deputy Leader (+ Environment and Asset Management).

**HAS THE REPORT CONTENT BEEN RISK ASSESSED?**  
 N/A

**HAS AN EIA BEEN COMPLETED?**  
 N/A

## **1. METHODOLOGY USED TO DEVELOP THE MAINTENANCE PROGRAMME**

- 1.1 Detailed technical condition surveys are carried out each year to examine the condition of every road in the borough. The surveys divide the roads and footways into manageable sections and return a condition score against each. These are then prioritised to formulate a list of streets with a level of defectiveness above a threshold score. This establishes a useful benchmark of the percentage of streets below the desired maintenance threshold.
- 1.2 These streets are then validated against engineering judgement to confirm its ranking and position on the programme. At this stage the desired maintenance treatment is established in order to estimate the maintenance costs for each scheme.
- 1.3 These surveys are based upon 'condition', which may not accord with the public expectation where visual non-structural defects may be more heavily weighted - for example, where there are large numbers of utility company reinstatements giving a surface patchwork appearance. All Councillor and third party requests for maintenance received during the year are recorded. These streets are also inspected at the same time as that described in paragraph 1.1 for consideration.
- 1.4 Through these systematic inspections, qualitative condition surveys and prioritisation criteria together with the appropriate choice of materials the Council is able to maximise the road life at an optimum cost in a structured and systematic way.
- 1.5 The footway maintenance strategy has concentrated on main road footway renewals and areas of highest footfall. The opportunity is also taken to remove clutter and to reinstate the paving in full compliance with the Council's StreetSmart guide. The unit cost for this work is high but delivers significant environmental improvements.
- 1.6 Until all the main footway areas have been completed, the local road footpaths have not been part of the planned maintenance programme. Consideration can now be given to local shopping area footpaths which form an important hierarchy for consideration in the proposed planned maintenance programme.
- 1.7 The bulk of minor footway repairs are carried out through the minor maintenance programme where the unit repair costs are lower.
- 1.8 Continued improvements are sought through working with the Council's specialist term contractors to search for new technology and new materials to ensure value for money is achieved whilst obtaining long term durability.

## **2. PLANNED MAINTENANCE PROGRAMME**

- 2.1 There are always more schemes than available budgets and hence the approach is to list more schemes for approval than the budget can afford.



- 2.2 During the course of the year there will be reasons why schemes need to be postponed or cancelled, and having a longer list of approved sites enables substitute or reserve schemes to be brought forward.
- 2.3 Additionally, the exact cost of each scheme is not known at the outset. It would not be cost-effective to carryout site investigation works to determine costs although this may be done in some more extensive schemes to determine the most appropriate treatments.
- 2.4 The usual methodology is to price the schemes based upon historic unit rates so that a reasonable estimate can be obtained for each scheme. It is not generally necessary to accurately pre-establish the exact extent of the planned maintenance work for each individual scheme as the work is established as the work progresses. The work is paid from competitively tendered term contracts. The provisional cost estimates found in Appendix A are based on historic average unit price per square metre for similar works. This avoids the preparation of detailed work schedules and reduces site investigation work and unnecessary fee expenditure, particularly for carriageway work. The average unit rates used to make the scheme estimates are as follows:

| <b>Activity</b>                             | <b>Unit Rate £/m<sup>2</sup></b> |
|---|----------------------------------|
| Principal Road – Resurfacing (Night)        | £50.00                           |
| Other Classified Road – Resurfacing (Day)   | £20.00                           |
| Other Classified Road – Resurfacing (Night) | £30.00                           |
| Unclassified Road – Resurfacing             | £20.00                           |
| Micro asphalt (Ralumac) Road Resurfacing    | £10.00                           |
| Footway repaving                            | £80.00                           |

*Table showing approximate indicative unit rates used to calculate scheme*

- 2.5 The use of the Council’s term contracts are ideally suited to this method of working as they contain fixed priced schedules which are applied to measured work at a competitive cost accurately reflecting the extent of the work carried out
- 2.6 Generally the work is estimated using average unit rates from previous typical schemes and the work, once ordered, is subject to detailed pricing from within the contract. The prices are banded to reflect the volume of work carried out and are considered to be competitive. This approach, depending upon the volume of work carried out, gives rise to some schemes spending above and others below estimate. The work is subject to detailed measurement based on the actual work carried out and accounts for specific site conditions, unforeseen ground work for example, which may be required. Adjustment of resources can therefore be made available from within the overall programme resources.
- 2.7 This is monitored on a monthly basis to project full budget expenditure. This balancing process using virements between the reactive and planned budgets and between individual planned schemes gives rise to some adjustment of the total number of planned schemes carried out and encourages optimum use of the available resources. As there are always more schemes in the programme than there are resources to fund them it is always possible to accommodate more or less schemes being carried out within the financial year. It ensures

effective budget management and that the overall budgets are fully spent and overspends are avoided.

- 2.8 There are also frequent instances where the works of utility companies, which have statutory powers to maintain their apparatus, gives rise to the need to review individual schemes on the planned maintenance programme. This has been particularly problematic in previous years arising from poorly programmed works by utility companies. Despite considerable disruption, officers were able to defer work until after the utility companies have concluded and to rearrange the programme bringing forward substitute schemes from the reserve list to ensure all the available schemes requiring maintenance are treated.
- 2.9 To be able to manage the programme a 'cut-off' line is used to match the number of schemes against the available budgets. The implication of this approach allows for flexibility and for the cut-off line to be raised or lowered in order to ensure that as many deserving schemes are carried out within the available budgets.
- 2.10 The attached listings at Appendix A sets out the 2012/13 schemes that would benefit from planned maintenance.

### **3. PROGRAMME MANAGEMENT**

- 3.1 The financial resources available for the road and footway planned maintenance are met from Council capital and revenue allocations, except for the Principal Classified Road structural maintenance this is funded by directly by Transport for London (TfL) through the Local Implementation Plan (LIP) allocation.
- 3.2 All planned maintenance work is delivered through the Council's term schedule of rates contracts that have been subjected to competitive tendering.
- 3.3 To avoid the need for repeated authority reports the programme needs to be managed as a whole. On this basis officers are seeking exception for the normal Key Decision process of seeking approval on a scheme by scheme basis, noting that some schemes will be in excess of the normal £20,000 Key Decision threshold.
- 3.4 Officers are seeking approval for the scheme selection and to delegate authority to the Deputy Leader (+ Environment and Asset Management), in conjunction with the Executive Director of Transport and Technical Services and the Executive Director of Finance and Corporate Governance, to make adjustments within the programme for operational and cost effective reasons in order to make optimum use of resources allowing virements to contain expenditure within the approved resources and not subject to the normal virement rules.
- 3.5 The overall highways budget for road and footway repairs is divided into minor reactive maintenance and major planned work. The reactive work, particularly the safety element of the work, is dependant on the requirement for safety or urgent repairs identified by highway inspectors and are funded wholly from

revenue. The major planned work seeks to spend the resources cost effectively to optimise maintenance expenditure. Any under spending on the reactive work from revenue can be diverted into the major planned works programme. This seeks to achieve a balance between the need to keep the highway in a safe condition and to maximise planned work to spend the resources most cost effectively. Approximately half of the total maintenance works resources are carried out on footways.

- 3.6 The aim of the planned maintenance programme is to prioritize roads that are just failing or showing signs of failure (a 'stitch in time' principle). Early intervention results in only the top layer of the road being resurfaced at a significantly lower unit cost. Failing to be pro-active can result in the significant additional cost of having to also repair the lower layers of the carriageway as well as the cost of minor maintenance and the risk of accidents and public liability claims. Early intervention or road resurfacing delivers maintenance at the minimum whole life cost.
- 3.7 There is a balance between the need to provide a reactive service to keep the highway in a safe condition and the need to repair the greatest road surface area at least cost. The aim is to minimise expenditure on expensive reactive and safety maintenance thereby releasing resources to be spent on the more cost effective planned works programme. This approach seeks to maximise the use of the financial resources.
- 3.8 The current footway maintenance strategy focuses on repaving in and around town centre areas and those streets with the highest footfall in the Borough.
- 3.9 Principal road structural road maintenance is funded from Transport for London based on bids through the LIPS process. The scheme expenditure is regularly reported to TfL so adjustments in expenditure can be accommodated.

#### **4. EQUALITY IMPLICATIONS**

- 4.1 The approval of the highway maintenance programme is not considered to have any equality implications.

#### **5. COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE GOVERNANCE**

- 7.1. The maintenance programme is made up of minor reactive maintenance and major planned maintenance, which are funded by revenue and capital.
- 7.2 The total highways maintenance allocation for the 2012-13 financial year is as follows:

|                    |            |
|--------------------|------------|
| Capital Allocation | £1,730,000 |
| Revenue Allocation | £1,473,900 |
| TfL BSP allocation | £460,000   |

- 7.3 The important distinction is that whilst revenue can be used to fund capital expenditure, the reverse is not true and capital can only be used to fund major planned maintenance works. The Capital Allocation will be approved as part of the Capital Programme by Council in February 2012.
- 7.4 Appendix A contains a list of proposed borough funded maintenance schemes at an estimated cost of works of £1.8m. This contains a revenue contribution to Capital. It is this amount over which officers would like to apply some flexibility and use for either reactive or planned maintenance. If reactive maintenance is under spending then this will be used to finance the planned maintenance programme. The intention being to deploy the resources available in the most cost effective manner.
- 7.5 This will be monitored through the Corporate Revenue and Capital Expenditure monitors and reported accordingly. For planned maintenance, individual schemes will be reported at budgeted and forecast level. As well as amendments to funding of individual projects within the overall programme allocation, should it prove necessary to delete or substitute alternative schemes these will also be reported through the capital monitor.

## 8. COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)

- 8.1 There are no direct legal implications for the purposes of this report.

### LOCAL GOVERNMENT ACT 2000 LIST OF BACKGROUND PAPERS

| No                      | Description of Background Papers              | Name/Ext of holder of file/copy               | Department/Location                                    |
|-------------------------|---|---|--|
| 1.                      | Highway Condition Surveys and database output | Jonathan Addis                                | ENV / Highways<br>5 <sup>th</sup> Floor Town Hall Extn |
| 2.                      | Highway Term Maintenance Contracts            | Jonathan Addis                                | ENV / Highways<br>5 <sup>th</sup> Floor Town Hall Extn |
| <b>CONTACT OFFICER:</b> |   | <b>NAME:</b> Mark Hodgson<br><b>EXT.</b> 3490 |  |

## APPENDIX A

### CARRIAGEWAY SCHEMES

| STREET NAME   | STREET SECTION                      | ESTIMATED COST |
|---|-------------------------------------|----------------|
| <b>PRINCIPAL ROADS (funded by TfL - £460,000 estimated)</b>   |                                     |                |
| FULHAM ROAD   | Cassidy Road - Parsons Green Lane   | £460,000       |
| GLENTHORNE ROAD 1   | Studland Street – Leamore Street    |                |
| GLENTHORNE ROAD 2   | Leamore Street - Beadon Road        |                |
| HAMMERSMITH ROAD  | Brook Green - North End Road        |                |
| LILLIE ROAD   | North End Road to Mulgrave Crescent |                |
| NEW KING'S ROAD   | Grimston Road - Parsons Green Lane  |                |
| The £460k allocated by TfL for BPRN is allocated for certain road sections but can be spent on any schemes listed above that are deemed necessary. Thus this list is a guide and the actual schemes will be finalised and individually prioritised and costed as part of the works programming. |                                     |                |
| <b>NON PRINCIPAL ROADS (funded from Council capital allocation)</b>   |                                     |                |
| AGATE ROAD  | Whole Road                          | £ 54,000       |
| AMOR ROAD   | Whole Road                          | £ 9,700        |
| ASKEW ROAD  | Goldhawk Road - Haydn Park Road     | £ 118,000      |
| BRADMORE PARK ROAD  | Whole Road                          | £ 36,000       |
| BROOK GREEN   | Aynhoe Road- Triangle               | £ 50,000       |
| BROOMHOUSE LANE   | Hurlingham Road - Sullivan Court    | £ 31,000       |
| BROOMHOUSE LANE   | Carnwath Road – Daisy Lane          | £ 40,000       |
| CAMBRIDGE GROVE   | King Street– Glenthorne Road        | £ 24,000       |
| CARDROSS STREET   | Whole Road                          | £ 31,500       |
| CATHNOR ROAD  | Whole Road                          | £ 52,200       |
| CLAXTON GROVE   | Whole Road                          | £ 67,000       |
| COBBOLD ROAD  | Larden Road – Gayford Road          | £ 52,000       |
| DAFFODIL STREET   | Whole Road                          | £ 19,000       |
| DALLING ROAD  | King Street– Paddenswick Road       | £ 70,000       |
| DONERAILE STREET  | Fulham Palace Road- Woodlawn Road   | £ 30,000       |
| FIELDING ROAD   | Whole Road                          | £ 16,200       |
| GALENA ROAD   | Whole Road                          | £ 16,100       |
| GOODWIN ROAD  | Whole Road                          | £ 40,400       |
| HAMMERSMITH BRIDGE  | Rutland Grove- Lower Mall           | £ 17,000       |
| HARTSWOOD ROAD  | Stamford Brook Road- Wendell Road   | £ 80,000       |
| HETLEY ROAD   | Whole Road                          | £ 37,400       |
| HOLCOMBE STREET   | Whole Road                          | £ 8,800        |
| LEAMORE STREET  | Whole Road                          | £ 25,200       |
| LIME GROVE  | Whole Road                          | £ 60,200       |
| MACLISE ROAD  | Whole Road                          | £ 32,000       |
| MARCO ROAD  | Whole Road                          | £ 16,500       |
| NAPIER AVENUE   | Whole Road                          | £ 47,300       |
| NORBROKE STREET   | Whole Road                          | £ 38,500       |
| NORTH END ROAD  | Edith Road – Talgarth Road          | £ 32,000       |
| OIL MILL LANE   | Whole Road                          | £ 14,200       |
| OLD OAK ROAD  | Uxbridge Road – Steventon Road      | £ 63,000       |
| ORMISTON GROVE  | Uxbridge Road – Halsbury Road       | £ 28,000       |
| PALGRAVE ROAD   | Whole Road                          | £ 23,000       |

|                     |                                     |          |
|---------------------|-------------------------------------|----------|
| PARKVILLE ROAD      | Whole Road                          | £ 24,600 |
| PETERBOROUGH ROAD   | New King's Road – Bus Barrier       | £ 56,000 |
| PROTHERO ROAD       | Whole Road                          | £ 42,300 |
| RAINVILLE ROAD      | Wingrave Road – Crabtree Lane       | £ 32,000 |
| RICHMOND WAY        | Sinclair Gardens- Bollingbroke Road | £ 34,000 |
| RUTLAND GROVE       | Mall - Hammersmith Bridge Road      | £ 24,600 |
| SOULDERN ROAD       | Whole Road                          | £ 11,500 |
| ST DUNSTAN'S ROAD   | Whole Road                          | £ 79,600 |
| ST STEPHEN'S AVENUE | Goldhawk Road – Thornfield Road     | £ 44,000 |
| TRUSSLEY ROAD       | Whole Road                          | £ 31,000 |
| WINCHENDON ROAD     | Whole Road                          | £ 34,700 |
| WINSLOW ROAD        | Whole Road                          | £ 15,900 |

As detailed in the report, it may not be possible to deliver all these schemes with the available resources. Any scheme omitted from the current years programme will be reconsidered for maintenance in the following year.

In addition to this list, any schemes approved for the 2011/12 programme which were not completed in the 2011/12 financial year will be carried over and appropriately prioritised in the 2012/13 programme. As of December 2011 this includes the following streets:

*Goldhawk Road, Melrose Gardens, Halford Road, Batson Street, Bagley's Lane, Bryony Road, Purcell Crescent, River Terrace, St James Street, Chesilton Road, Larden Road and Distillery Road.*

## FOOTWAY SCHEMES

| STREET NAME            | STREET SECTION                          | ESTIMATED COST |
|------------------------|---|----------------|
| ASKEW ROAD             | Goldhawk Road - Westville Road          | £ 65,000       |
| HAMMERSMITH GROVE      | <u>WEST SIDE:</u> Adie Road - Amor Road | £ 75,000       |
| RICHMOND WAY 1         | Minford Gardens - Woodstock Grove       | £ 92,000       |
| RICHMOND WAY 2         | Sinclair Gardens - Addison Gardens      | £ 85,000       |
| SHEPHERD'S BUSH ROAD 1 | Hammersmith Road - Brook Green          | £ 300,000      |
| SHEPHERD'S BUSH ROAD 2 | Brook Green - Blythe Road               | £ 220,000      |
| WANDSWORTH BRIDGE ROAD | Oakbury Road - Hazlebury Road           | £ 190,000      |

As detailed in the report, it may not be possible to deliver all these schemes within the available resources. Any scheme omitted from the current years programme will be reconsidered for maintenance in the following year.

In addition to this list, any schemes approved for the 2011/12 programme which were not completed in the 2011/12 financial year will be carried over and appropriately prioritised in the 2012/13 maintenance programme.



London Borough of Hammersmith & Fulham

# Cabinet

30 January 2012

**CABINET MEMBER  
FOR RESIDENTS  
SERVICES &  
CHILDREN'S  
SERVICES**

*Councillor Greg Smith  
Councillor Helen  
Binmore*

**UPDATE ON REPROVISION OF SERVICES  
AT SANDS END COMMUNITY CENTRE**

**Ward  
Sands End**

Cabinet agreed on the 10<sup>th</sup> January 2011 (and further ratified on 7<sup>th</sup> February 2011) to close Sands End Community Centre (SECC) and to relocate existing library, sports and adult education classes to other sites in the Sands End Ward.

**HAS AN EIA BEEN  
COMPLETED?  
YES**

In order to meet the above objective and to support the vision of Hurlingham & Chelsea School becoming a community hub, it was agreed at an early stage that the Council would commission Hurlingham & Chelsea Secondary School to be the main provider of community services in South Fulham.

**HAS THE REPORT  
CONTENT BEEN  
RISK ASSESSED?  
YES**

This report therefore seeks to:

- update Cabinet members on progress of relocation
- confirm the level of funding to allow capital works to be completed at Hurlingham & Chelsea School.

**CONTRIBUTORS**

AD Customer &  
Commercial

Head Of Hurlingham &  
Chelsea Senior School

AD Finance &  
Resources (ENV/CHS)

Head of Economic  
Development, Learning  
& Skills

**Recommendation:**

1. To confirm £1.62m of capital expenditure for Hurlingham & Chelsea School jointly funded by the proceeds from the disposal of SECC (£1.3m) & funds provided by Hurlingham & Chelsea School (£320k.)
2. To ratify the relocation arrangements from SECC.
3. That delegated authority is given to the Executive Director Finance & Corporate Governance to ensure implementation of management arrangements for the above.

## **1. AN ENHANCED COMMUNITY VISION IN SOUTH FULHAM**

- 1.1 Part of the medium term vision at Hurlingham & Chelsea School is to establish itself as a centre for community engagement in South Fulham. The closure of Sands End Community Centre has facilitated the realisation of this vision. An added benefit of this approach has been to enable the Council to meet its asset management objectives.
- 1.2 The imminent Federation of Hurlingham & Chelsea School with Langford Primary School provides for the first time the prospect of an enhanced and integrated educational, youth and community provision across the Sands End ward.
- 1.3 In order to ensure sustainable provision the School will work with other providers, businesses and government departments to further extend and improve upon the service offer.
- 1.4 This vision will offer an enhancement of services at lower cost and meets the Council's aspirational agenda for social mobility. Once completed, the capital works, jointly funded by the School and the Council, will provide state of the art facilities for key community activities.

## **2. CAPITAL EXPENDITURE: Hurlingham & Chelsea School**

- 2.1 The School have led the project and procurement utilising Surface to Air for support. This organisation worked on the successful Langford Project and was one of Council's approved BSF (Building Schools for the Future) partners.
- 2.2 Work has been undertaken over the past year to provide:
  - a new library that will be available for extensive community use
  - significant refurbishment of the school sports facilities to include new changing rooms, a fitness suite, dance studio and gymnasium
  - extensive refurbishment of a previously mothballed area of the school to include purpose built pottery, textiles and an arts and craft suite
- 2.3 As part of the procurement process the school have tested the bidders to maximise the benefits of all of the above works to be completed concurrently. This led to a price saving of approximately 20%.



2.4 The project costs are:

| Description   | Capital Cost £000's |
|---|---------------------|
| Cost of Construction<br>(including re-alignment of<br>services/utilities) | 1,400               |
| Enabling Works  | 70                  |
| Fees  | 150                 |
| <b>Total Cost</b>   | <b>1,620</b>        |

2.5 It is proposed that the School will contribute **£320k** and the Council will contribute **£1.3m** to fund the development.

2.6 The Council's contribution will be funded from the future receipts generated from the disposal of Sands End Community Centre.

### 3. RE-LOCATION OF EXISTING PROVISION AT SANDS END COMMUNITY CENTRE TO OTHER SITES

3.1 The table below provides a summary of the migration of services:

| Existing Provision at Sands End | New Provision                       | Implementation Date |
|---------------------------------|-------------------------------------|---------------------|
| Library                         | Hurlingham & Chelsea School         | May 2012            |
| Pottery                         | Hurlingham & Chelsea School         | January 2012        |
| Table Tennis Club               | Hurlingham & Chelsea School         | January 2012        |
| Jewellery Class                 | Hurlingham & Chelsea School         | May 2012            |
| Jewellery Club                  | Macbeth Centre                      | May 2012            |
| Agewell Yoga                    | Imperial Community Rooms            | April 2012          |
| Agewell Circuit Training        | Imperial Community Rooms            | April 2012          |
| Pilates                         | St Matthews Church                  | Implemented         |
| Karate                          | Langford School                     | Implemented         |
| Scariofunk Dance                | Langford School                     | Implemented         |
| Childrens Centre                | Sands End Playhouse                 | Implemented         |
| Family Assist                   | Families Support Localities Project | Implemented         |

### 4. COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE GOVERNANCE

4.1 In the Cabinet Paper 7<sup>th</sup> February 2011, agreement was given that the capital funding required to relocate services will be met from the capital receipt of the disposal of Sands End Community Centre.

**5. EQUALITY IMPLICATIONS**

5.1 The Cabinet Paper 7<sup>th</sup> February 2011 provided a detailed Equalities Impact Assessment.

**6. COMMENTS OF THE ASSISTANT DIRECTOR (PROCUREMENT & IT STRATEGY)**

6.1 No comments.

**7. COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)**

7.1 No comments.

**LOCAL GOVERNMENT ACT 2000**  
**LIST OF BACKGROUND PAPERS**

| <b>No.</b>              | <b>Description of Background Papers</b>   | <b>Name/Ext of holder of file/copy</b> | <b>Department/ Location</b> |
|-------------------------|---|--|-----------------------------|
| 1.                      | Libraries Strategy 2009-14:<br>Cabinet Report: 10/01/2011<br>Cabinet Report: 18/04/2011 | Sue Harris<br>EXT. 4295                | ELRS – Glenthorne Road      |
| 2                       | Sands End Community Centre  | Gill Sewell<br>EXT, 3608               | CHS – Cambridge Grove       |
| 3                       | H&F Buildings Consultation Document   | Sue Spiller,<br>EXT, 2483              | CSD – Glenthorne Road       |
| <b>CONTACT OFFICER:</b> |   | <b>NAME: Sharon Bayliss ext. 1636</b>  |                             |

London Borough of Hammersmith & Fulham



## Cabinet

30 JANUARY 2012

**CABINET MEMBER FOR  
HOUSING**

***Councillor Andrew  
Johnson***

**HOUSING DEVELOPMENT COMPANY –  
DELIVERING AFFORDABLE HOUSING**

**Ward(s): All**

The Council has established a local housing development company structure to undertake development of new affordable housing in the borough. This report sets out the proposals for undertaking development of a pilot phase of seven sites to deliver 25 new affordable homes in the borough. Section 3 of the report sets out how these schemes will be delivered through this structure.

**CONTRIBUTORS**

EDFCG  
EDHR  
EDTTS

**Recommendation(s):**

1. Consider and approve the business case referred to in this report (noting the general approach previously approved by the Cabinet on 18<sup>th</sup> April 2011), for the purposes of section 95 of the Local Government Act 2003, and approve the commencement of trading activities on the part of H&F Development Limited (HFD) and H&F Housing Limited (HFH) in accordance with the provisions of Section 95 of the Local Government Act 2003.

**HAS AN EIA BEEN  
COMPLETED?  
YES**

**HAS THE REPORT  
CONTENT BEEN  
RISK ASSESSED?  
YES**

2. Subject to satisfactory outcome of consultation and equalities assessments that approval is given to develop new affordable housing on the sites specified in section 4 of the report, and to transfer on long leases at nil consideration the relevant sites to HFD and enter into agreement with HFD regarding the use of the land; where relevant, disposal being subject to the Secretary of State's approval, or where the Secretary of State's approval is not required, where the Cabinet is satisfied that the purpose of the disposal is likely to contribute to the promotion or improvement of economic, social or environmental well-being in respect of the whole or part of the Council's area or of any people in the area, having regard to the Council's community strategy.

3. That approval is given for expenditure of £2.7 million for the purposes of undertaking development of new affordable housing on the sites specified in section 4 of the report from the Decent Neighbourhoods Fund; and that approved funds be

expended directly by the Council and as a loan to HFD at a commercial interest rate (loan amount to be determined based on detailed appraisal of the development sites to the maximum amount of £2.7 million), provided that:

(a) where such funding is pursuant to the Council's powers under section 2 of the Local Government Act 2000, the Cabinet is satisfied that the new build housing to be developed by HDF will assist in improving or promoting the environmental, social or economic well-being of the area, considering the objects and priorities contained in the Council's community strategy and how the proposed outcomes for the project fit in with that strategy, and

(b) where such funding is pursuant to section 24 of the Local Government Act 1988, the Secretary of State's consent is obtained.

The loan is to be drawn down by HFD based on the approval of development appraisals for each site by the Executive Director of Housing and Regeneration and by the Deputy Director of Finance as part of the project governance structure.

4. That approval is given for £37k per annum funding for a half time development finance officer to be employed by the Council and recharged to HFD.

5. That approval is given to appoint solicitors Browne Jacobson and accountants Grant Thornton at a total cost of up to £30,000 for the Council to seek legal and tax advice in relation to disposal of the sites which will be funded from the Decent Neighbourhoods Fund.

6. That authority be delegated to the Cabinet Member for Housing in conjunction with the Executive Director of Housing & Regeneration to:

(a) Make any changes to the selected sites for the pilot phase following due consideration by them of the outcome of consultation and equalities assessment and detailed feasibility and financial appraisals.

(b) Appoint specialist consultants for additional services through a competitive procurement process to undertake due diligence work prior to transfer of land and approve the funding of these consultants from the Decent Neighbourhoods Fund.

(c) Consider and take into account the results of all

such consultation and equalities assessments (reporting back to Cabinet only if they consider necessary).

7. That authority be delegated to the Cabinet Member for Housing, in conjunction with the Leader, the Executive Director of Housing & Regeneration, the Executive Director of Finance and Corporate Governance, and the Assistant Director (Legal and Democratic Services) to determine (prior to vesting of sites to HFD) the final legal and financial development structure (including any necessary documentation, either generally or for particular cases) and agree submission of applications for Secretary of State's consent to transfer agreed sites into HFD at nil consideration.

## **1. Background**

The Council recognises that there is an imbalance of housing tenures in the borough. With a high proportion of social and private rented accommodation and a low percentage of homeownership and a lack of intermediate housing for those on low to middle incomes.

The Council is concerned that the option to dispose of land to developers, be they housing associations or private sector developers, fails to maximise the financial return to the Council and provides limited control over what is built on the site.

In April 2011, Cabinet approved the establishment of a local housing development company structure to allow the Council to undertake direct delivery of new affordable homes. Similar approaches to delivery of new affordable housing has been successfully implemented in Westminster.

Through the local housing development company structure the Council will be able to maximise its financial return, retain the benefit of any affordable housing that is developed and maintain greater control over the design of the new housing schemes.

## **2. Local Housing Development Company Structure**

Following the Cabinet decision in April 2011 two companies have been registered with the Companies House:

- H&F Development Limited (HFD) - a wholly owned subsidiary company that will be able to undertake building of new homes on Council owned land that will be vested in it for the purpose. This company has three person Board and these are H&F senior officers and the Cabinet Member for Housing.
- H&F Housing Limited (HFH) - a company with charitable aims, established under the Industrial and Provident Society rules, that will be able to access grant, provide housing management, and accept gift aid to achieve greater tax efficiency. The charity is currently being registered with the Financial Services Authority (FSA) and the Tenant Services Agency (TSA). The process of registering with the FSA and the TSA is expected to take between three and six months. Under the rules this company can be run initially with an interim Board which has now been set up with Officers as Board Members. Within the next few months members of the full board will be recruited to replace the interim Board Members.

## **3. How This Approach Will Operate**

To deliver new affordable housing through this structure the approach adopted will vary according to the nature of the site concerned. Officers proposed approach for the sites considered in this report is as follows:

*Becklow Gardens, Lakeside Road and William Church Estate Sites*

- These sites will be developed by the Council funded through the Decent Neighbourhoods Fund.
- On completion new long leases will be granted at nil consideration to HFD who will sell the new properties as Discount Market Sale (DMS) through the Council's Home Buy scheme.
- The Council will enter into an agreement with HFD which covers the use of the land, use of any surpluses and retained equity.
- The profit from the sales units will in so far as is possible be gift aided to HFH.
- The retained equity will be covenanted to the HFH.

#### *Other Sites*

- The Council will transfer the selected sites, subject to Secretary of State's consent, on a long lease basis at nil consideration to HFD and enter into an agreement with HFD which covers the use of the land, the timing of the transfer, the tenure mix and size of units, use of any surpluses and nominations rights.
- The Council will grant a loan at a commercial interest rate (to be repaid at the completion of development), funded from the Decent Neighbourhoods Fund, to HFD for the construction of new affordable housing on the selected sites and the company running costs (annual audit fees, etc) until sales income is received.
- The loan will be paid to HFD in tranches linked to the development phasing programme. HFD will provide monthly accrued management accounts to the Council. Through the loan agreement the Council will have the ability to call in the loan at anytime if not completely satisfied with the HFD development programme.
- HFD will undertake the development and on completion will sell the new properties as Discount Market Sale through the Council's Home Buy scheme.
- The profit from any sales units will in so far as is possible be gift aided to HFH.
- The retained equity will be covenanted to HFH.

Through these approaches the schemes can be developed in a tax efficient manner, with surpluses being gift aided to the charitable company to re-invest in the provision of affordable housing and regeneration.

The Council is currently seeking detailed tax and legal advice from accountants Grant Thornton and solicitors Browne Jacobson to ensure the proposed legal and financial structures are practical and tax efficient and able to discharge all legal obligations. It is proposed that authority be delegated to the Cabinet Member for Housing, in conjunction with the Leader, the Executive Director of Housing & Regeneration, the Executive Director of Finance and Corporate Governance, and the Assistant Director (Legal and Democratic Services) to determine (prior to vesting of sites to HFD) the final legal and financial development structure (including any necessary documentation, either generally or for particular cases) and agree submission of applications for Secretary of State's consent to transfer agreed sites into HFD at nil consideration.

It is estimated that the costs for legal and tax advice will be up to £30,000, which will include putting in place the necessary legal agreements between the Council, HFD and HFH.

#### 4. Pilot Phase Development Sites

In 2007 the Council appointed CB Richard Ellis to undertake a review of all Housing Revenue Account (HRA) properties to determine their potential for additional housing development. The study identified a wide range of schemes that varied from small conversions of existing properties to larger redevelopment sites.

Following the Cabinet decision to set up the local housing development company structure officers and the Council's property advisors have further analysed the 2007 study and have shortlisted development sites for the pilot phase that can now be taken forward.

These sites are primarily undercrofts, bin stores, pramsheds and garages that can be converted, subject to consultation and planning, to create new affordable homes. An initial planning assessment has been undertaken for each of the sites that supports the possibility for development. Lambert Smith Hampton, the Council's retained property consultant, have also completed initial development appraisals of the sites which show the sites as being financially viable (see section 6 of the report).

*67-68 Becklow Gardens, W12 (former health clinic premises)*

The first shortlisted site in the pilot phase is a former health clinic premises that comprises part of the ground floor of a five storey Council owned ex-GLC block within the Becklow Gardens Estate. The health clinic use has ceased and the facility is considered surplus to requirement. The property has been void since 2006.

The proposal is to convert the premises to create two new one bedroom flats. This will require a change of use planning application to be completed to enable the property to be converted to residential. An assessment from the Council's planning department has suggested that this would be acceptable.

See Appendix A for the proposed layout of the two flats.

##### *Other Sites*

The Council has identified six further sites that, subject to consultation, planning and detailed technical surveys, can deliver up to 23 new additional Discount Market Sale units. A summary of the sites is set out in the table below and further site details are included in Appendix B:

| <b>Site</b>                     | <b>Current use</b>   | <b>Proposed use</b>   | <b>Reason for intervention</b>                              |
|---------------------------------|--|---|---|
| Verulam House Undercroft, W6    | Pram sheds, bike storage and amenity space.                  | 5 new properties and re-provision of enhanced communal facilities | Address ASB issues affecting the ground floor amenity area. |
| William Church Undercrofts, W12 | Pram sheds and amenity space at the base of two tower blocks | 4 new properties.   | Address ASB issues affecting the ground floor amenity area. |



|  |   |   |   |
|--|---|---|---|
| Ground Floor 1-48 Sulgrave Gardens, W6       | Pram sheds, storage and former community facility | 2 new properties and an enhanced community facility               | Support the wider regeneration programme on the Sulgrave Gardens estate |
| Ground Floor Jepson House, SW6               | Pram sheds, amenity space and garages             | 8 new properties and re-provision of enhanced communal facilities | Enhance the amenity space on the estate and maximise land use.          |
| Ground Floor Lytton Estate (the Grange), W14 | Pram sheds  | 2 new properties and re-provision of pram sheds                   | Enhance the amenity space on the estate and maximise land use.          |
| Lower-Ground Floor 1-9a Lakeside Road, W14   | Undercroft and amenity space                      | 2 new properties  | Enhance the amenity space on the estate and maximise land use.          |

Baily Garner, the appointed Development Agent, are currently undertaking detailed feasibility and development appraisals, including scheme plans, for each of the sites. It is expected that this work will be completed by the end of January 2012. In addition they are developing dialogue with the Planning Department to confirm the planning application process/content and have started to obtain feasibility designs on the projects further to the conclusion of the topographic surveys on site.

It is proposed that authority be delegated to the Cabinet Member for Housing in conjunction with the Executive Director for Housing and Regeneration to make any changes to the selected sites for the pilot phase following due consideration by them of the outcome of consultation and equalities assessment and detailed feasibility and financial appraisals.

## 5. Housing Tenure

It is anticipated that all new properties built by the HFD as part of the pilot phase will be affordable housing products and will comprise of a mixture of one and two bed properties. Definition of affordable housing is based on that set out in Planning Policy Statement 3 Annex B (Nov 2011) which states that Affordable Housing includes Social Rent, Affordable Rent and Intermediate Housing, provided to eligible housing applicant whose needs are not met by the market.

Intermediate Housing is preferred for the provision of affordable housing as an analysis of income and housing costs highlights a severe lack of affordable housing for sale in the borough. At present only 2% of the housing stock in the borough is Intermediate Housing.

The Council prefers to see Intermediate Housing delivered as Discount Market Sale (DMS) which is preferable to Shared Ownership as no rent is charged to the purchaser on the unsold portion of the equity which can in some cases allow the purchaser to buy a bigger percentage share of a property. A requirement of the DMS properties is that it must be available in perpetuity, which means that the unsold equity will be covenanted to HFH. If at a future date the purchaser wishes to buy-out the remaining equity HFH

can consider this request and any receipt would be ring-fenced for affordable housing purposes.

House prices and market rents are high in the borough which means that Intermediate Housing needs to be affordable to a broad range of incomes. It also needs to be on average affordable by the midpoint income set by the Mayor in the London Plan (currently £39,950).

The H&F Home-Buy register has around 3,770 local residents and workers on its database and analysis shows us that around two thirds of these have incomes of between £20,000-£40,000. As a result the Council expects that a third of Intermediate Housing developed by HFD to be affordable to households with an annual gross incomes of £30,000, a third to be affordable to households with an annual gross income of £40,000 with the remaining third to be developed for annual gross household incomes up to the current Regional Housing Board maximum of £64,000 for one and two bed properties and from April 2012 £74,000 for properties with 3 or more bedrooms.

## 6. Financial Business Case

Baily Garner have undertaken initial development appraisal for the shortlisted pilot phase sites. It has been estimated that the costs of construction, professional fees, sales/marketing and contingency for the pilot phase sites is £2.7 million.

The council has also received advice from Lambert Smith Hampton on the estimated sales values for the new flats, informed by research with local agents and the sales values in the area.

The outcome of the development appraisal demonstrates that by building and selling these properties through the local housing development company structure the potential return is estimated to be:

|  |               |
|--|---------------|
| Expenditure (construction, fees, sales, etc) | £2.7 million  |
|  |               |
| Income (sales)                               | £5.78 million |
|  |               |
| Return                                       | £3.08 million |

For the purpose of the development appraisal the new units have been modelled as Discount Market Sales. Under this model the total return of £3.08 million would be split into:

|   |               |
|---|---------------|
| Equity retained (i.e. the value of the discount to make properties affordable to low to middle income households) | £1.96 million |
| Profit for reinvestment   | £1.12 million |

It is proposed that the development cost of £2.7 million for the pilot phase programme is funded from the Decent Neighbourhoods Fund, which in part has been ring fenced for the development of new affordable homes.

## **7. Programme**

The completion of the full pilot phase will take between 12 – 24 months as detailed in the attached Gantt chart at Appendix C. Becklow Gardens will be the first scheme with expected completion by May 2012.

## **8. Allocation, Sale and Marketing**

The Council's Home Buy division offers a service to identify and enable individuals to move into Low Cost Homeownership in the Borough, through acting as the mediator between the housing provider and residents seeking affordable home ownership. It is anticipated that HFD will use this service to market and sell the DMS properties.

H&F Home Buy will be able to undertake the process of identifying suitable applicants from the Home Buy register. Applicants will then have the opportunity to view properties. Once an applicant demonstrates a firm interest in the property, by paying an initial deposit, the individual or household will be required to undertake a financial assessment. This can be carried out by JDC, an independent financial adviser registered with the FSA, which specialises in mortgage brokering for DMS and shared ownership products. A number of developers operating in the borough currently utilise services provided by JDC to assist buyers in securing mortgages. Similarly, JDC will be able to provide these services to households looking to buy properties developed by HFD.

JDC have advised the Council on the viability of obtaining mortgages for the pilot phase sites and have confirmed it would be possible for households to obtain mortgage whilst complying with the levels of affordability proposed. The Council has also sought mortgage advice from Halifax who provided a similar level of assurance.

## **9. Stakeholder/Resident Engagement**

The provision of new affordable housing and in particular affordable home ownership has been identified as a key objective for the Council. The implication of this process will see existing residents, living on the identified estates, impacted both during and after the delivery of the new properties. Therefore, before any scheme can be undertaken (and a legal title vested in HFD) it will be important for the Council to carry out a resident consultation exercise on each of the sites and for the results to be properly assessed.

The individual nature of each site prevents a 'one size fits all' approach to resident consultation. A range of consultation approaches will be used which may include:

- Ward Councillor briefing
- TRA engagement
- Resident newsletter,
- Additional letter to leaseholders,
- Drop-in session to enable residents to engage in site design
- Presentations to the Borough Forum

This standardised approach will be tailored where required to ensure a satisfactory level of consultation is achieved for each site.

## Leaseholders

It will be necessary to amend the service charge apportionment percentage where new units are added to an existing block. The variation will apply to the charge apportioned to the affected block and to the estate as a whole. This process is likely to require resourcing from legal and Home Buy team within the Council. No further variation would generally be required to the lease, as under the current standard form Right to Buy lease the Council is entitled to alter the amenity space on an estate without the leaseholders consent.

## 10. Appointment of Contractors/Consultants

In September 2011, the Cabinet approved the appointment of Baily Garner to undertake initial site feasibility study to shortlist sites for the pilot phase and provide Development Agent services. Moving forward specialist consultants and additional services will be required for each of the selected sites prior to transfer of land into the HFD that are set out below:

### A. Specialist Consultants and Additional Services

- Site plans
- Party wall survey
- Asbestos survey
- Daylight/ sunlight survey
- Rights of Light envelope study
- Topographic & levels survey
- Flood risk assessment
- Utilities & services capacity study
- Ground condition/ geo-environmental survey
- Architect drawings
- Ecology assessment
- Transport impact study

These services will be procured through competitive tender process which will be managed through the London Tender Portal. It is proposed that (where appointment is prior to vesting in HFD) the authority to appoint specialist consultants for additional services be delegated to Cabinet Member for Housing in conjunction with the Executive Director of Housing & Regeneration (subject to compliance with Contracts Standing Orders).

### B. Building Contractor

To accelerate the delivery of 67-68 Becklow Gardens the Council will be commissioning the construction works for these two properties through the Council's term voids contract with Wilmot Dixon, with the work to be delivered by their Major Projects Division.

For the additional pilot phase sites HFD will appoint the building contractor through a competitive procurement process. It is envisaged that this will be undertaken using Construction Line and managed using the London Tenders Portal.

## **11. Risk Management**

The Housing Development Company work programme will be included on the corporate risk register. The risks and opportunities will be managed, as this is a departmentally led project, through the Housing & Regeneration Departments Risk Register.

## **12. Equality Implications**

As per the Equality Act 2010, the Council must consider its obligations with regard to the Public Sector Equality Duty (PSED). It must carry out its functions (as defined by the Human Rights Act 1998) with due regard to the duty and its effect on the protected in a relevant and proportionate way. The duty came into effect on 6th April 2011.

An Initial Equality Impact Analysis (EIA) has been undertaken and made available electronically. It shows that the development of sites, when reviewed against the profile of those on the HomeBuy, to be of medium relevance to, have a positive impact on the following groups:

- Age (especially younger age groups)
- Disabled people (and the Council recognises that some disabled people may require more assistance to benefit)
- Race groups (BME in particular)
- Women

There will also be impacts on women and men, as set out in the EIA, where tram sheds will be moved. This is because this will cause disruption and the degree to which this occurs will vary from site to site. However, there will be no loss of the facility and so this will be mitigated by the re-provision of the facility.

## **13. Comments of the Executive Director of Finance and Corporate Governance**

### **13.1 Sites to be disposed of to HFD pre works commencing**

#### **13.2 Transfer of the properties to HFD at nil value**

13.2.1 The properties are transferring at nil consideration, therefore no capital receipt is created in the Council. The value of the land being transferred will nonetheless need to be determined to indicate the public subsidy involved. In addition the difference between value and consideration can be classified as expenditure for the purposes of increasing the Council's Capital Allowance (a mechanism which reduces the Council's pooling liability).

13.2.2 Transfer of the land at nil consideration also has the added benefit of providing HFD with a buffer against insolvency, however it should also be noted that a transfer at nil consideration will result in higher taxable profits in HFD and therefore in a higher corporation tax liability and gift aid payment to the charity.

13.2.3 The disposal of property would normally create a Stamp Duty Land Tax (SDLT) charge based on market value however where two companies are in a group, it is possible to make transfers of property between them without an

immediate SDLT charge arising. A group exists as LBHF owns 100% of the shares of HFD and is entitled to 100% of dividends and assets on a winding up of the company. Therefore no SDLT liability arises on the transfer of the sites to the HFD.

### 13.3 The Loan to HFD

- 13.3.1 The payment of a loan to HFD would be accounted for as a capital expenditure by the Council. This would be funded from Decent Neighbourhoods receipts and would not increase the Council's borrowing. Given that the loan is underpinning the creation of affordable housing it is anticipated that it can be counted as expenditure for Capital Allowance purposes (enabling the allowance to increase).
- 13.3.2 The interest payable on the loan is likely to be tax deductible for HFD provided it complies with transfer pricing rules, these mean that the amount of the loan must not exceed what would have been paid / lent if H& F and HFD had been independent third parties.
- 13.3.3 The payment of loan interest by HFD to the Council would create a General Fund revenue receipt in the Council's accounts. No withholding tax would have to be applied to the interest payment as there is an exemption for interest paid to Local Authorities [ITA 2007 s936]. The Council should not be taxed on the interest received as Local Authorities are generally exempt from income and corporation taxes.
- 13.3.4 The loan is likely to be drawn down in tranches and draw downs will be based on the formal approval of the development appraisal for each site by the project Board, signed off by the Executive Director of Housing and Regeneration and the Deputy Director of Finance. These development appraisals will include both sensitivity analysis and a cash flow forecast for HFD that would show HFD could afford to repay the debt .
- 13.3.5 The repayment of the principal of the loan would be a capital receipt for the Council. It is intended that the funds would return to the Decent Neighbourhoods Fund.

### 13.4 VAT

- 13.4.1 It may be possible for the contractors to zero rate the construction works on some of these projects on the basis that new dwellings are being created. However, where new dwellings are not created or there is a conversion from commercial to residential, VAT at 20% or 5% will be incurred by HFD. Any professional fees incurred will also be subject to VAT at 20%.
- 13.4.2 In order to qualify as a new dwelling and therefore for construction costs to be zero rated, the following conditions must be met;
- it is built from scratch and before work starts any pre-existing building is demolished completely to ground level (cellars, basements and the ground level slab may be retained)
  - the new building makes use of no more than a single facade (or double facade on a corner site) of a pre-existing building and the facade is retained as planning requirement
  - a new building is constructed against an existing building so that they share a party wall but there is no internal access between them

- an extension or enlargement to existing building creates an additional dwelling/dwellings

- 13.4.3 In most cases, work will not qualify if there is any internal access to an existing building.
- 13.4.4 From a review of the site details it appears that three sites (Jepson House, Verulam House and Lytton Estate), may qualify as the construction of new dwellings, subject to more detailed plans being reviewed. In relation to Becklow Gardens and Sulgrave Gardens, the works may qualify for VAT at the reduced rate of 5% on the basis that existing commercial properties are being converted into new dwellings. The remaining two sites (Lakeside Road and William Church Estate) are likely to be classified as refurbishment and will incur VAT at 20%.
- 13.4.5 This VAT will be reclaimable in full by HFD to the extent that it relates to taxable outputs. Should any outputs be exempt from VAT a partial exemption calculation would be created and VAT paid would only be partially recoverable to the extent it related to taxable outputs.
- 13.4.6 The principal planned outputs of HFD are receipts from the disposal of the completed units as Discounted Market Sales (DMS). The grant of the interest in the completed units by HFD will be zero rated where the interest is the first grant of a major interest (freehold or lease of 21 years or more) by the person constructing new dwellings or by the person converting a commercial building to a new dwelling. Where new dwellings are not created, that is the refurbishment of existing residential dwellings, the supply by HFD will be exempt from VAT, in these circumstance VAT would not be recoverable. Our investigations have shown that, excluding Lakeside Road, Becklow Gardens and William Church Estate site which are dealt with separately below, none of the proposed sites involve the refurbishment of buildings which are or have previously been in residential use. Therefore it is likely that the sales of the initial tranche of equity in the completed units on these projects will be zero rated, thus enabling HFD to reclaim any VAT paid on costs associated with these sites in full. It should be noted that the sale of any retained equity that has been gifted to the Charity at a later date by the charity would be exempt from VAT.

### 13.5 Accounting for the transaction within HFD

- 13.5.1 As the properties are being developed for sale they are likely be current assets (Stock and Work in progress) in HFD until they are sold at which point the costs will become the cost of sale within the Profit and Loss Account.
- 13.5.2 It will be critical to the projects success to have high quality business planning, financial appraisals of developments and monthly management accounts including accurate cash flow forecasting for HFD in order to ensure the predicted profits are achieved and that cash is available when required.

### 13.6 Corporation Tax and Gift Aid

- 13.6.1 As the new properties are sold they are likely to create a taxable profit within HFD which would give rise to corporation tax. As noted above transferring the properties to HFD at nil consideration will create higher taxable profits within HFD, with a higher resultant corporation tax liability before Gift Aid necessitating a higher Gift Aid payment to the charity.

- 13.6.2 If HFD makes a gift payment to the charity, subject to meeting certain conditions, the payment is deductible from the HFD's taxable profits for the tax period in which the payment is made. The conditions require that, broadly, the donor does not receive any benefit as a result of making the gift, and that the payments is not regarded as a distribution for tax purposes.
- 13.6.3 As the charity is not the parent of HFD, any gift aid payments must be made in the accounting period in which the tax deduction is required. It will therefore be necessary to estimate what the taxable profits will be before the year end in order to make an appropriate payment.
- 13.6.4 This may give rise to timing difficulties as the company's profits are not normally known until after the end of the period, while the payment has to be actually paid during the period to be deductible. It is therefore critical as noted above to have comprehensive accurate monthly management accounts for HFD that are prepared on a full accruals basis and that contracts are let in such a way as to enable accurate, timely estimates of costs for each year to 31<sup>st</sup> March to be made. There is a significant risk that there will on occasion be a small corporation tax liability within HFD due to this timing issue.
- 13.6.5 The gift payment is deducted from taxable profits only after all other tax reliefs have been used (other than group relief of losses from other group companies). If the gift payment exceeds available taxable profits, the excess is wasted and cannot be used in a different period.

### **13.7 Becklow Gardens, Lakeside Road and William Church Estate Sites**

- 13.7.1 It is proposed that these properties are converted/refurbished by the Council. This is a capital cost for the Council and is allowable for capital allowance purposes. VAT will apply to the works as noted above, this VAT should be recoverable in full by the Council, however this will require monitoring of the impact on our partial exemption limit so there is a risk of unrecoverable VAT.
- 13.7.2 The properties will then be transferred under a lease at nil value to HFD.
- 13.7.3 In the case of Becklow Gardens the grant of the interest in the completed units by the Council to HFD will be zero rated as the interest is the first grant of a major interest (freehold or lease of 21 years or more) by the person converting a commercial building to a new dwelling.
- 13.7.4 In the case of Lakeside Road and William Church Estate the grant of the interest in the completed units by the Council to HFD is likely to be exempt from VAT as the building was previously classified as residential.
- 13.7.5 This means that the sale of these units as DMS by HFD will be exempt from VAT, this means that HFD will not be able to reclaim VAT on any fees associated with the sale of these properties.
- 13.7.6 Accounting for the transaction in HFD, corporation tax and gift aid will be as described above for the other sites.
- 13.7.7 It should be noted that this approach will result in major taxable profits within HFD and therefore higher gift aid payments to HFH.



## **14 Comments of the Assistant Director (Legal and Democratic Services)**

14.1.1 HFD and HFH have been incorporated, but may not carry out trading activities until such time as the Cabinet has considered and approved a business case in accordance with the 'best value' provisions of Section 95 of the Local Government Act 2003. While the Cabinet approved the business case on 18<sup>th</sup> April 2011 to set up HFD and HFH, it must specifically consider the business case for the purposes of section 95 approval.

i. Section 95 of the Local Government Act 2003 will allow the Council to do for a commercial purpose anything which it is authorised to do for the purpose of carrying on any of its ordinary functions. The trading power permits the Council to trade in function related activities only (i.e. the Council needs to have the power to engage in an activity before it can trade in it), so the power to trade does not confer a general power to trade but a power that is governed by a criteria designed to protect the numerous interests and stakeholders.

ii. The power conferred by section 95 may only be exercised by the Council through a company within the meaning of Part 5 of the Local Government and Housing Act 1989 and after a business case has been prepared and approved as required by Regulation 2 of the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009 ("the Trading Order").

14.1.2 While the companies themselves have been set up prior to the requirements of section 95 being satisfied, section 95 power and the Trading Order do not prevent the setting up of a company which may be a vehicle for commercial activities, only the carrying out of those activities themselves. As neither company has carried out any trading activity requiring reliance on section 95 so far, there has been no restriction upon the Council setting up the two companies.

14.1.3 The Trading Order requires the business case to deal with:-

- a) The objects of the business (dealt with in the 18 April 2011 Cabinet report);
- b) The investment and other resources required to achieve those objectives (dealt with in recommendation 4 and sections 4 & 6 of the report);
- c) Any risks the business might face and how significant these risks are (dealt with in the Risk Register in Appendix D); and
- d) The expected financial results of the business (dealt with in section 6 of the report),

together with any other relevant outcomes that the business is expected to achieve. The business case for the section 95 approval is that previously approved by the Cabinet on 18<sup>th</sup> April 2011 and the Cabinet is referred to that business case. The Trading Order requires the business case to be a "comprehensive statement". A detailed business plan (as opposed to a business case) for the two companies is desirable at a later stage, building upon the existing business case prepared for the purposes of this section 95 approval.

**14.2 Powers to fund HFD in connection with the provision of housing accommodation which is to be let**

14.2.1 To the extent that the Council's loan to HFD is for the purposes of, or in connection with, the acquisition, construction, conversion, rehabilitation, improvement maintenance or management of any property which is or is intended to be privately let as housing accommodation, then it has the power to do so under section 24 of the Local Government Act 1988. The Council may only be able to exercise that power if it obtains the Secretary of State's consent pursuant to section 25.

**14.3 Powers to funding HFD in connection with the provision of housing accommodation which is to be sold**

14.3.1 The Council's powers under section 24 of the Local Government Act 1988 only apply where the housing accommodation is to be let. They will not apply to financial assistance provided by the Council to HFD in connection with land to be developed by HFD for outright sale.

14.3.2 To the extent that the Council's loan to HFD is for housing accommodation to be sold, the Council must rely on its wellbeing powers under section 2 of the Local Government Act 2000 and the subsidiary power of local authorities under Section 111 of the Local Government Act 1972. The wellbeing power is wide and includes (but is not limited to) incurring expenditure, providing financial assistance to any person, entering into arrangements or agreements with any person and providing staff, goods or services.

14.3.3 To exercise this power the Council must be satisfied that the new build housing to be developed by HFD will assist in improving or promoting the environmental, social or economic well-being of the area for which the Council is responsible, having regard to the Council's community strategy.

14.3.4 Section 2 is a power to do things and does not provide a power to improve the Council's financial position. It is not a power by means of a business enterprise. It is not concerned with how a Council finances its activities, saves money or generates income and returns. The Council must carefully consider and justify the use of the section 2 power (particularly by considering the objects and priorities contained in the Council's community strategy and how the proposed outcomes for the project fit in with that strategy).

**14.4 Disposal of Land**

14.4.1 The Secretary of State's consent will be required under Section 32 of the Housing Act 1985 to dispose of sites to HFD which are currently held for housing purposes under Part II of that Act. It is likely that individual application will need to be made on each occasion. The Secretary of State will want to know that all proper consultation has taken place.

14.4.2 Under Section 32, there is no express obligation to get best consideration on disposal and the grant of consent by the Secretary of State for a disposal at nil consideration should satisfy any residual obligation arising under the common law general fiduciary duty.

14.4.3 Most of the sites are held under Part II of the Housing Act 1985 and therefore it will be important that disposal is structured so as not to trigger an obligation

(under national pooling rules) to account to the Secretary of State at DCLG for 50% of the capital receipt derived from disposal. This should be possible if the new build dwellings are taken outside the subsidy system of the HRA (by an agreement with the Secretary of State at DCLG under Section 80B Local Government and Housing Act 1989 prior to disposal to HFD) and the receipt is covered by an equivalent amount of Available Capital Allowance (i.e. amounts, whether in money or in kind, which the Council has resolved to contribute towards projects of affordable housing or regeneration).

14.4.4 Land which is held for non housing purposes may be disposed of to HFD in accordance with section 123 of the Local Government Act 1972. Unless the disposal is for the best consideration which can be reasonably obtained (which is not the case here) then the Secretary of State's consent is required. However, the general consent (General Disposal Consent 2003) will apply if the purpose of the disposal is likely to contribute to the promotion or improvement of economic, social or environmental well-being in respect of the whole or part of the Council's area or of any people in the area and the difference between the unrestricted value of the land to be disposed of and the consideration for the disposal does not exceed £2 million (i.e. the undervalue element for each parcel of land). When making its considerations, the Council should have regard to its community strategy.

#### **14.5 State aid**

14.5.1 Both the transfer of land to HDF at an undervalue and other funding to both HFD and HFH amount, on the face of matters, to state aid but can be taken outside the state aid regime on the basis that the activities to be carried out by HFD and HFH amount to services of general economic interest. The criteria to meet the relevant test require certain protections to be put in place, including the Council entering into appropriate contractual arrangements with HFD and HFH.

#### **14.6 Decisions by HFD's board**

14.6.1 It is important to appreciate that HFD is a separate legal entity and its Board must take decisions independently but subject to the terms imposed in any agreement with the Council or any lease or transfer from the Council.

14.6.2 Once the sites have been vested in HFD they will carry out the development and its Board take the decisions (albeit that the Council may need to act as guarantor in relation to contracts let). The Council's control will be by means of the persons the Council has nominated to be directors of HFD (albeit they must act primarily in the interests of HFD).

#### **14.7 Property related issues**

14.7.1 As most of the sites are or were amenities for housing estates, it will generally be necessary to conduct a consultation with secure tenants under Section 105 of the Housing Act 1985 before any decision is taken with regard to a particular site. To comply with Section 105 the Council should use its published consultation procedures and provide adequate opportunity for secure tenants to know what is proposed and to have a reasonable time and opportunity to comment. No final decision on a site should be taken without first considering and taking into account the responses. Similarly due regard must be had to the impact a proposal in relation to any site may have on

persons with “protected characteristics” under the Equality Act 2010 e.g. impact on women or particular minorities from loss of estate amenities.

- 14.7.2 Variation of the service charge provisions in existing leases is not a simple or inexpensive matter in the case of leaseholders. Fortunately, in most cases service charge percentages will be reduced (albeit that the reduced percentage will apply to increased overall costs), so that few leaseholders might be expected not to co-operate (the standard Right to Buy lease contains no provision entitling the Council to alter service charge percentages). Variation can be agreed individually with leaseholders (a laborious process in which leaseholders’ lenders would need to be involved, involving separate deeds of variation with each leaseholder). Alternatively (especially where some leaseholders do not co-operate) application can be made to the Leasehold Valuation Tribunal under Section 37 Landlord and Tenant Act 1987 for an order varying all leases in a particular block or related blocks. The Tribunal can only do this, however, if (broadly) 75% of leaseholders consent and not more than 10% actually oppose (where not more than 8 leaseholders are affected, either all must consent, or all but one must consent). If the Tribunal is prevented from acting, as a last resort it seems that the court has inherent jurisdiction (in cases such as these) to order variation of service charge provisions (though the scope of this jurisdiction is a little uncertain).
- 14.7.3 It must be appreciated that the higher returns and other benefits of operating through the medium of a subsidiary development company come at the expense (for practical purposes) of shouldering developer’s risk and the Council could find that it loses money if properties do not sell as anticipated at prices sufficient to cover development costs. Although HFD is a separate legal entity (so that its debts are not the responsibility of the Council) nonetheless it is likely that contractors and others doing business with HFD will seek a guarantee from the Council. If the Council acts as agent for HFD (e.g. in letting the building contract) it will anyway be directly liable under the contract.
- 14.7.4 Right to Buy and other leases have been granted over a period in excess of 30 years and not all leases are in exactly the same form. This means the leases of leaseholders liable to be affected by the development will need to be checked, in case special action needs to be taken to ensure that the Council/HFD can carry out development without material risk of challenge.

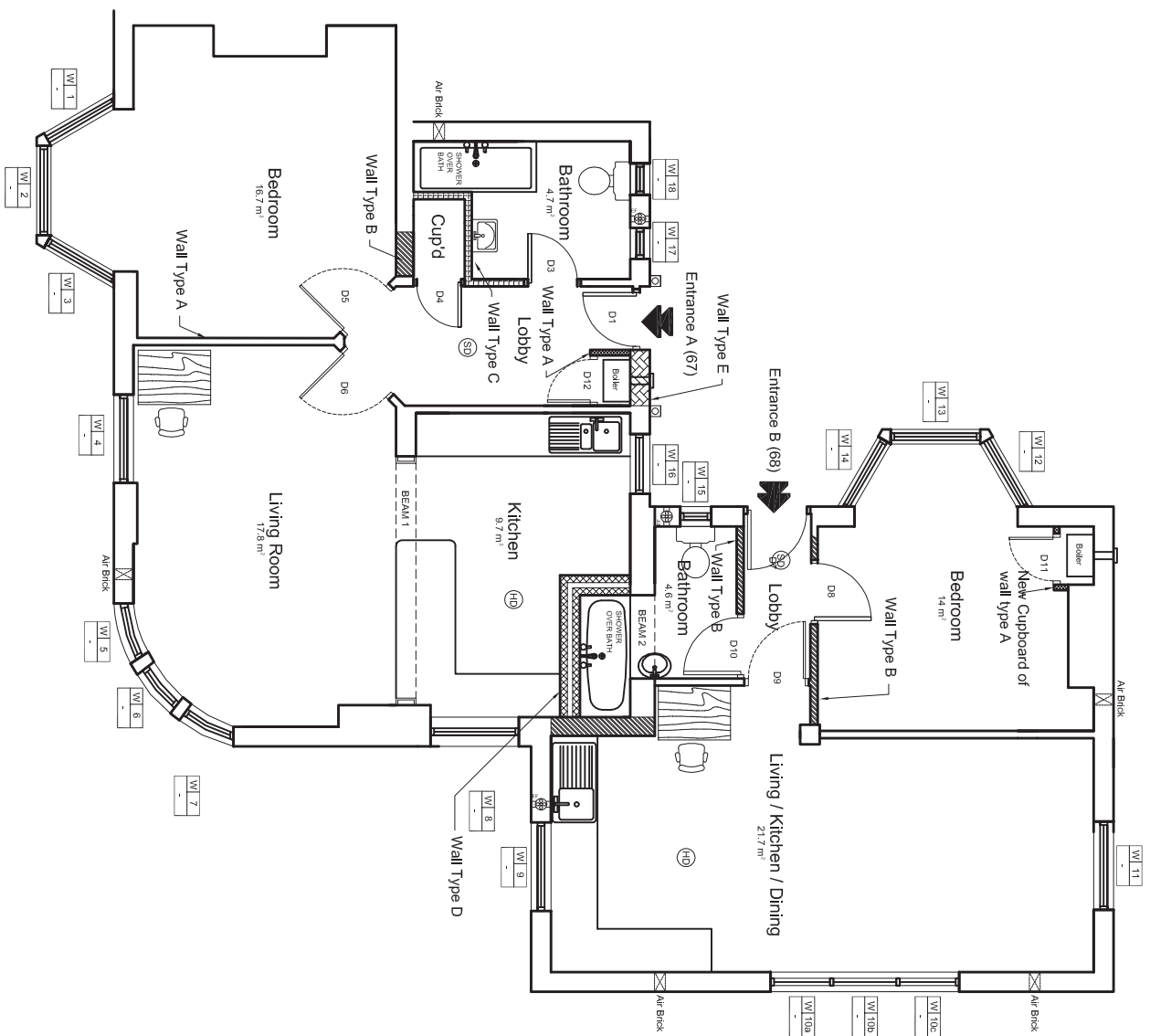
**15. Comments of the Assistant Director Procurement (if relevant)**

Advice has been sought from the Corporate Procurement Team.

The Council and H&F Development Limited, being an wholly owned subsidiary of the Council, are required to undertake any procurement exercise in an open and transparent manner in accordance with the Public Contracts Regulations 2006 (as amended) and their Contract Standing Orders.

**LOCAL GOVERNMENT ACT 2000**  
**LIST OF BACKGROUND PAPERS**

| <b>No.</b>              | <b>Description of Background Papers</b>  | <b>Name/Ext of holder of file/copy</b> | <b>Department/ Location</b> |
|-------------------------|--|--|-----------------------------|
| 1.                      | Housing Development Company Cabinet Report                                       | Matin Miah - 3480                      | HRD                         |
| 2.                      | Appointment of Development Agent to Support the Delivery of New Affordable Homes | Matin Miah – 3480                      | HRD                         |
| <b>CONTACT OFFICER:</b> |  | <b>NAME: Matin Miah<br/>EXT. 3482</b>  |                             |



The contractor is responsible to ensure that no products are to be utilised that do not comply with relevant British and/or European Standards and/or Codes of Practice. COSHH Regulations, Construction Regulations, or which are known or suspected at the time of product selection and/or construction to be deleterious to health and safety or to the durability of the work or not in accordance with good building practices.

The contractor is responsible for checking dimensions, tolerances, levels and references. This drawing is to be read in conjunction with all relevant consultants or specialists drawings. Any drawings and/or details are referred to Bally Garner LLP and rectified before proceeding with the works on site or shop drawings.

Where an item is covered by drawings to different scales, the larger scale drawing is to be worked to.

Do not scale drawings. Figured dimensions to be worked to in all cases.

This drawing and the copyrights and patents therein are the property of Bally Garner LLP and may not be used or reproduced without consent or attribution.

|          |                                 |    |            |
|----------|---------------------------------|----|------------|
| Rev A    | Flat 67 Bathroom layout revised | SN | 11.01.2012 |
| REVISION | Flat 68 Kitchen layout updated  | C  | DATE       |
|          | Flat 68 Kitchen layout updated  | D  |            |

**A3**

|         |   |                  |   |
|---------|---|------------------|---|
| CLIENT  | Hammersmith and Fulham                                    | PROJECT          | Conversion of Becklow Clinic into 2 number apartments |
| ADDRESS | Becklow Clinic<br>Becklow Gardens, Hammersmith<br>W12 9HD | TITLE            | Proposed Floor Plan                                   |
| SCALE   | 1:100   | PURPOSE OF ISSUE | Planning  |
| JOB NO. | 24811   | DATE             | 12.12.11  |
|         |   | REVISION         | A   |
|         |   | DRAWING NO.      | 11  |

**Appendix B**  
Pilot Phase Sites Booklet

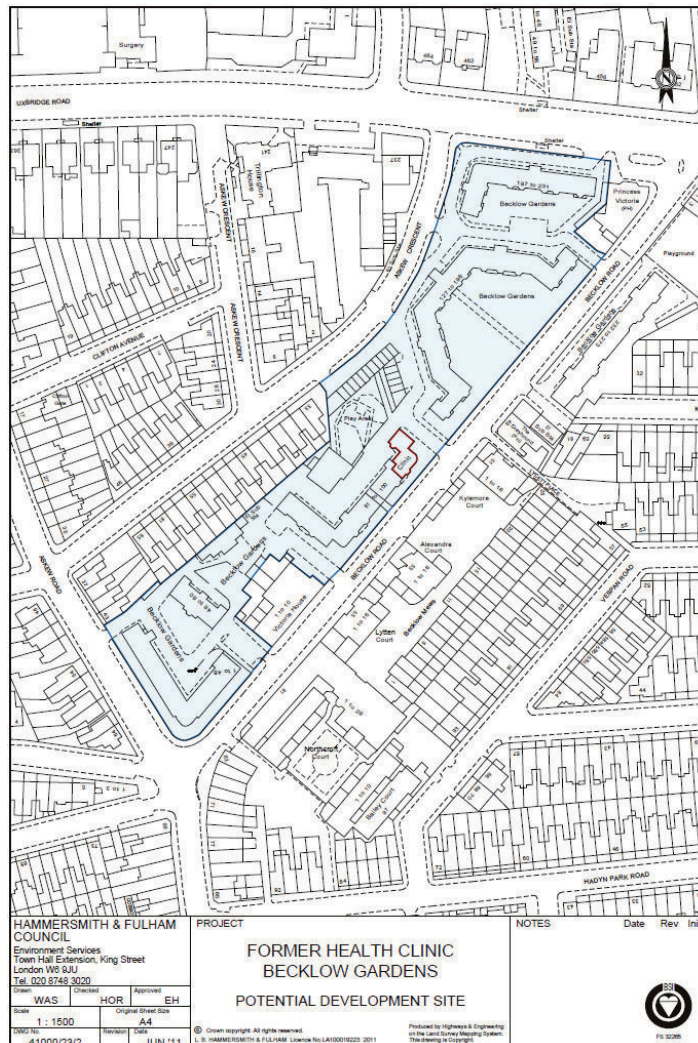
## Site 1

**Site Address:** 67-68 Becklow Gardens (Becklow Gardens Former Health Clinic), Becklow Gardens, Becklow Road, London, W12 9HJ

**Size:** 120sqm

**Site Description:** Former health clinic on the ground floor of a five storey Council owned ex-GLC block. The block forms part of the Becklow Gardens estate. The property has been void since 2006.

**Site Potential:** The site could be converted to create two new flats.





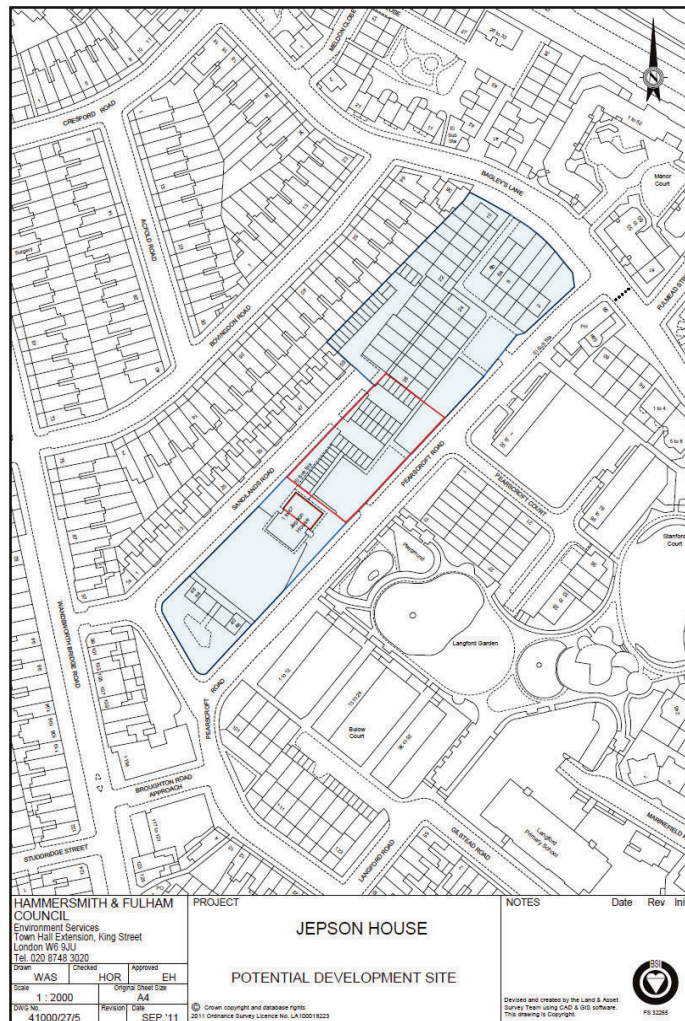
## Site 2

**Site:** Jepson House, Pearscroft Road, London, SW6 2BG (Reconfiguration of garages and pram sheds)

**Size:** 360sqm

**Site Description:** The site, located in Fulham, comprises the ground floor of the Jepson House tower block and the garages/ pram sheds.

**Site Potential:** The Council wishes to assess the potential for a hidden homes scheme at this site. This could incorporate the ground floor of the tower block, the pram sheds and the garages to provide eight new properties. Pram sheds and parking spaces to be reprovided.



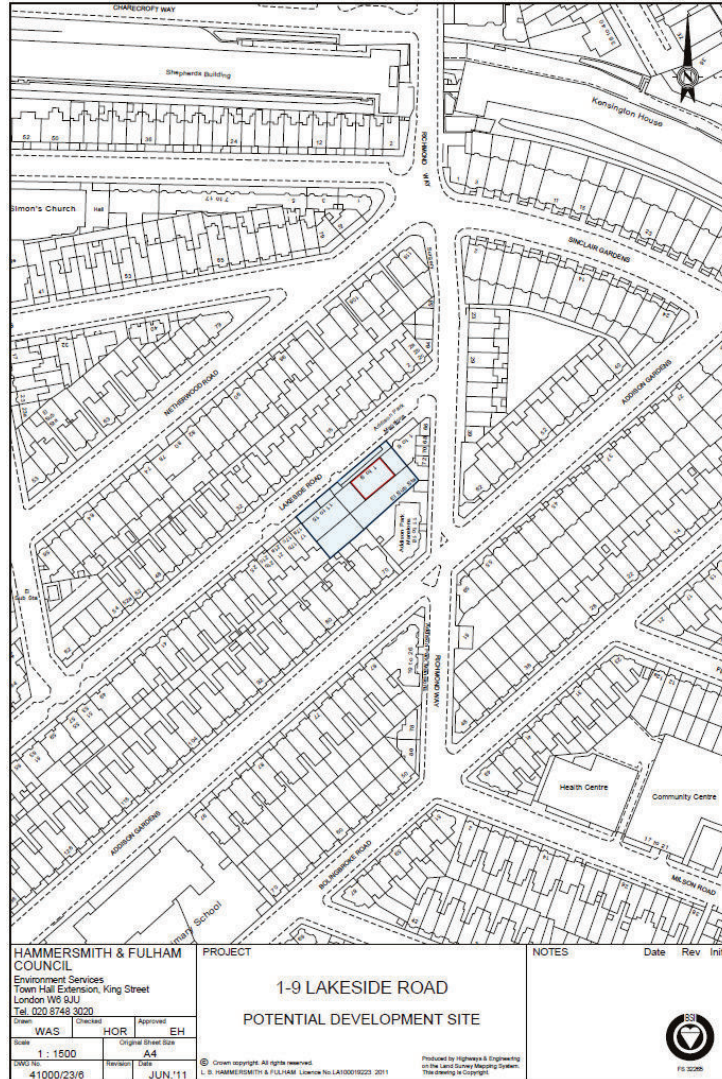
### Site 3

**Site:** 1-9a Lakeside Road (Basement Conversion), London, W14 8SL

**Size:** 90sqm

**Site Description:** The site is a four storey Council infill block on a Victorian residential street in Shepherds Bush. The lower ground floor of the block comprises two voids.

**Site Potential:** The two void spaces could be converted to create two new dual aspect flats at lower ground floor level consistent with other properties on the road.



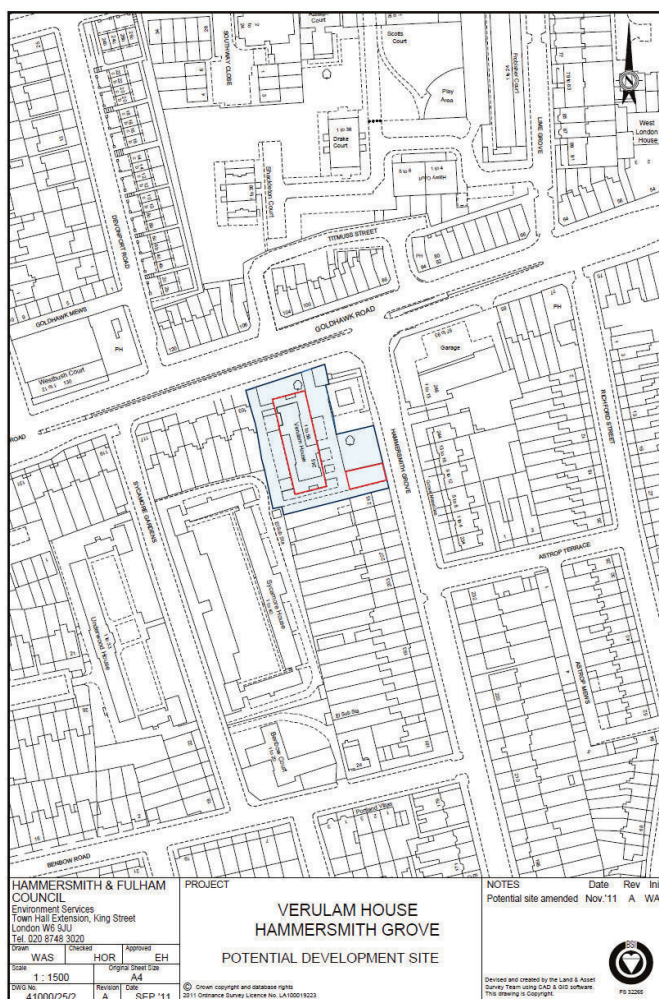
## Site 4

**Site:** Verulam House (Undercroft Conversion), Hammersmith Grove, London, W6 0NW

**Size:** 225 sqm

**Site Description:** Verulam House is a nine storey Council housing block on the corner of Hammersmith Grove and Goldhawk Road in Shepherds Bush. The ground floor comprises a number of communal uses and the property has three separate vehicle entrances.

**Site Potential:** The ground floor could be reconfigured to improve the existing facilities and incorporate an additional two new dual aspect properties. A further three properties could be created on the entrance from Hammersmith Grove.



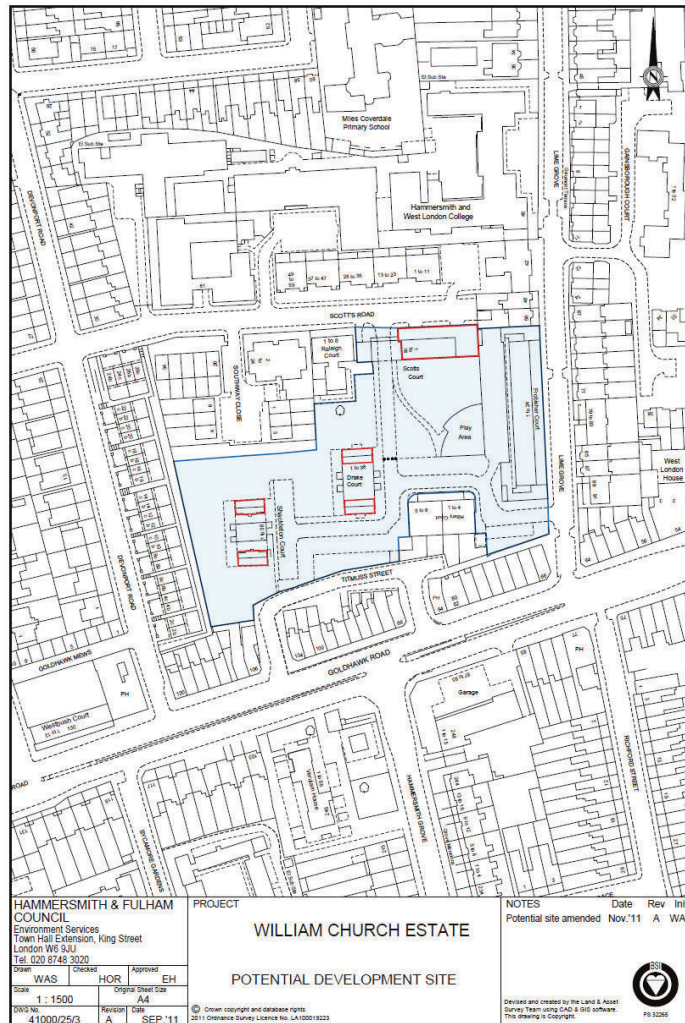
## Site 5

**Site:** William Church Estate (Undercroft Conversion), Scotts Road, London, W12 8HG

**Size:** 470sqm

**Site Description/ Potential:** The William Church estate comprises a combinations of high and medium rise blocks in Shepherd's Bush. The ground floor of the two tower blocks, Drakes Court and Shackleton Court, comprise undercrofts, entrances and pram sheds. The ground floor of Scotts Court comprises disused garages.

**Site Potential:** The ground floor of the two tower blocks could be reconfigured to create four additional properties. A further four properties could be created in the disused garages at the ground floor level of Scotts Court.



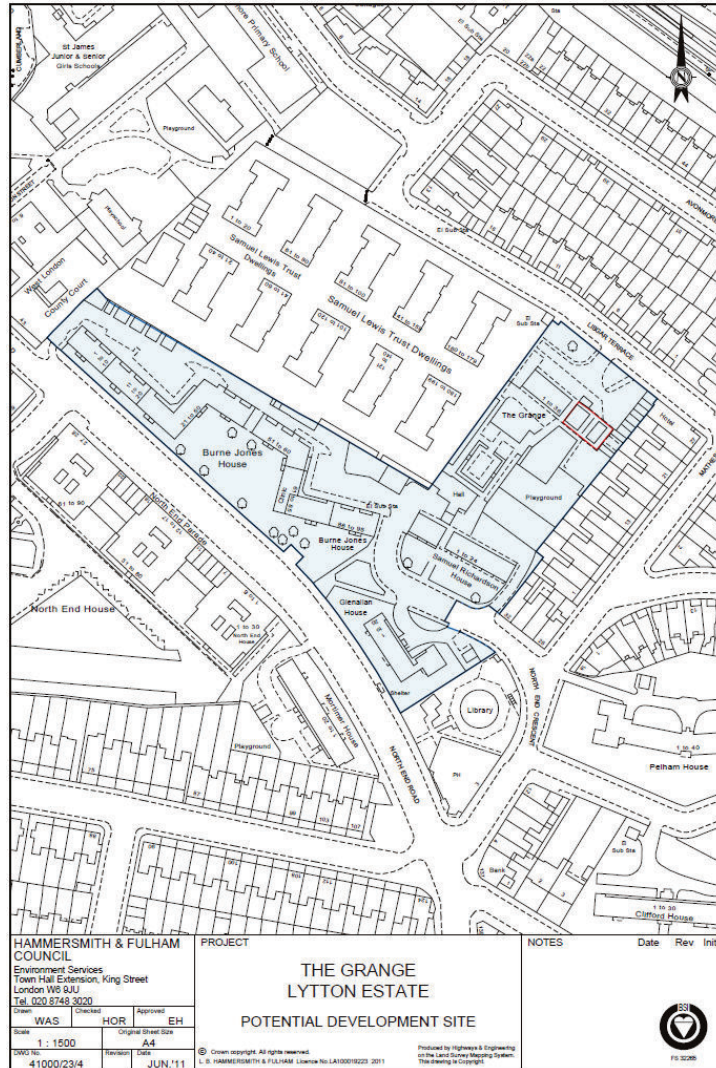
## Site 6

**Site:** Lytton Estate (Pram Shed Conversion), The Grange, Lisgar Terrace, London, W14 8SL

**Size:** 120sqm

**Site Description:** The site comprises pram sheds at the ground floor level of a ten storey Council owned tower block. The ground floor of the tower block is split between four flats on the northern side and the pram sheds to the south.

**Site Potential:** The pram sheds could be converted to create two new flats consistent with the existing design of the properties to the north. The pram sheds will be re-provided.



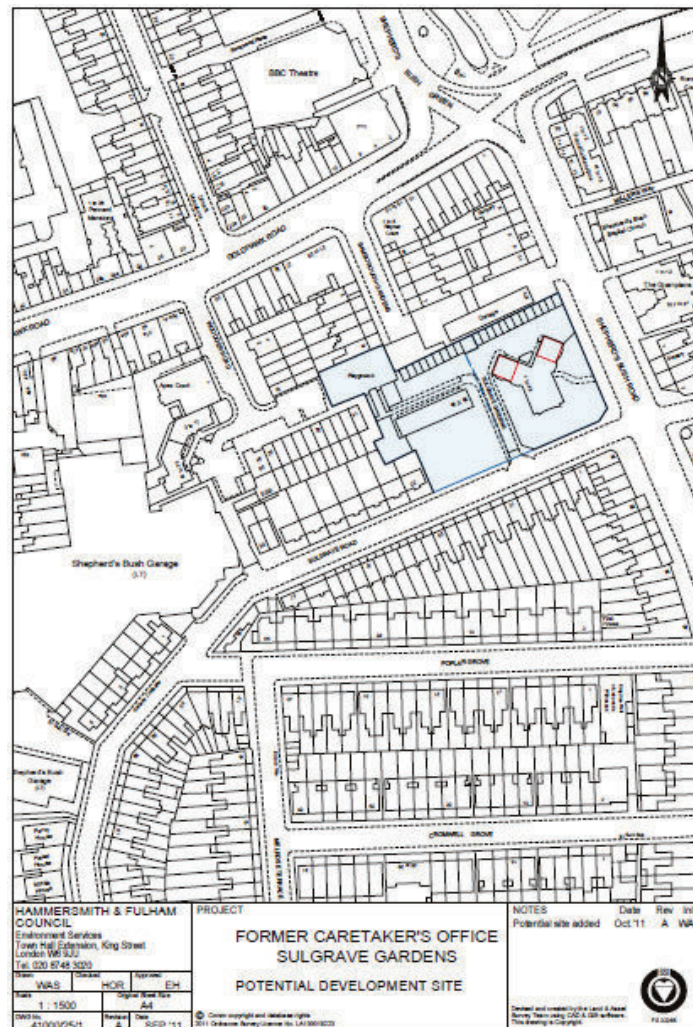
## Site 7

**Site:** Sulgrave Gardens (Ground Floor Conversion), W6 7RA

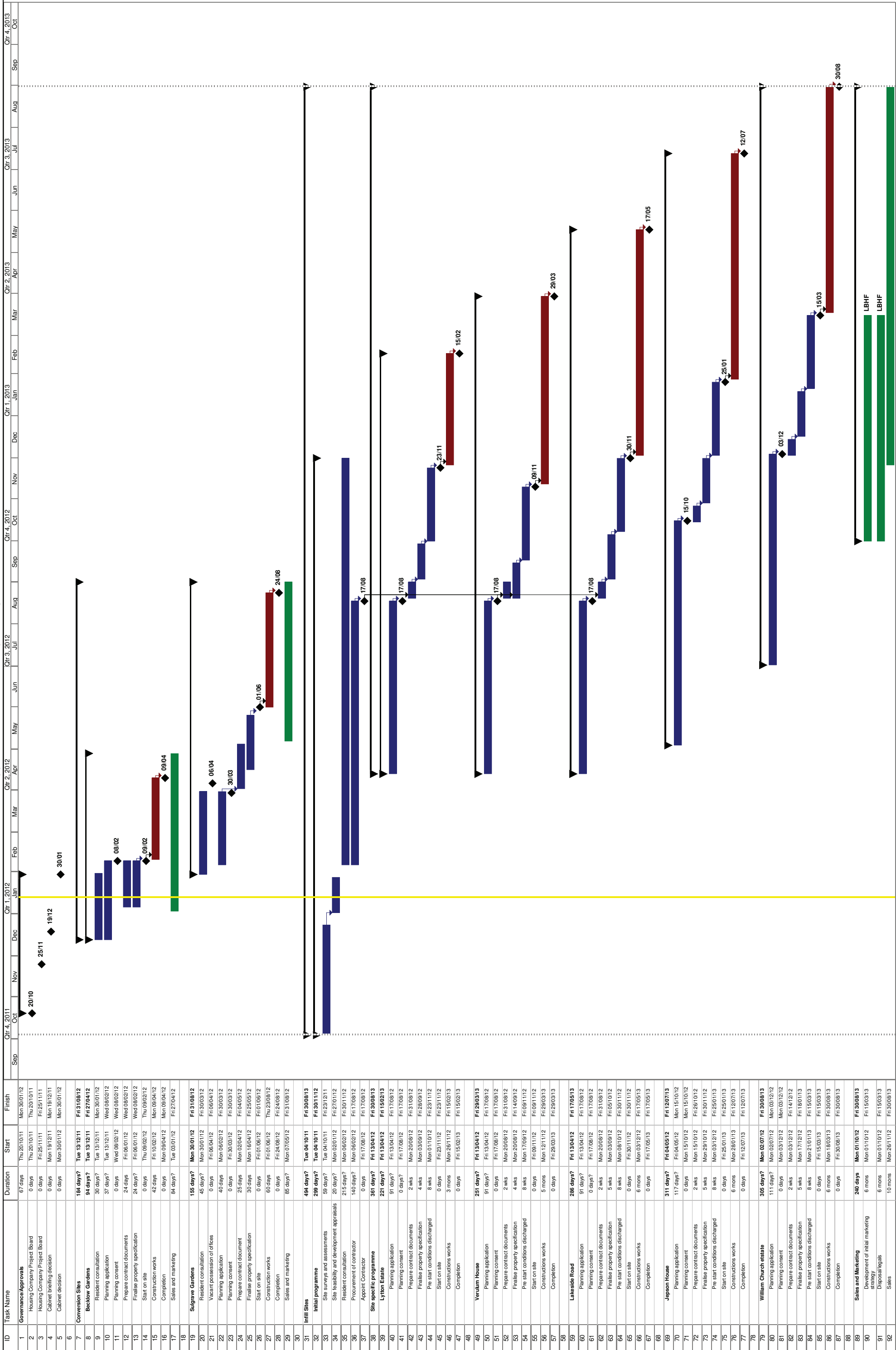
**Size:** 120 sqm

**Site Description:** The ground floor level of a Council owned high rise tower block in Shepherds Bush. The ground floor is currently being used as a temporary site office and caretaker office.

**Site Potential:** Once the temporary use is complete the site could be converted to create two new properties. This will also included improvements to communal facilities and the public realm.



Appendix C - Pilot Sites Project Programme



## Risk Log

Specific risk logs will be produced for each site

| Risk Number | Class of Risk | Risk / Issue Description                    | Consequence   | Likelihood<br>1 - Low<br>5 - High | Impact<br>1 - Low<br>5 - High | Exposure | Proposed Action   | Action By or Review Date | Owner             | Escalate | Date Closed |
|-------------|---------------|---|---|-----------------------------------|-------------------------------|----------|---|--------------------------|-------------------|----------|-------------|
| 1           | Process       | Presence of asbestos                        | Additional cost to remove asbestos  | 3                                 | 2                             | 6        | Review LBH&F records to ascertain if asbestos has previously been identified. If no data available, then commission refurbishment survey.   | LBH&F, BG                | LBH&F             | No       |             |
| 2           | Political     | Obtaining planning consent/change of use    | Without planning consent, the development will not progress   | 1                                 | 5                             | 5        | Early liaison with planning department  | BG                       | BG                | No       |             |
| 3           | Process       | Connection of new statutory services timely | If services have not been transferred timely, then completion of the property will be delayed   | 2                                 | 4                             | 8        | Obtain details of current shipper and metre details and commence discussions early.   | LBH&F, BG                | LBH&F             | No       |             |
| 4           | Process       | Capacity of existing services               | If existing services are not capable of accommodating the new properties then there may be additional cost and programme implications of making new services available. | 2                                 | 3                             | 6        | Early review of existing services. Establish proposed loading of new scheme to identify any capacity issues.  | LBH&F, BG                | LBH&F             | No       |             |
| 5           | Process       | Diversion of existing services              | Impact of delaying programme and additional cost.   | 4                                 | 3                             | 12       | Identify location of existing services by undertaking statutory authority search early. Develop the design to avoid existing services where feasible.   | LBH&F, BG                | LBH&F             | No       |             |
| 6           | Process       | Disruption to existing residents            | High levels of dissatisfaction with the proposed works, inconvenience to residents.   | 2                                 | 4                             | 8        | Carefully review proposals regarding the sequence of works, location of site accommodation, develop procedures to incorporate within tender documents regarding contractors being considerate to residents. Ensure residents are kept informed of proposals. Contractor to employ resident liaison officer. | LBH&F, Contractor        | LBH&F, Contractor | No       |             |



## Risk Log

Specific risk logs will be produced for each site

| Risk Number | Class of Risk | Risk / Issue Description  | Consequence  | Likelihood<br>1 - Low<br>5 - High | Impact<br>1 - Low<br>5 - High | Exposure | Proposed Action   | Action By or Review Date | Owner             | Escalate | Date Closed |
|-------------|---------------|---|--|-----------------------------------|-------------------------------|----------|---|--------------------------|-------------------|----------|-------------|
| 7           | Legislative   | Undertake necessary legal Agreements/Licenses to enable the properties to be built/sold   | Without the necessary legal matters concluded, construction works will not be able to be commenced or sold   | 3                                 | 3                             | 9        |   | LBH&F                    | LBH&F             | No       |             |
| 8           | Legislative   | Party Wall notices  | If required, then a formal process will be required to be entered into.  | 1                                 | 1                             | 1        | Review the proposed construction method and the presence of leaseholders above the properties to be constructed.                              | BG                       | LBH&F             | No       |             |
| 9           | Economic      | Affordability of completed properties   | If the market value of the properties is too high, they will be unaffordable for prospective purchasers and the pool of available purchasers will be reduced | 2                                 | 4                             | 8        | Undertake market valuation of the initial sketches of the proposed new units as soon as they become available.                                | LBH&F, BG                | LBH&F             | No       |             |
| 10          | Legislative   | Undertake the construction works safely for those employed to build the properties and neighbouring residents affected by the works | Accidents and disruption   | 2                                 | 5                             | 10       | Involve the CDM-C early in the process and liaise/consult with residents prior to works commencing, and agree an appropriate method statement | LBH&F, BG, Contractor    | LBH&F, Contractor | No       |             |
| 11          | Legislative   | Changes to the external envelope of the building requiring a formal planning application  | Potential impact on programme.   | 2                                 | 3                             | 6        | Early liaison with planning department  | LBH&F, BG                | LBH&F             | No       |             |
| 12          | Legislative   | Compliance with current Building Regulations  | Additional works may be required, over and above that envisaged, to comply with the current Regulations. Additional cost and programme implications.         | 2                                 | 3                             | 6        | Review construction proposals and techniques early and formulate appropriate specifications/proposals.  | BG                       | BG/LBH&F          | No       |             |
| 13          | Political     | Resident Support  | Difficulty implementing the project  | 1                                 | 3                             | 3        | Identify and undertake sufficient resident engagement with both residents and leaseholders.   | LBH&F, BG                | BG/LBH&F          | No       |             |

# Risk Log

Specific risk logs will be produced for each site

| Risk Number | Class of Risk | Risk / Issue Description  | Consequence   | Likelihood<br>1 - Low<br>5 - High | Impact<br>1 - Low<br>5 - High | Exposure | Proposed Action  | Action By or Review Date | Owner    | Escalate | Date Closed |
|-------------|---------------|---|---|-----------------------------------|-------------------------------|----------|--|--------------------------|----------|----------|-------------|
| 14          | Process       | Lack of interest by prospective tendering contractors   | Contractors not willing to submit a price, or pull out during the tender process or competitive tenders not received. | 2                                 | 5                             | 10       | Review the scope of works and geographical location of projects to assess the effectiveness of grouping sites. Clear tender documents with sufficient details and information on the proposed works and survey data. | LBH&F, BG                | BG/LBH&F | No       |             |
| 15          | Economic      | Properties are to be discount market sale and therefore properties need to be mortgageable and sell | Mortgageability standareds to be achieved and mortgages to be let to prospective purchasers                           | 1                                 | 5                             | 5        | Undertake mortgage advice and valuation early  | LBH&F                    | LBH&F    | No       |             |
| 16          | Economic      | Rising construction costs   | Project appraisal and costs will increase   | 2                                 | 5                             | 10       | Undertake regular cost checks and manage costs robustly during construction works  | BG                       | LBH&F    | No       |             |

# Cabinet

30 JANUARY 2012

**CABINET MEMBER  
FOR HOUSING**

*Councillor Andrew  
Johnson*

**HOUSING REVENUE ACCOUNT BUDGET,  
FINANCIAL STRATEGY AND RENT  
INCREASE 2012/13**

**Wards: ALL**

This report sets out the budget strategy for the Housing Revenue Account (HRA) from 2012/13 to 2016/17, with detailed revenue estimates and the proposed rental increases (including service charges) for 2012/13.

In line with the HRA Medium Term Financial Strategy (MTFS) Transformation Programme, a set of efficiency proposals are contained within this report.

**CONTRIBUTORS**

AD Resources, HRD  
EDHR  
ADLDS

**HAS AN EIA BEEN  
COMPLETED?  
YES**

**HAS THE REPORT  
CONTENT BEEN  
RISK ASSESSED?  
YES**

**Recommendations:**

- 1. That the HRA financial strategy as set out in section 7 of this report is endorsed.**
- 2. That the Housing Revenue Account Budget as set out in Appendix 1 is approved.**
- 3. That Cabinet approve a rent increase of 7.65% based on application of the rent restructuring formula**
- 4. That approval is given for an increase in garage rents of 7.65% and water rate charges of 5.8%, to ensure full recovery of water rates, and to leave the heating charge unchanged as set out in section 15.**

## 1. BACKGROUND

1.1 This report addresses the following areas:

- the impact of and plans to manage Housing Revenue Account (HRA) reform
- the proposed rent increase for 2012/13 having regard to national government guidance for council rents and the maintenance requirements of the housing stock owned by the borough.
- the HRA revenue budget
- the HRA MTFs for the five years 2012/13 – 2016/17

## 2. SUMMARY

- 2.1 Between June 2004 and 31<sup>st</sup> March 2011 management of the boroughs housing stock was in the hands of H&F Homes Ltd, a fourth round Arms Length Management Organisation (ALMO). The creation of the ALMO was a condition for accessing debt funding for the previous governments Decent Homes initiative. The ALMO undertook an ambitious £215 million programme of works under this initiative. This programme was largely funded by an increase in the HRA debt of £201 million of which £191million was specifically attributable to Decent Homes. The resultant increased interest costs of £9million per annum were wholly funded by additional housing subsidy. During the period of the ALMO's management HRA reserves had reduced to £3.1m as at 31<sup>st</sup> March 2011, having been £6.4m at 31<sup>st</sup> March 2004<sup>1</sup>.
- 2.2 The management of the borough's housing stock returned to the Council on 1<sup>st</sup> April 2011.
- 2.3 Historically LBHF and the ALMO have under invested in the Council's housing stock and the level of rents received - which are significantly below rents charged in RBKC, Westminster and Wandsworth - have not provided sufficient resources to fund the management and maintenance of stock to an effective level. This has led to significant borrowing under the Decent Homes programme<sup>2</sup> to fund "catch up" repairs and improvements, and a reliance on the disposal of assets to fund necessary ongoing routine maintenance. Moreover, the average rent charged for a local authority property in the borough is now in the region of one quarter of the prevailing market rent for a similar property.
- 2.4 Following the implementation of HRA reform on 28<sup>th</sup> March 2012 local authorities will no longer be engaged in an annual exercise with central government with regard to the redistribution of monies under the national housing subsidy system. In return for a one – off redistribution of £28 billion of debt nationally, local authorities will become "self financing" and will have to manage their housing assets to ensure their HRA stock can be supported and maintained from their HRA income.

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<sup>1</sup> At their peak HRA reserves were £10 million during the period of ALMO management. They declined swiftly after this point.

<sup>2</sup> Contracts for the Decent Homes Programme were signed in 2005 / early 2006

- 2.5 This report recommends that rents for council houses and flats for 2012/13 are increased in line with the rent restructuring formula in the context of the need to increase revenues over time in order that the housing stock can be maintained to an appropriate standard.

### **3. STATUTORY CONTEXT**

- 3.1 The HRA is a ring-fenced account within the Council's General Fund relating to the management of the Council's housing stock. The items that can be credited and debited to the HRA are prescribed by statute and the Council has no general discretion to transfer items into and out of the HRA.
- 3.2 The ring-fence was introduced in Part IV of the Local Government and Housing Act 1989, and was designed to ensure that rents paid by local authority tenants accurately reflect the cost of associated services. This ring-fence also means that Council Tax cannot be used to subsidise housing rents, and rents cannot be used to subsidise Council Tax.

### **4. HRA REFORM**

- 4.1 The Government is reforming the system of local authority housing finance and dissolving the Housing Subsidy system on 28 March 2012 under the Localism Act 2011.
- 4.2 The objectives of the reform are to:
- Give councils the resources, incentives and flexibility they need to manage their own housing stock for the long term and to drive up quality and efficiency
  - Give tenants the information they need to hold their landlord to account, by replacing the current opaque subsidy system, with one which has a clear relationship between the rent a landlord collects and the services they provide.
- 4.3 The aim is to put local authorities in a position where they can support their own stock from their own income. To achieve this, a readjustment of each local authority's debt is needed so that the level of debt supported by an authority is then sustainable from its own resources assuming prudent and effective asset management. Some authorities are required to take on additional debt whilst others will have their current debt levels reduced.
- 4.4 On 21<sup>st</sup> November 2011, DCLG published the Settlement Payments Determination consultation. This broadly confirmed expectations based on previous drafts as adjusted for September 2011 RPI of 5.6% and changes in stock numbers. The Council will have its HRA debt reduced by £196.8 million on 28<sup>th</sup> March 2012. This will reduce the HRA Capital financing (borrowing) requirement from £415 million to

£218 million compared to the debt cap generated by DCLG's model of £255 million. This is expected to result in a reduction of circa £10.5m in debt servicing payments from £22.7m to £12.2m in 2012/13. In exchange, the Council will give up its entitlement to Housing Subsidy from Government. This income stream was worth £10.4m in 2011/12. It should be noted that the council needs to collect rent from over 2,300 of its tenants just to meet the annual debt servicing payment of £12.2 million in 2012/13.

## **5.0 ASSET MANAGEMENT**

- 5.1 HRA Reform results in the management of housing stock supported by the income produced by that stock rather than annual transfers between central and local government. It therefore provides the opportunity for the council to adopt a pro active asset management approach to creating a 30 year investment plan, allowing for future investment needs, remodelling and the trading of assets etc. This is in contrast to previous HRA business plans under Decent Homes that typically considered the programming and sequencing of building component replacement such as kitchens, windows and bathrooms etc but did not consider the wider opportunity for estate renewal and replacement as part of a strategic approach. A new HRA Asset Management Plan will be produced in 2012/13 to inform the developing approach.
- 5.2 HRA Reform also brings with it more local accountability for determining rent levels and the maintenance of stock as councils will no longer be able to refer to funding decisions made by central government in the event of local dissatisfaction with rent levels or the maintenance of stock.
- 5.3 The inherited legacy of housing management at LBHF is mixed. The Decent Homes programme has been substantially completed. However in the context of a "business" managing 18,000 properties with an existing use value of circa £900 million and an unrestricted open market value in excess of £3 billion there is an entirely inadequate level of reserves of £3 million, equivalent to less than four weeks rent. This not only provides insufficient cover against unexpected shocks but also encourages short term decision making rather than well planned and pro active asset management. The council's level of reserves as a percentage of turnover is circa 4%. This can be compared with RBKC at 26.3%, Westminster at 91.6% and Wandsworth at 76.9%. Details of reserves held by London Housing Authorities are shown at Appendix 4.
- 5.4 Applying the RBKC percentage of reserves to LBHF turnover would produce a target reserve figure of £19m, applying the average percentage across RBKC, Westminster, Wandsworth and LBHF would produce a target reserves figure of £35m. Therefore a period of time will be required to rebuild the balances held from the current figure of circa £3 million which can then provide a secure basis for sustained and effective planned investment in the stock which should lead to higher levels of customer satisfaction.

- 5.5 In order to achieve a sustainable HRA ideally the costs of managing and maintaining the housing stock should be funded from rents and service charges, with disposals used to fund strategic initiatives and to reduce debt, thereby reducing the interest burden on the HRA, rather than routine maintenance expenditure. Rents currently charged by LBHF are significantly below rents charged in RBKC, Westminster and Wandsworth, as shown in Appendix 5. Current revenues, including rents, do not adequately cover the costs of management, repairs and maintenance and this has led historically to under investment in the stock, increased borrowing under Decent Homes to fund “catch up” repairs and improvements and a reliance on the disposal of expensive voids to fund current expenditure. It is therefore clear that over time revenues need to be increased to build a more secure financial base, in order to move to a position where repairs and maintenance are wholly funded from rents and service charges without recourse to asset sales.

## **6. BUDGET SETTING CONTEXT**

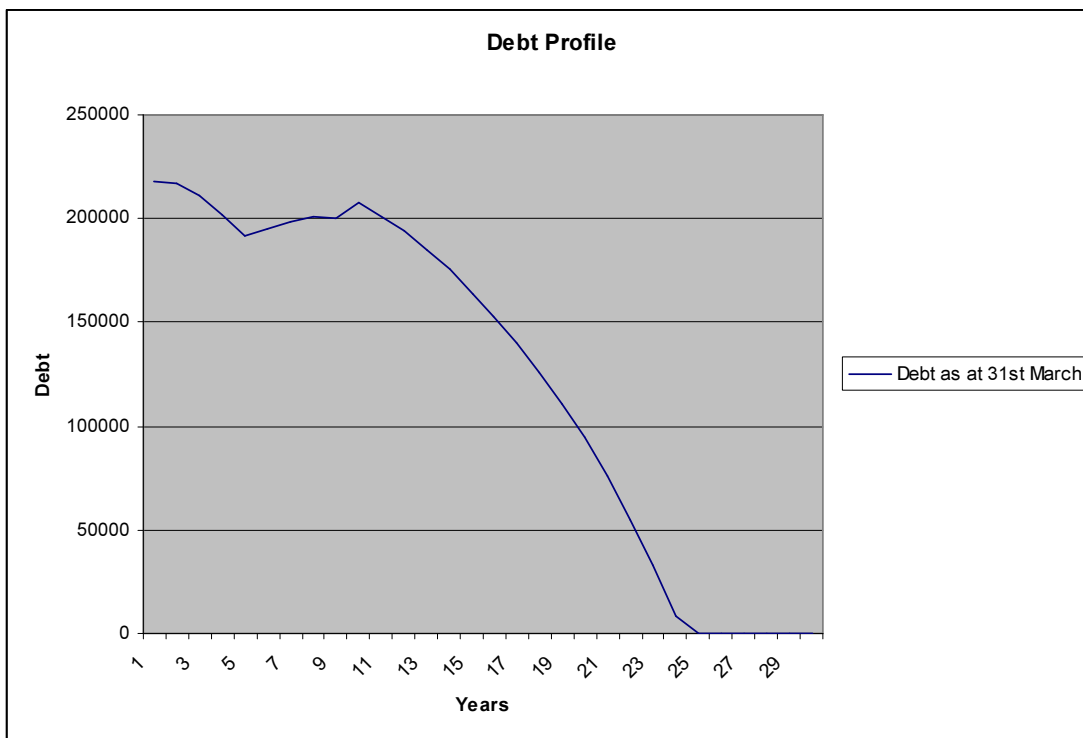
- 6.1 In previous years, scrutiny by Council officers of the budgets managed by H&F Homes has been restricted due to the arms-length nature of the previous arrangement. Following the re-integration of the former H&F Homes into the Council in 2011/12, a detailed analysis and review of these budgets has been conducted and a zero-based approach taken to setting all budgets for 2012/13.

## **7. FINANCIAL STRATEGY**

- 7.1 The overall strategic financial objectives for the HRA are to:
- finance both the annual interest and repayments of the principal debt (£218m after HRA reform).
  - achieve a viable ongoing maintenance programme that maintains the stock in good repair.
  - increase the HRA reserves balance to protect against future shocks or unanticipated events to circa £35 million<sup>3</sup> by 2022, in line with the percentage average level of reserves across RBKC, Westminster, Wandsworth and LBHF.
  - free resources for investment in new initiatives including new housing supply.
- 7.2 An initial indicative 30 year business plan has been produced based on existing data, this currently predicts that the debt remaining with the Council following HRA reform will be repaid as shown in the graph below. The predicted year of repayment is 2036/37 (year 25 of the 30 year plan)

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<sup>3</sup> The profile for the initial years is shown in Appendix 1, reserves do not build up evenly, the level at which they build increases over time.



7.3 The key assumptions made are:

- No new development is included in the current 30 year business plan. Adjustments will be made in due course for the potential impact of Earls Court and development undertaken by the Local Housing Company.
- Existing properties are maintained to the minimum level required for letting as based on the current Housing Capital Programme and stock condition survey
- Save for void sales required to cash flow the maintenance of the existing stock no other asset rationalisation has been assumed. The scope for further asset management strategies is currently being explored by the Housing and Regeneration Department.
- Rents are increased based on the rent restructuring formula
- HRA MTFS savings revenue savings are achieved of £2.5 million in 2013/14 and an ongoing annual revenue saving of £4 million per annum from 2014/15 onwards is generated by the HRA MTFS programme.
- The stock condition survey used in the current business plan was produced in 2009; a new stock condition survey is planned in 2012. The output of this will be used to inform our ongoing asset management strategy.
- Expensive void sales required to cash flow the maintenance of the existing stock are included as follows:

| Year    | Number of Expensive Void Sales assumed |
|---------|--|
| 2012/13 | 50                                     |
| 2013/14 | 29                                     |



|         |    |
|---------|----|
| 2014/15 | 29 |
| 2015/16 | 29 |
| 2016/17 | 29 |
| 2017/18 | 29 |
| 2018/19 | 29 |
| 2019/20 | 29 |
| 2020/21 | 29 |

As noted above the business plan does not currently include any new development and it is anticipated there will be additional expensive void sales over and above the numbers assumed to fund this.

### **Debt repayment and funding**

7.5 Debt repays slowly in the initial years despite contributions from Expensive Void Sales due to:

- the Housing Capital Maintenance Programme requiring an investment of circa £9 million per annum in addition to major repair allowances (funded by revenue via depreciation) and leaseholder contributions. The requirements of the Housing Capital Programme also result in a slight increase in debt levels in the current plan between years 5 and 10. It would be possible to smooth this increase in debt by including additional void sales in the plan.
- The low rent levels charged to Council tenants compared to other West London boroughs (see Appendix 5; our rents at 2011/12 levels average £92.18 per week, compared to an average between £98.88 and £111.79 per week in other central West London boroughs )

7.6 Debt then starts to repay fairly quickly after year 11 (2022/23). This is primarily because over time inflation erodes the value of the debt.

### **Income and Expenditure Account and Reserves**

7.7 The Income and Expenditure account presented in Appendix 1 currently assumes that capital receipts are used to partially fund the Housing Capital Programme. The level of reserves held could theoretically be reduced by increasing the charge made to the income and expenditure account for capital repairs however in practice the additional cash generated by the expensive void sales would still be required to prevent additional borrowing. This alternative approach has also been modelled in Appendix 1 as a sensitivity.

### **The HRA MTFS savings programme**

7.8 Following £6 million of savings in management costs within the HRA achieved between 2008 and 2010, the business plan includes an invest to save proposal which produces HRA MTFS net revenue savings of

£2.5 million in 2013/14 and an ongoing annual revenue saving of £4 million per annum from 2014/15 onwards. To achieve these savings a new approach is needed to the way in which services are delivered and current contracts are procured. This should bring about a sustainable improvement in service, while at the same time reducing costs following the return of the management of Council Housing to the Council from H&F Homes Ltd on 1<sup>st</sup> April 2011.

7.9 There are three areas of service within the Housing and Regeneration department that are being reviewed as part of this particular programme. They are:

- Repairs & Maintenance (including all related contracts)
- Estate Services (including cleaning and caretaking)
- Housing Management (including rent accounting)

7.10 The department commissioned a high level review of these areas which has revealed that there is potential to maintain and/or increase the level of service to residents whilst at the same time realising net revenue savings noted above.

7.11 These savings are to be achieved through a combination of re-procurement, market testing and transforming the way teams and services are delivered.

## **8. RENT RESTRUCTURING**

8.1 The Government's rent restructuring regime was designed to achieve a coherent structure nationally for social rents and was adopted by local government in 2001. Accordingly, H&F HRA dwelling rent increases have generally been calculated in line with rent restructuring<sup>4</sup> since this date. However, there is no statutory requirement to adhere to rent restructuring and a number of councils operate a different approach to setting rents.

8.2 Rents are in fact constrained by a limit placed on Councils by Housing Benefit. This limit is lower than that used for Housing Benefit payments for the private sector. If that level is breached the Council would have to fund the difference between this limit and our actual rents for tenants on housing benefit. This would be likely to result in a net loss to the HRA based on our current level of housing benefit claimants.

8.3 For example based on an assumption that 60%<sup>5</sup> of the Council's tenants are claiming Housing Benefit, a £1 increase in average actual rents above the Housing Benefit limit rent is likely to result in a requirement to reimburse Central Government c£364k per annum. This would be offset by additional income of c (£191k) derived from those

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<sup>4</sup> The rent restructuring formula increases the rent by the lower of RPI + ½% + £2 (known as the "upper limit") and difference between the formulae rent and current rent) / number of years to 2016. It is capped overall by the rent cap for the property. The formulae rent for a property is calculated based on a number of variables including the 1999 property valuation.

<sup>5</sup> Assumes all tenants who receive Housing Benefit are impacted, currently circa 40% of HRA tenants are on full Housing Benefit and 20% on partial Housing Benefit

tenants not claiming Housing Benefit leading to a net annual loss of c£173k. The impact on the HRA would depend on the percentage of tenants claiming Housing Benefit with a net benefit likely to arise if less than 50% of the tenants were on Housing benefit. Currently 40% of our tenants receive full Housing Benefit and 20% are on partial Housing Benefit.

8.4 Currently our rents at 2011/12 levels average £92.18 per week and are approximately one quarter of the prevailing market rents in the borough. Standard application of the rent restructuring formula<sup>6</sup> using the September 2011 RPI of 5.6% results in an increase of 7.65% to an average £99.24 per week. For 2012/13 the Housing Benefit Limit Rent for LBHF is £105.10 per week therefore the proposed rent increase will not breach the benefit cap. Additionally:

- The average rent for a one bedroom private rented sector flat in LBHF is £298.05 per week (see Appendix 6 for private rented sector benchmarking).<sup>7</sup> An average one bedroom council flat is currently £82.55 which is equivalent to 28% of the prevailing market rate, whilst an average four bedroom council house is currently £118.79 which is equivalent to 13% of the prevailing market rate.
- The average 2011/12 weekly rent for other central West London boroughs is between £98.88 and £111.79 per week (see Appendix 5).
- The lowest average rent among the other central West London boroughs in 2011/12 is Kensington and Chelsea's which is £98.88 per week.
- Kensington and Chelsea have indicated that they are expecting to raise rents for 2012/13 by 7.6% meaning our proposed 7.65% increase would still result in rents below all the other central West London boroughs.

8.5 LBHF's ability to increase rents over and above the rent restructuring formula needs to be viewed in the context of the pressures on the HRA. In arriving at the debt settlement figure under HRA reform government made a number of assumptions, one of the most significant of which is the level of investment required to maintain the HRA properties. Although major repairs allowances have been uplifted when calculating the settlement, the uplift<sup>8</sup> is insufficient to fund the ongoing housing capital programme required to adequately maintain the Council's HRA housing stock to the level required to ensure the Council can both fulfil its obligations as a Local Housing Authority and to ensure the stock continues to generate an income stream to fund the debt as part of maintaining a viable HRA.

8.5 The Housing Capital Programme as presented to Cabinet on 5<sup>th</sup> December 2012 looks to build on the achievements of the Decent

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<sup>6</sup> Under the rent restructuring formula rent increases by the lower of RPI + ½% + £2 (known as the "upper limit") and difference between the formulae rent and current rent) / number of years to 2016 (the year in which rents should converge to target)

<sup>7</sup> Source: Rightmove

<sup>8</sup> LBHF's major repairs allowance has been increased from £12.7 million to £15.2 million an uplift of £2.5m

Homes programme, maintaining the standard whilst addressing the residual backlog of works that were not covered by that programme. The projects and works proposed in this programme have been the subject of a rigorous prioritisation exercise and represent broadly the minimum level of investment required to fulfil statutory obligations, to protect the health, safety and wellbeing of residents and to preserve the integrity of the housing stock. This programme identified an investment requirement for the stock of £35m for 2012/13 with an ongoing annual investment requirement of circa £30m over the following 4 years. Therefore the Housing Capital Programme requires an investment of circa £9 million per annum in addition to major repair allowances (funded by revenue via depreciation) and leaseholder contributions. This can only be funded by further reducing expenditure either on maintenance or other services or by increasing income.

- 8.6 The current business plan requires expensive void sales of 50 units in the first year and 29 units per year for the following eight years of the plan in order to fund maintenance investment required within the existing stock without additional borrowing. To avoid using void sales to fund the investment requirements of the existing stock a further rent increase of 14.7%<sup>9</sup> on top of that budgeted would be required to replace the budgeted income of £9m per annum from void sales. The additional income equates to a rent increase over and above that arising from rent restructuring of £13.62 per week per tenant equating to a total rent increase of (7.65% + 14.7%) 22.4%.
- 8.7 Therefore from a cash flow perspective it will be necessary in the first ten years of the plan to continue to partially fund routine maintenance investment required in the stock using sales under the expensive void sales programme. At the same time rental income must be maximised to ensure that the HRA ultimately moves to a position in 11 years time where the maintenance programme is fully funded by rental income as well as ensuring that the number of sales required to fund maintenance in the intervening years is minimised.
- 8.8 Therefore given the historic low rent level charged in Hammersmith & Fulham and the need to build revenues to achieve a sustainable HRA consideration should be given to at some point raising rents by more than the rent restructuring formula to both generate the additional revenue required to address the routine repairs back log and to ensure our rents are more comparable with those charged by other central West London Boroughs. The implementation of any additional rent increase over and above the rent restructuring formula should consider the Housing Benefit limit rent and should be balanced with affordability for tenants who are not on full housing benefit, ensuring there are sufficient incentives for tenants to work and improvements to the service that tenants receive.

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<sup>9</sup> Assuming no repayment of rent above the Housing Benefit limit, in practice a rent increase to this level would breach the housing benefit limit.

## 9. RENTAL INCOME

- 9.1 The draft HRA budget for 2012/13 shown in Appendix 1 currently assumes tenant rents increase in line with the Government's rent restructuring system. The application of rent restructuring in Hammersmith and Fulham currently leads to an average rental increase of 7.65%. This is reflected in the actual rents charged to tenants.
- 9.2 The recommended rental increase of 7.65%, in line with current rent restructuring, will increase rental income in the HRA by £2.7m in 2012/13. The changes are shown in the following table:

**Table 3: Summary of Rent Budget Movements**

| Description                             | With a 7.65% increase £000 |
|---|----------------------------|
| Original net Rent Budget 2011/12        | (60,926)                   |
| Rent Increase                           | (4,662)                    |
| Adjustment for disposals                | 970                        |
| Adjustment for day's rent <sup>10</sup> | (178)                      |
| Adjustment for voids                    | 1,295                      |
| <b>Net Rent Budget 2012/13</b>          | <b>(63,501)</b>            |

- 9.3 Negative adjustments to the net rental budget are made for an assumed loss of rent on properties disposed of, rent irrecoverable during the year and to allow for 2012 being a leap year.
- 9.4 A 7.65% increase in rents equates to an average weekly rental increase for tenants of £7.06. An analysis of the weekly increase across all tenants is shown in the following table:

| Rent increase per week | Number        |
|------------------------|---------------|
| No Increase            | 2             |
| <£1.01                 | 0             |
| £1.01 to £3.00         | 0             |
| £3.01 to £5.00         | 294           |
| £5.01 to £7.00         | 6,207         |
| £7.01 to £9.00         | 5,418         |
| £9.01 to £11.00        | 789           |
| <b>Total</b>           | <b>12,710</b> |

- 9.5 Under rent restructuring 91% of tenants will see an increase of between £5.01 and £9.00 per week.
- 9.6 The rent and service charges for properties under licence and hostels are also subject to rent restructuring, the net average increase in these charges is 7.55%. This is marginally lower than the average for tenants

<sup>10</sup> 2012 is a leap year and therefore the financial year 2011/12 had 366 days in it, 2012/13 will be 365 days

as the rent level for some of these properties previously exceeded the level applicable under the rent restructuring system.

## **10. SERVICE CHARGES**

10.1 Service charges are being de-pooled from rents as agreed by Cabinet on 5<sup>th</sup> September 2011. Hammersmith & Fulham is one of only two London boroughs who do not currently have de-pooled service charges.

10.2 A fixed service charge is being implemented from 1<sup>st</sup> April 2012; the service charge is calculated to cover the cost of the service at the point of introduction of the service charge. This charge can be inflated at the time of the annual rent-setting decision in future years.

10.3 This approach has the advantage of giving tenants a high level of transparency regarding the service they can expect whilst minimising the administrative burden and resultant costs that would be generated by moving directly to a variable service charge. The adoption of fixed service charges rather than variable will also ensure the tenants will not receive any unexpected bills making it easier for them to budget.

10.4 De-pooling is calculated as follows:

- The total amount payable per week by the tenants for 2012/13 is calculated i.e. the rent tenants would have paid without service charge de-pooling.
- Service charges are calculated based on the cost of services supplied to each block (Y)
- The service charge (Y) will then be deducted from the total amount payable (X) to give the new rent for the property (Z)
- In 2013/14 the new rent (Z) will increase in line with the rent increase strategy and the service charge will be increased to allow for predicted inflation at a rate reflecting the services provided to be agreed as part of the 2013/14 budget setting process.

10.5 Only those services which Housing Benefit will contribute to in addition to rent will be levied. We are consulting with tenants to ensure we only charge them for services they currently receive. Tenants will receive notification of their service charges as part of their rent increase letter in February 2012.

## **11. EFFICIENCIES AND GROWTH**

11.1 Between 2008 and 2010 the ALMO delivered £6 million of efficiencies. The HRD Finance & Delivery Plan addresses the financial strategy for the HRA and assumes the delivery of further significant annual efficiencies from 2013/14 onwards of £2.5 million rising to £4 million by 2014/15. These savings will be delivered through the development of alternative service delivery models with a focus on improving the quality of services to council residents as well as more efficient

procurement mechanisms and the bundling of services where this is appropriate as noted above.

- 11.2 In addition to the above efficiencies and following the zero-based budgeting approach to the review of service budgets, efficiencies of £1,143k are proposed for 2012/13. This equates to a 2.5% saving on controllable budgets including SLA's.
- 11.3 These are offset by £1,142k of growth, primarily additional Health and Safety costs, an increase in employers pension contributions for former H&F Homes Ltd staff to fund service deficits<sup>11</sup>, an additional budget for historic disrepair cases (there are 43 cases known of currently) and investment required to achieve the savings programme.
- 11.4 These items are explained in more detail in Appendix 2 and 3.

## **12 RISKS**

- 12.1 Under the housing subsidy regime, the Council's HRA was protected from adverse fluctuations in the interest rate on its borrowings. With the advent of self-financing, this protection no longer applies. However assuming no new borrowing there is limited exposure as the current debt portfolio is all on a fixed interest rate.
- 12.2 There is a risk that unpredicted events may result in additional expenditure in a number of budget areas including Housing Repairs. As a result of this, the budget for 2012/13 does contain some financial provision to mitigate against this risk.
- 12.3 There is an element of property market risk attached to the business plan in that a down turn in the property market might result in a slowing or cessation of the expensive voids sales resulting in a lack of funds available for investment in the existing stock. This is mitigated by careful monitoring of the proposed sales to ensure that funds are likely to be realised before entering into commitments on the Housing Capital Programme and by moving towards a position where sales are no longer required to maintain the stock.
- 12.4 The Council proposes to conduct a mid-year review of Corporate SLA costs. In 2011/12, this resulted in a £321k increase in SLA charges and there is a risk that due to movements in the drivers for the allocation of this staff in other departments this pressure may recur.
- 12.5 Given the scale and scope of the HRA MTFs Transformation Programme, it is anticipated that a level of redundancy costs will be unavoidable. Management will proactively endeavour to minimise redundancies and to engineer mutually agreeable outcomes for both Council and staff where possible. However, a budget provision for

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<sup>11</sup> In common with other ALMO's H&F Homes Ltd did not pay for staffs service deficit on the pension fund. H&F Homes Ltd paid 15% in 2010/11 compared to a current Council rate which includes the service deficit of 24.7%. As part of a plan to move the employers pension contribution paid by the HRA for the former H&F Homes Ltd staff to the council employers contribution rate by 2013/14 in 2011/12 the rate paid was increased to 18.9%, for 2012/13 it is increasing to 22.8%.

2012/13 has been made for £458k in recognition of this risk. As proposals are at an early stage, there is a risk that this budget will be exceeded.

- 12.6 There are also a number of other risks associated with the delivery of the HRA MTFs Transformation Programme. These include but are not limited to the risk of slippage due to unforeseen complexities and the risk that the market may not be able to deliver the savings envisaged.

### **13 CAPITAL CHARGES**

- 13.1 The two main components of capital charges are the cost to the HRA of borrowing that has taken place to fund the capital programme, including the Decent Homes Programme, and the cost to the HRA of depreciation charges.

- 13.2 As referred to in paragraph 4.4, HRA debt will be reduced by £196.8 million on 28<sup>th</sup> March 2012 following a payment from Government. Subject to changes in interest rates, debt servicing payments are expected to reduce by (£10.5m) from £22.7m in 2011/12 to £12.2m in 2012/13.

- 13.3 The Council's policy has been to use the Major Repairs Allowance as a proxy for depreciation in the HRA and this practice will not change for 2012/13. CLG's Settlement Payments Determination includes a five-year transitional period during which time Councils may use the uplifted Major Repairs Allowance (MRA) used in the self-financing valuation as the figure which must be funded in the Major Repairs Reserve. The increase in the depreciation charge for 2012/13 is £2.5million to £15.2 million.

- 13.4 The Council will still be able to transfer amounts in excess of the MRA to the Major Repairs Reserve.

### **14 INFLATION**

- 14.1 Inflation of £680k has been applied to utilities and other contracts where unavoidable. All other inflationary pressures have been accommodated within the existing envelope of resources.

### **15. FEES AND CHARGES**

#### **Heating Charges**

- 15.1 Tenants and leaseholders who receive communal heating (around 1,950 properties in total) pay a weekly charge towards the energy costs of the scheme. The Council meets the costs of heating in the year, and recharges tenants and leaseholders based on an estimated cost and usage.

- 15.2 The contract for the supply of gas (the major energy source for heating) was renewed at the end of September 2011 and will be for one year only. The Council is part of the LASER energy procurement group, which purchases energy on behalf of 48 local authorities. A system of



flexible procurement is used which should ensure that LASER tenders for new energy contracts on a rolling basis, so that it can purchase when rates are low.

- 15.3 As the new energy contract rates are not expected to be received until January 2012, an estimate has been prepared in consultation with the Council's facilities management function. This is based on the need to balance the heating account, whilst taking account of estimated new energy contract rates applicable next year.
- 15.4 It is proposed to leave the heating charge unchanged for 2012/13. If any additional adjustments to the heating charges are required for 2012/13, a further report will be presented to explain these changes.

### **Garage and Parking Space Rents**

- 15.5 The rate charged varies depending on whether the garage or parking space is located in a high or low demand area and on whether the licensee / tenant is a Council tenant, a Right to Buy leaseholder or a non Right to Buy leaseholder. Current council rents for garages and parking spaces are lower than comparable private sector garages and spaces. The recommendation of officers for 2012/13 is that garage and parking space rents are increased by 7.65% taking average rent weekly for a parking space let to a Council Resident from £2.45 to £2.64 and for a garage let to a Council Resident from £12.34 to £13.28. Prices for garages rented privately in the area vary from £1800 to £2500 per annum, per space, substantially in excess of our proposed charges.

### **Water Charges**

- 15.6 The Council collects income from and pays charges on behalf of tenants. They are charged according to the rateable value of their dwelling, so in most cases the Council will recover the full cost. However there are a number of blocks where the supply is metered. It is not possible to charge these tenants according to their individual usage, and they are charged on the rateable value instead. This has resulted in an under-recovery of water charges.
- 15.7 In order to ensure that the Council fulfils its legal obligation to recover the water charges in full, it is recommended that water charges are increased by 5.8% to ensure full cost recovery.

### **HAFFTRA Levy**

- 15.8 Subject to the review of Resident Involvement, the levy will be increased in accordance with the Tenant Participation Compact in line with the guideline rent increase for the year of 7.65%. It is therefore proposed to increase the weekly levy by 2 pence from 25 pence in 2011/12 to 27 pence in 2012/13. It should be noted that our Resident Involvement Strategy is currently under review, should after consultation an alternative approach be agreed this would be the subject of a separate cabinet report.

- 15.9 All other service charges, fees and levies will be increased by 7.65% in line with the Council's guideline rent increase, unless stated otherwise in this report.

## **16. CONSULTATION**

- 16.1 This report being presented to the Housing, Health and Adult Social Care Select Committee on 18<sup>th</sup> January 2012 in order that the committee can comment on the budget proposals in advance of any formal decision being taken by Cabinet.
- 16.2 HAFFTRA will be consulted in advance of the publication of this report for Housing, Health and Adult Social Care Select Committee. This consultation will include a briefing on the HRA budget, business plan, financial pressures and consequent proposed rent increase. This will then be presented to tenants at the borough forum on 24<sup>th</sup> January 2012.

## **17. RISK MANAGEMENT**

- 17.1 The principal risks are detailed in section 12 of this report, these are included in the departmental risk register

## **18. EQUALITY IMPLICATIONS**

- 18.1 The rent increase and other increases in charges may impact disproportionately on groups who have a lower income level especially those who may be disproportionately represented in council stock. This disadvantage will be minimised by using our in house Welfare Benefits Advisor who provides advice to tenants who are struggling to pay their rent. The Welfare Benefits Advisor provides a joined up service acting as a bridge to other departments to enable tenants to claim their benefit entitlements. The nil increase on heating charges should also help minimise the impact on groups with a lower income level.
- 18.2 The department's resident involvement strategy which is currently being consulted on will increase the diversity of tenants feeding into a two-way process of continuous improvement in services, ensuring accountability and value for money.
- 18.3 The additional income generated within the Housing Revenue Account also ultimately enables more investment in Housing and Regeneration which will benefit ultimately tenants by creating more equality of opportunity.

## **19. COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE GOVERNANCE**

- 19.1. Comments are contained within the body of the report.

## **20. COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)**

- 20.1. The principal statutory provision governing the fixing of rent for Council property is contained in Section 24 of the Housing Act 1985. Sub-section (1) provides that authorities may “...make such reasonable charges.... as they may determine”. However, this section has to be considered in the light of Section 76 of the Local Government and Housing Act 1989 which imposed a duty on local housing authorities to prevent a debit balance arising in their Housing Revenue Account (“HRA”) and which also imposes “ring-fencing” arrangements in respect of such account. It is not possible for a local housing authority to subsidise rents from its General Fund.
- 20.2 The Council has discretion to determine its rents and in doing so it should consider all relevant matters and exclude irrelevant ones. Relevant considerations include:
- the cost to the Council of providing accommodation and the cost of its management;
  - the effect of inflation; and
  - the extent and numbers of tenants qualifying for Housing Benefit.
- 20.3 Section 4 of the report sets out the implications of sections 167 to 175 of the Localism Act 2011 which reform the way social housing is funded.

**LOCAL GOVERNMENT ACT 2000**  
**LIST OF BACKGROUND PAPERS**

| <b>No.</b>              | <b>Description of Background Papers</b> | <b>Name/Ext of holder of file/copy</b>      | <b>Department/ Location</b> |
|-------------------------|---|---|-----------------------------|
| 1.                      | HRD F&D Plan                            | Kathleen Corbett                            | HRD                         |
| 2.                      | Draft HRA Reform Determination          | Kathleen Corbett                            | HRD                         |
| <b>CONTACT OFFICER:</b> |   | <b>NAME: Kathleen Corbett<br/>EXT. 3031</b> |                             |

## Appendix 1 HRA 2012/13 Budget and 5 year projections

|  | 2011/12         | 2011/12          | 2012/13         | 2013/14         | 2014/15         | 2015/16         | 2016/17         |
|--|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | £000s           | £000s            | £000s           | £000s           | £000s           | £000s           | £000s           |
|  | Original budget | Forecast Outturn | Proposed Budget | Proposed Budget | Proposed Budget | Proposed Budget | Proposed Budget |
| <b>Management of Dwellings</b>   |                 |                  |                 |                 |                 |                 |                 |
| Operational Housing Management Services  | 22,133          |                  |                 |                 |                 |                 |                 |
| CQA  |                 | 1,520            | 829             | 850             | 871             | 893             | 915             |
| Finance and Resources  |                 | 5,776            | 11,156          | 11,422          | 11,708          | 12,001          | 12,301          |
| Housing Services   |                 | 13,321           | 13,013          | 12,916          | 11,798          | 12,117          | 12,527          |
| Property Services  |                 | 2,111            | 2,554           | 2,413           | 2,473           | 2,535           | 2,598           |
|  | 22,133          | 22,728           | 27,552          | 27,601          | 26,850          | 27,546          | 28,341          |
| Retained Budgets   | 6,176           |                  |                 |                 |                 |                 |                 |
| Support Services   |                 | 4,153            |                 |                 |                 |                 |                 |
| Regeneration   |                 | 1,062            | 1,014           | 1,039           | 1,065           | 1,092           | 1,118           |
| Housing Options  |                 | 614              | 666             | 683             | 700             | 717             | 735             |
| Safer Neighbourhoods   |                 | 774              | 785             | 805             | 825             | 845             | 866             |
| Adult Social Care  |                 | 38               | 48              | 49              | 50              | 52              | 53              |
|  | 6,176           | 6,641            | 2,513           | 2,576           | 2,640           | 2,706           | 2,774           |
| <b>Total Management of Dwellings</b>   | <b>28,309</b>   | <b>29,369</b>    | <b>30,065</b>   | <b>30,177</b>   | <b>29,490</b>   | <b>30,252</b>   | <b>31,115</b>   |
| Repairs and Maintenance  | 14,053          | 13,020           | 14,369          | 13,112          | 13,400          | 13,695          | 14,134          |
| Capital Charges <sup>12</sup>  | 35,779          | 35,506           | 27,658          | 27,681          | 27,481          | 27,283          | 26,939          |
| <b>Total Expenditure</b>   | <b>78,141</b>   | <b>77,895</b>    | <b>72,092</b>   | <b>70,970</b>   | <b>70,371</b>   | <b>71,230</b>   | <b>72,188</b>   |
| Income   |                 |                  |                 |                 |                 |                 |                 |
| Dwelling Rents <sup>13</sup>   | (59,579)        | (59,986)         | (63,501)        | (65,229)        | (67,952)        | (70,760)        | (73,092)        |
| Other Managed Income   | (8,279)         | (7,625)          | (7,667)         | (8,446)         | (8,657)         | (8,873)         | (9,095)         |
| Housing Subsidy  | (10,375)        | (9,989)          |                 |                 |                 |                 |                 |
| <b>Total Resources</b>   | <b>(78,233)</b> | <b>(77,600)</b>  | <b>(71,168)</b> | <b>(73,675)</b> | <b>(76,609)</b> | <b>(79,633)</b> | <b>(82,187)</b> |
| <b>(Surplus)/Deficit</b>   | <b>(92)</b>     | <b>295</b>       | <b>924</b>      | <b>(2,705)</b>  | <b>(6,238)</b>  | <b>(8,403)</b>  | <b>(9,999)</b>  |
| Reserves brought in from H&F Homes Ltd   |                 | (1,868)          |                 |                 |                 |                 |                 |
| <b>Projected Year End Balance<sup>14</sup></b>   | <b>3,199</b>    | <b>4,680</b>     | <b>3,756</b>    | <b>6,461</b>    | <b>12,699</b>   | <b>21,102</b>   | <b>31,101</b>   |
| Projected Year End Balance if additional contribution to Housing Capital programme is made from revenue rather than void sales | 3,199           | 4,680            | 3,756           | 2,061           | 999             | 2,026           | 4,879           |

<sup>12</sup> Capital Charges consist of both interest costs and depreciation charges (for which Council policy is to use Major Repair Allowances as a proxy). Interest charges have reduced from £22.7million. in 2011/12 to £12.2 million, a reduction of £10.5million due to the repayment of debt arising on the implementation of HRA reform. This is offset by an increase in depreciation charges of £2.5m due to an increase in major repair allowances post HRA reform.

<sup>13</sup> Rents are assumed to increase in line with the rent restructuring formula, the RPI rate assumed for 2013/14 onwards in the formula is 2.5%

<sup>14</sup> Reserves show an initial dip due to invest to save expenditure and the increased employer pension contributions.

## Appendix 2

| <b>HRA Efficiency Proposals</b>  |                         |
|--|-------------------------|
| <b>Description</b>   | <b>2012/13<br/>£000</b> |
| <b>HRA MTFS Transformational</b>   |                         |
| Repairs re-procurement: consolidation of multiple contracts with long-term supplier(s)                           | (29)                    |
| Estate Services: market testing of cleaning and concierge services   | (143)                   |
| Housing Management: market testing development of synergies within existing service and Housing Options division | (511)                   |
|  | <b>(683)</b>            |
| <b>Business as usual</b>   |                         |
| Review of Re-housing staffing (3 FTEs): minor internally managed reorganisation                                  | (139)                   |
| Review of Staff Training provision   | (53)                    |
| Review of legal expenditure  | (59)                    |
| Re-procurement of Out of Hours Service   | (68)                    |
| Reorganisation of Ex ALMO central services team  | (133)                   |
| Reorganisation of senior management roles  | (8)                     |
|  | <b>(458)</b>            |
| <b>Efficiency Proposal Total</b>   | <b>(1,143)</b>          |

### Appendix 3

| <b>HRA Growth Proposals</b>  |                         |
|--|-------------------------|
| <b>Description</b>   | <b>2012/13<br/>£000</b> |
| <b>Temporary</b>   |                         |
| Staff cover arrangements whilst existing staff focus on MTFS Transformational Savings Programme  | 147                     |
| Support for Estate Services transformation   | 50                      |
| Stock Condition Survey   | 125                     |
| Asset Management   | 75                      |
| <b>Repairs</b>   |                         |
| Health & Safety: gas appliance testing primarily for tenants gas cookers required to deliver duty of care and mitigate financial risk          | 154                     |
| Change in Legislation: provision of access hatches to concealed flue joints  | 40                      |
| Disrepair Claims: legacy of old claims to be settled and new commercial cases  | 158                     |
| <b>Pension</b>   |                         |
| Increase in employer contributions: stepped arrangement to bring former H&F Homes contributions into line with Council to fund service deficit | 393                     |
| <b>Growth Total</b>  | <b>1,142</b>            |

**Appendix 4: London Local Housing Authorities: Working Balance Reserves as a % of Turnover**

|  | <b>Turnover<br/>excluding<br/>subsidy</b> | <b>Working<br/>Balance<br/>Reserve at<br/>31st March<br/>2011</b> | <b>Working<br/>Balance<br/>Reserve<br/>as a % of<br/>Turnover</b> |
|--|---|---|---|
|  | £'m                                       | £'m   | £'m   |
| H&F  | 71.2                                      | 3.1   | 4.36%   |
| <b>Neighbouring &amp; Partner London Housing Authorities</b>             |   |   |   |
| RBKC   | 44.9                                      | 11.8  | 26.31%  |
| Westminster  | 105.1                                     | 96.3  | 91.60%  |
| Wandsworth   | 118.1                                     | 90.7  | 76.86%  |
| Ealing   | 61.7                                      | 7.0   | 11.32%  |
| Hillingdon   | 54.9                                      | 13.0  | 23.67%  |
| Harrow   | 25.6                                      | 3.8   | 14.74%  |
| Hounslow   | 69.0                                      | 23.4  | 33.89%  |
| <b>Other London Local Housing Authorities</b>                            |   |   |   |
| Southwark  | 231.9                                     | 20.6  | 8.87%   |
| Lambeth  | 152.8                                     | 2.0   | 1.34%   |
| Islington  | 146.4                                     | 20.2  | 13.82%  |
| Camden   | 141.9                                     | 63.2  | 44.58%  |
| Hackney  | 117.4                                     | 10.2  | 8.69%   |
| Lewisham   | 124.9                                     | 9.9   | 7.93%   |
| Sutton   | 32.4                                      | 0.8   | 2.62%   |
| Brent  | 48.1                                      | 1.8   | 3.83%   |
| Barnet   | 54.8                                      | 4.2   | 7.71%   |
| Waltham Forest   | 50.8                                      | 2.0   | 3.93%   |
| Redbridge  | 23.8                                      | 2.4   | 10.22%  |
| Barking and Dagenham   | 90.1                                      | 4.4   | 4.94%   |
| Tower Hamlets  | 75.6                                      | 12.8  | 16.92%  |
| Kingston Upon Thames   | 27.2                                      | 2.5   | 9.06%   |
| Croydon  | 81.1                                      | 6.1   | 7.56%   |
| Greenwich  | 104.8                                     | 7.2   | 6.86%   |
| Newham   | 82.9                                      | 4.0   | 4.77%   |
| <b>Average of Neighbouring &amp; Partner London LHAs as listed above</b> |   |   |   |
|  |   |   | 39.77%  |
| <b>Average of 25 London LHAs</b>   |   |   |   |
|  |   |   | 17.86%  |
| <b>Average of RBKC, Westminster &amp; Wandsworth</b>                     |   |   |   |
|  |   |   | 64.92%  |
| <b>Average of RBKC, Westminster, Wandsworth &amp; LBHF</b>               |   |   |   |
|  |   |   | 49.78%  |

## Appendix 5 - Rent Benchmarking 2011-12 rents: Local Housing Authorities

|                                 | Budgeted                | Bedsits                   | 1 bed house and bungalows | 1 bed flats and maisonettes | 2 bed house and bungalows | 2 bed flats and maisonettes | 3 bed flats and bungalows | 3 bed flats and maisonettes | 4 bed dwellings           | 5 bed dwellings           | 6 bed dwellings           |
|---------------------------------|-------------------------|---------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|
| Local Authority                 | Average Rent in 2011-12 | Average Weekly:- Net Rent | Average Weekly:- Net Rent | Average Weekly:- Net Rent   | Average Weekly:- Net Rent | Average Weekly:- Net Rent   | Average Weekly:- Net Rent | Average Weekly:- Net Rent   | Average Weekly:- Net Rent | Average Weekly:- Net Rent | Average Weekly:- Net Rent |
|                                 | £ : p                   | £ : p                     | £ : p                     | £ : p                       | £ : p                     | £ : p                       | £ : p                     | £ : p                       | £ : p                     | £ : p                     | £ : p                     |
| <b>INNER LONDON</b>             |                         |                           |                           |                             |                           |                             |                           |                             |                           |                           |                           |
| Camden                          | 91.76                   | 66.45                     | 91.46                     | 81.87                       | 100.98                    | 94.05                       | 112.59                    | 105.26                      | 117.67                    | 131.37                    | 135.92                    |
| Greenwich                       | 86.68                   | 69.00                     | 82.39                     | 75.49                       | 94.51                     | 82.89                       | 103.90                    | 89.80                       | 107.70                    | 120.40                    | 127.52                    |
| Hackney                         | 85.00                   | 67.33                     | 88.20                     | 76.45                       | 101.51                    | 83.20                       | 106.96                    | 91.13                       | 110.50                    | 127.89                    | 140.69                    |
| <b>Hammersmith &amp; Fulham</b> | <b>92.18</b>            | <b>72.33</b>              | <b>89.39</b>              | <b>82.55</b>                | <b>101.95</b>             | <b>91.84</b>                | <b>114.23</b>             | <b>101.71</b>               | <b>118.79</b>             | <b>128.65</b>             | <b>130.24</b>             |
| Islington                       | 91.66                   | 69.86                     | 84.15                     | 80.39                       | 105.02                    | 94.30                       | 116.53                    | 99.16                       | 120.95                    | 130.67                    | 147.97                    |
| Kensington & Chelsea            | 98.88                   | 73.36                     | 111.43                    | 87.67                       | 117.26                    | 104.76                      | 127.67                    | 114.48                      | 128.87                    | 143.37                    | -                         |
| Lambeth                         | **                      | 67.91                     | 85.49                     | 78.31                       | 106.95                    | 87.68                       | 119.13                    | 97.60                       | 120.04                    | 129.61                    | 140.41                    |
| Lewisham                        | **                      | 60.26                     | 80.79                     | 72.22                       | 85.44                     | 81.06                       | 102.11                    | 89.45                       | 104.37                    | 117.52                    | 120.74                    |
| Wandsworth                      | 111.79                  | 61.01                     | 98.62                     | 84.37                       | 123.88                    | 105.90                      | 162.12                    | 137.68                      | 168.62                    | 208.59                    | 263.54                    |
| Westminster                     | 104.49                  | 82.68                     | 96.27                     | 96.89                       | 113.16                    | 109.44                      | 125.38                    | 121.94                      | 137.49                    | 150.83                    | 148.43                    |



**Appendix 6****Rent Benchmarking 2011-12 private sector rents in Hammersmith and Fulham (W6, W12, W14 and SW6) (source: Rightmove)**

| <b>Property size</b> | <b>Average rent per week</b> | <b>LBHF</b> | <b>%</b> |
|----------------------|------------------------------|-------------|----------|
| Studio Flats         | £217.30                      | 72.33       | 33%      |
| 1 Bed Flats          | £298.05                      | 82.55       | 28%      |
| 2 Bed Flats          | £401.84                      | 91.84       | 23%      |
| 3 Bed Flats          | £556.55                      | 101.71      | 18%      |
| 4 Bed Flats          | £670.52                      | 118.79      | 18%      |
| 5 Bed Flats          | £933.39                      | 128.65      | 14%      |
| 6 Bed Flats          | £1,248.12                    | 130.24      | 10%      |
| 1 Bed Houses         | £324.77                      | 89.39       | 28%      |
| 2 Bed Houses         | £462.18                      | 101.95      | 22%      |
| 3 Bed Houses         | £606.09                      | 114.23      | 19%      |
| 4 Bed Houses         | £894.37                      | 118.79      | 13%      |
| 5 Bed Houses         | £1,326.38                    | 128.65      | 10%      |
| 6 Bed Houses         | £1,749.48                    | 130.24      | 7%       |

## Cabinet

30 JANUARY 2012

**LEADER**

*Councillor Stephen Greenhalgh*

**TENDER ACCEPTANCE REPORT FOR A MEASURED TERM CONTRACT TO CARRY OUT PLANNED SERVICING, DAY TO DAY REACTIVE CALL OUT BREAKDOWN REPAIRS AND MINOR IMPROVEMENT WORKS TO THE COUNCIL'S PASSENGER LIFTS WITHIN CORPORATE PROPERTIES BOROUGH-WIDE 2012- 2016**

**Wards  
ALL**

**Summary**

This report seeks approval to accept a tender for a four year term contract for lift maintenance. This is essential in order to continue to provide a day to day reactive breakdown callout repair service, planned servicing and statutory inspections together with minor improvement works as and when necessary in order to maintain all lifts to the required standard and to provide a safe and reliable lift service to users.

**CONTRIBUTORS:**

EDTTS  
EDFCG  
ADLDS

**Recommendations:**

1. That approval is given to accept the most economically advantageous tender submitted by PDERS Ltd (A division of Otis Ltd) in the notional annual sum of £92,665 plus fees of £13,900 making a total notional sum of £106,565.
2. To note that the contract is expected to start on 13<sup>th</sup> March 2012 for a period of 4 years, with an optional extension of a further three years.

**HAS THE REPORT  
CONTENT BEEN  
RISK ASSESSED?  
YES**

**HAS A EIA BEEN  
COMPLETED?  
YES**

## **1. BACKGROUND**

- 1.1 Lift services maintenance contracts are let to provide regular servicing, day to day breakdown repairs, planned preventative maintenance and minor improvements to the Council's lift installations.
- 1.2 The provision of a high quality and reliable lift maintenance service is of benefit to all groups within the community of Hammersmith and Fulham. The loss of a lift service within a building however is of particular distress to vulnerable sectors of society such as the aged, people with disabilities and people suffering from illness. The contracts include a regular maintenance program to reduce the frequency of lift failure and provide a two hour response time for reactive repairs, 24 hours a day, 7 days a week.
- 1.3 Building & Property Management act on behalf of client departments as agents in matters relating to the tendering, administration and monitoring of this maintenance contract.
- 1.4 The value of this contract exceeds the European threshold for services contracts. The contracts were tendered in accordance with the Restricted Procedure under the Public Contracts Regulations 2006 (as amended).
- 1.5 A Tender Appraisal Panel (TAP) has been set up to oversee the tendering process for the contract. This panel consists of officers from Housing & Regeneration, Procurement and IT Strategy, Legal Services, Finance and Building & Property Management.
- 1.6 A Contract Notice in relation to separate contracts for lift services for housing and non-housing properties was placed in the OJEU on 2<sup>nd</sup> March 2011, requesting Economic Operators to apply for inclusion on the select lists to tender for the contracts, by the deadline of 18<sup>th</sup> April 2011. Interested contractors were able to apply for inclusion on the tender list for either Contract No 1: Non Housing Properties or Contract No 2: Housing Properties, or for both Contracts. Contractors were required to complete the Pre-Qualification Questionnaire (PQQ) and provide information in respect of their technical and financial credentials for carrying out the type of works proposed. Selection of six Economic Operators to be included on each tender list was on the basis of the highest scores awarded by the Council's Tender Appraisal Panel based on a pre-defined quality weighted appraisal of the PQQs.
- 1.7 The proposed contract is fully comprehensive, whereby Tenderers were required to submit a lump sum price for carrying out planned servicing, remedial works and day-to-day breakdown call-out repairs, including repairs caused by vandalism to a maximum value of £400. The contract also includes notional schedules of rates with provision for Tenderers to submit prices for potential minor improvement works and repairs which fall outside the comprehensive element of the contract. These will be used to price all works over and above the lump-sum element and for minor improvement works, as the extent of such works are currently unknown. Any works outside the comprehensive element of the contract which become necessary during the course of the contracts will be subject to the appropriate approvals process based upon the value of the works. The comprehensive element of the contract excludes complete replacement of major parts such as the main control panel, motor and gear, and the lift car which will be the subject of separate procurement exercises as and when necessary.

- 1.8 The Contract includes financially incentivised key performance indicators whereby, under the terms of the contract, 10% of the amounts payable to the Contractor in any reporting month are dependant upon the Contractor achieving the necessary performance as defined by the KPI. The areas of performance to be measured are:-
- Lift Availability
  - Submission of Financial Reports
  - Provision of Contractor's Quality Check Reports
  - Response Time for (P1) Breakdown Works
  - Response Time for (P2) Planned / Remedial Works
  - Lift Trappings
  - Number Of Breakdowns Per Month.
  - Receipt of "Complete" Service Reports
  - Performance against servicing programme
- 1.9 Eleven submissions were received by the deadline all of which were evaluated. The Deputy Leader and Cabinet Member for Environment & Asset Management on 20<sup>th</sup> June 2011 approved the short-listing of the six highest-scoring contractors to be included on the tender list, following the completion of the pre-qualification process
- 1.10 The existing contract with PDERS LIFTS Ltd (A division of Otis Ltd) expires on 12 March 2012.
- 1.11 The new contract is for a period of four years, with an option to extend for a further three years. The contract contains annual price fluctuations clauses linked to published industry indices to allow for inflation over the term of the contract. The contract also includes a one-way, non-default break clause, in the event that the Council wishes to determine the contract ahead of its full term.
- 1.12 It is proposed that the maintenance of lifts within corporate buildings is to be included within the scope of the Tri-boroughs' Total FM project., and it is therefore intended that the contract is novated across to the new provider when the TFM contract is awarded, programmed for May 2013.
- 1.13 The procurement of these tenders for lift maintenance within corporate buildings has been undertaken in parallel with the procurement of the new contract for lift maintenance within housing properties. Since tenders for both services were received in August 2011, Housing & Regeneration have been considering how best to provide the lift maintenance service prior the commencement of their proposed sole supply contract.. Following an appraisal of the options, Housing & Regeneration concluded that proceeding with the letting of the specialist contract was the clear preferred option. The time taken to undertake that review has delayed the procurement programme of both housing and corporate contracts such that there is now insufficient time to seek Cabinet approval to accept the tender prior to the existing contract expiring on 12<sup>th</sup> March 2012, and hence Leader's Urgent approval is requested, to ensure that there is no break in the provision of this essential service.

## **2. BRIEF DETAILS OF THE WORKS**

- 2.1 The proposed works to be undertaken under this contract includes planned servicing, remedial works and day-to-day breakdown call-out repairs including repairs caused by vandalism, together with minor improvement works and repairs, to the borough's lift installations within corporate properties.

## **3. TENDER DETAILS**

- 3.1 The tenders received on the 2<sup>nd</sup> August 2011 are on a fixed price basis for the first 12 months of the contract with annual inflationary increases thereafter. They initially remained open for acceptance until 1<sup>st</sup> December 2011. However, the Tenderer recommended for acceptance has agreed to stand by their tender price until 29<sup>th</sup> February 2012.
- 3.2 Tenderers were asked to provide prices to provide a comprehensive maintenance service to the schedule of properties in the housing portfolio detailed within the contract, together with prices for a schedule of rates for potential remedial works which may be required throughout the duration of the contract. The Tender sum is a notional value for comparative purposes only and actual expenditure will be undertaken according to demand and resources.
- 3.3 As part of the tender process Tenderers were required to provide with their tender a detailed quality submission in response to a pro-forma compiled by Building & Property Management. The submissions were scored by members of the TAP in accordance with the scoring criteria included within the contract documents, based on a price quality ratio of 80% price / 20% quality . Each tender was awarded a maximum of 80 percentage points for price and 20 percentage points for quality based on their responses to the following weighted criteria in their quality submission:-
- Performance and Quality Control
  - Resourcing
  - Health and Safety
  - Customer Care
  - Environmental Issues
- 3.4 The following sets out the tender values of those firms invited to bid (together with their financial limits).

|    | <b>Company</b>                           | <b>Value Of Tender</b><br>(Annual Tender Value) | <b>Price Score</b> | <b>Quality Score</b> | <b>Overall Score</b> | <b>Limit Per Job</b> |
|----|--|---|--------------------|----------------------|----------------------|----------------------|
| 1. | PDERS Lifts<br>(A division of Otis Ltd)  | £407,120  | 80                 | 12                   | 93                   | £5,000,000           |
| 2. | Liftec Lifts Ltd                         | £554,092  | 58                 | 13                   | 72                   | £4,031,000           |
| 3. | Apex Lifts &<br>Escalator<br>Engineering | £791,268<br>Tender withdrawn                    | N/A                | N/A                  | N/A                  | £4,808,000           |
| 4. | Orona Lifts                              | No Tender                                       | N/A                | N/A                  | N/A                  | £5,000,000           |
| 5. | Acre Lifts                               | No Tender                                       | N/A                | N/A                  | N/A                  | £1,615,000           |
| 6. | Temple Lifts                             | No Tender                                       | N/A                | N/A                  | N/A                  | £2,469,000           |

3.5 The TAP agreed at its meeting on 7<sup>th</sup> September 2011 that PDERS Lifts Ltd (A division of Otis Ltd) provided the best value bid for the contract and therefore recommends that they be awarded the contract.

3.6 The financial make-up of the Contract comprises three elements as follows:-

- a) Fixed annual sum for regular servicing, condition reporting and for day-to-day repairs, call outs and vandalism up to £400 per repair order;
- b) Planned improvement works and repairs in excess of item "a" above, costed using a notional Schedule of Rates or dayworks.
- c) General contingency

The elemental breakdown of the two valid returned tenders is as follows:-

| <b>Company</b>                           | <b>Fixed annual sum for regular servicing and day to day repairs</b> | <b>Planned improvement works – cost of Schedule of Rates and dayworks</b> | <b>General Contingency</b> | <b>Overall Value Of Tender</b> |
|--|--|---|----------------------------|--------------------------------|
| PDERS Lifts Ltd (A division of Otis Ltd) | £41,865  | £355,255  | £10,000                    | £407,120                       |
| Liftec Lifts Ltd                         | £48,291  | £495,801  | £10,000                    | £554,092                       |

3.7 The items included in the element of the tender sum in Column 3 above (Planned improvement works – cost of Schedule of Rates and dayworks) are, however, notional and will be subject to demand and available budgets. In particular the spend on planned improvement works which are not necessarily essential, will be subject to the availability of budgets. Whilst rates have been obtained for all common major repairs and planned improvement works (save major parts replacement), it is not necessarily the case that each item of work in the Schedule of Rates will need to be undertaken in any given calendar year, and based on previous demand, officers consider that only a proportion of the cost included against the Schedule of Rates items will be expended.

- 3.8 Whilst the tender sum submitted by PDERS Lifts Ltd (A division of Otis Ltd) is £407,120, officers estimate that the likely value of works to be carried out under the new contract will be £92,665 (based on the likely level of planned improvement works to be instructed, on a like-for like basis when compared to the existing contract), as shown in the table below.

| <b>Company</b>                           | <b>Fixed annual sum for regular servicing and day to day repairs</b> | <b>Notional likely annual cost of Planned improvement works (Schedule of Rates and dayworks)</b> | <b>Total notional annual cost of contract</b> |
|--|--|--|---|
| PDERS Lifts Ltd (A division of Otis Ltd) | £41,865  | £50,800  | £92,665                                       |

- 3.9 The current expenditure under the existing contract is in the order of £84,000, and therefore officers estimate that, overall, the cost of the contract to be let will be £8,665 higher, which represents an increase of 10%. However, the value of the fixed costs for servicing and reactive repairs under the new contract is £41,865, compared with £44,000 under the existing contract, and hence the cost for the servicing and reactive repairs has decreased by approximately £2k, which represents a decrease of 5%. With respect to the Schedule of Rates items of work, based upon the most commonly instructed items, officers estimate that likely annual value to be instructed under the contract is in the order of £50,800, compared with £40,000 under the existing contract. Whilst this represents an increase of 27%, as stated previously, this element of the works may be instructed subject to the available resources.
- 3.10 Officers therefore recommend acceptance of the tender from PDERS Lift Ltd (A division of Otis Ltd) in the notional sum of £92,665 plus fees of £13,900 (15%) making a total of £106,565.

#### **4. PROGRAMME OF WORK**

- 4.1 The anticipated programme of work is as follows:

|                            |                          |      |
|----------------------------|--------------------------|------|
| Cabinet                    | 30 <sup>th</sup> January | 2012 |
| Issue Letter of Acceptance | 7 <sup>th</sup> February | 2012 |
| Start on Site              | 13 <sup>th</sup> March   | 2012 |
| Completion                 | 12 <sup>th</sup> March   | 2016 |

#### **5. FEES**

- 5.1 The professional services previously provided by Building & Property Management (Environment Directorate) are now, following market testing, being provided by EC Harris LLP. Consequently fees are calculated on the basis of the tendered schedule of rates plus the cost of the Client Agent Team, which is funded via a percentage fee to the value of the commissions placed. Fees are charged on the basis of 15% with final account reconciliation at the end of each financial year. Scheme financial approval will include the appropriate fees.

## **6. COMMENTS OF THE DIRECTOR OF ENVIRONMENT AND DETAILS OF FUNDING PROVISION**

- 6.1 The proposed works form part of the 2011/12 – 2015/16 CPMP Revenue Programmes.

## **7. RISK MANAGEMENT**

- 7.1 Risks relating to the project's pre-construction processes have been ascertained, and the project will not commence until the necessary actions identified on the register have been undertaken. A post-contract risk register will be developed jointly with the contractor once they have been appointed, in order that risks can be managed throughout the duration of the project.

## **8. EQUALITY IMPLICATIONS**

- 8.1 An Equalities Impact Assessment has been completed and is available on request

## **9. COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE GOVERNANCE**

- 9.1 The financial standing of the Company Otis Limited has been examined. The council has been advised that in the light of the information available, the overall performance of the company is still considered to be sound.

## **10. COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)**

- 10.1 Legal services has been represented on the TAP and has advised on the procurement of this contract which has complied with EU procurement rules and the Council's contract standing orders.

## **11. COMMENTS OF THE ASSISTANT DIRECTOR FOR PROCUREMENT & IT STRATEGY**

- 11.1 The Corporate Procurement Team has provided advice and assistance during the tendering exercise. The AD agrees with the recommendations for the reasons outlined in the report.



**LOCAL GOVERNMENT ACT 2000  
BACKGROUND PAPERS**

| <b>No.</b> | <b>Description of Background Papers</b> | <b>Name/Ext of holder of file/copy</b> | <b>Department/ Location</b>  |
|------------|---|--|--|
| 1.         | Project Manager                         | Danny Reynolds<br>Ext.4780             | BPM/ENV<br>6 <sup>th</sup> Floor, HTH Ext<br>King Street<br>Hammersmith W6 9JU |
| 2.         | Procurement & Project documents         | Danny Reynolds<br>Ext.4780             | BPM/ENV<br>6 <sup>th</sup> Floor, HTH Ext<br>King Street<br>Hammersmith W6 9JU |

|                         |  |
|-------------------------|--|
| <b>CONTACT OFFICER:</b> | <b>NAME: Danny Reynolds ex 4807<br/>Sally Williams ex 4865</b> |
|-------------------------|--|

# Agenda Item 15



## **FORWARD PLAN OF KEY DECISIONS** *Proposed to be made in the period February 2012 to May 2012 (Including 30 January meeting)*

The following is a list of Key Decisions, as far as is known at this stage, which the Authority proposes to take in the period from February 2012 to May 2012.

**KEY DECISIONS** are those which are likely to result in one or more of the following:

- Any expenditure or savings which are significant, regarding the Council's budget for the service function to which the decision relates in excess of £100,000;
- Anything affecting communities living or working in an area comprising of two or more wards in the borough;
- Anything significantly affecting communities within one ward (where practicable);
- Anything affecting the budget and policy framework set by the Council.

The Forward Plan will be updated and published on the Council's website on a monthly basis. (New entries are highlighted in yellow).

**NB:** Key Decisions will generally be taken by the Executive at the Cabinet. The items on this Forward Plan are listed according to the date of the relevant decision-making meeting.

*If you have any queries on this Forward Plan, please contact  
Katia Richardson on 020 8753 2368 or by e-mail to [katia.richardson@lbhf.gov.uk](mailto:katia.richardson@lbhf.gov.uk)*

### **Consultation**

Each report carries a brief summary explaining its purpose, shows when the decision is expected to be made, background documents used to prepare the report, and the member of the executive responsible. Every effort has been made to identify target groups for consultation in each case. Any person/organisation not listed who would like to be consulted, or who would like more information on the proposed decision, is encouraged to get in touch with the relevant Councillor and contact details are provided at the end of this document.

### **Reports**

Reports will be available on the Council's website ([www.lbhf.org.uk](http://www.lbhf.org.uk)) a minimum of 5 working days before the relevant meeting.

### **Decisions**

All decisions taken by Cabinet may be implemented 5 working days after the relevant Cabinet meeting, unless called in by Councillors.

### **Making your Views Heard**

You can comment on any of the items in this Forward Plan by contacting the officer shown in column 6. You can also submit a deputation to the Cabinet. Full details of how to do this (and the date by which a deputation must be submitted) are on the front sheet of each Cabinet agenda.

### **LONDON BOROUGH OF HAMMERSMITH & FULHAM: CABINET 2011/12**

|   |                                      |
|---|--------------------------------------|
| <b>Leader:</b>  | <b>Councillor Stephen Greenhalgh</b> |
| <b>Deputy Leader (+Environment and Asset Management):</b> | <b>Councillor Nicholas Botterill</b> |
| <b>Cabinet Member for Children's Services:</b>            | <b>Councillor Helen Binmore</b>      |
| <b>Cabinet Member for Community Care:</b>                 | <b>Councillor Joe Carlebach</b>      |
| <b>Cabinet Member for Community Engagement:</b>           | <b>Councillor Harry Phibbs</b>       |
| <b>Cabinet Member for Housing:</b>                        | <b>Councillor Andrew Johnson</b>     |
| <b>Cabinet Member for Residents Services:</b>             | <b>Councillor Greg Smith</b>         |
| <b>Cabinet Member for Strategy:</b>                       | <b>Councillor Mark Loveday</b>       |

*Forward Plan No 117 (published 16 January 2012)*

**LIST OF KEY DECISIONS PROPOSED FEBRUARY 2012 TO MAY 2012**  
**(INCLUDING 30 JANUARY MEETING)**

*Where the title bears the suffix (Exempt), the report for this proposed decision is likely to be exempt and full details cannot be published.*

**New entries are highlighted in yellow.**

\* All these decisions may be called in by Councillors; If a decision is called in, it will not be capable of implementation until a final decision is made.

| <b>Decision to be Made by:</b><br>(ie Council or Cabinet) | <b>Date of Decision-Making Meeting and Reason</b> | <b>Proposed Key Decision</b>  | <b>Lead Executive Councillor(s) and Wards Affected</b> |
|---|---|---|--|
| <b>30 January</b>   |   |   |  |
| Cabinet   | 30 Jan 2012                                       | <b>Highways Planned Maintenance Programme 2012/13</b>   | Deputy Leader (+Environment and Asset Management)      |
|   | Reason: Expenditure more than £100,000            | The purpose of the report is to seek approval for the projects listed within the Carriageway and Footway Planned Maintenance programme and to establish a degree of flexibility in the management of the budgets and programme during the year. | Ward(s): All Wards                                     |
| Cabinet   | 30 Jan 2012                                       | <b>Funding drawdown for roll-out of SmartWorking to HRD and: Paperless Office</b>   | Leader of the Council                                  |
|   | Reason: Affects more than 1 ward                  | Update on SmartWorking, presents a business case and requests funds for the next stage (Stage D).   | Ward(s): All Wards                                     |
| Cabinet   | 30 Jan 2012                                       | <b>Housing Development Company - Delivering affordable housing</b>  | Cabinet Member for Housing                             |
|   | Reason: Affects more than 1 ward                  | Approval for the first phase of sites to develop new affordable housing through the Council housing development company.  | Ward(s): All Wards                                     |
| Cabinet   | 30 Jan 2012                                       | <b>Tri-Borough Total Management Facilities (TFM) Project Expenditure</b>  | Deputy Leader (+Environment and Asset Management)      |
|   | Reason: Expenditure more than £100,000            | To gain approval for the funding provision to progress the Tri-Borough Total Facilities Management (TFM)Project   | Ward(s): All Wards                                     |

| <b>Decision to be Made by:</b><br>(ie Council or Cabinet) | <b>Date of Decision-Making Meeting and Reason</b> | <b>Proposed Key Decision</b>  | <b>Lead Executive Councillor(s) and Wards Affected</b> |
|---|---|---|--|
|   |   | Procurement based upon the business case embedded within the report.  |  |
| Cabinet   | 30 Jan 2012                                       | <b>Works to enable the relocation of Registrars Service from Fulham Town Hall to Hammersmith Town Hall</b>  | Deputy Leader (+Environment and Asset Management)      |
|   | Reason: Expenditure more than £100,000            | Tender acceptance report to appoint contractor to carry out refurbishment works of ground floor offices, Mayor's Parlour and Ante-room 1 at Hammersmith Town Hall for use by the Registrars Service who are relocating from Fulham Town Hall. | Ward(s): Hammersmith Broadway                          |
| Cabinet   | 30 Jan 2012                                       | <b>Corporate Planned Maintenance Programme 2012-2013</b>  | Deputy Leader (+Environment and Asset Management)      |
|   | Reason: Expenditure more than £100,000            | Approval to commit to a programme of works  | Ward(s): All Wards                                     |
| Cabinet<br>Full Council                                   | 30 Jan 2012                                       | <b>Revenue Budget and Council Tax Levels 2012/13</b>  | Leader of the Council                                  |
|   | 29 Feb 2012<br>Reason: Budg/pol framework         | This report sets out proposals in respect of the revenue budget for the Council for 2012/13 including Council Tax levels, and deals with the precept from the Greater London Authority (GLA), together with ancillary issues.                 | Ward(s): All Wards                                     |
| Cabinet<br>Full Council                                   | 30 Jan 2012                                       | <b>Capital Programme 2012/13 to 2016/17</b>   | Leader of the Council                                  |
|   | 29 Feb 2012<br>Reason: Budg/pol framework         | This report sets out proposals in respect of the capital programme, together with ancillary issues.   | Ward(s): All Wards                                     |
| Cabinet   | 30 Jan 2012                                       | <b>Measured Term Contract for Door Entry Systems – Boroughwide Housing Properties 2011 - 2015</b>   | Cabinet Member for Housing                             |
|   | Reason: Expenditure                               | Tender Acceptance to appoint  | Ward(s): All Wards                                     |

| <b>Decision to be Made by:</b><br>(ie Council or Cabinet) | <b>Date of Decision-Making Meeting and Reason</b> | <b>Proposed Key Decision</b>  | <b>Lead Executive Councillor(s) and Wards Affected</b> |
|---|---|---|--|
|   | more than £100,000                                | contractor to carry out day to day reactive breakdown callout repairs together with a small element of routine servicing to door entry systems and automatic doors and barriers to the Council's Housing Properties.  |  |
| Cabinet   | 30 Jan 2012                                       | <b>Measured Term Contract for Day-to-Day Breakdown Repair and Maintenance to Lift Plant and Associated Equipment to Non-Housing Buildings</b><br><br>Tender Acceptance Report to appoint contractor to carry out Day-to-Day Breakdown Repair and Maintenance to Lift Plant and Association Equipment in Non-Housing Properties. | Deputy Leader (+Environment and Asset Management)      |
|   | Reason: Expenditure more than £100,000            |   | Ward(s): All Wards                                     |
| Cabinet   | 30 Jan 2012                                       | <b>Measured Term Contract for Day-to-Day Breakdown Repair and Maintenance to Lift Plant and Associated Equipment to Housing Properties</b><br><br>Tender Acceptance Report to appoint contractor to carry out day to day breakdown repair and maintenance to lift plant and associated equipment in Housing Properties.         | Cabinet Member for Housing                             |
|   | Reason: Expenditure more than £100,000            |   | Ward(s): All Wards                                     |
| Cabinet   | 30 Jan 2012                                       | <b>Draft Housing Strategy 2012/17</b><br><br>Draft strategy setting out the Council's overall approach to housing for the next five years.  | Cabinet Member for Housing                             |
|   | Reason: Affects more than 1 ward                  |   | Ward(s): All Wards                                     |
| Cabinet<br><br>Full Council                               | 30 Jan 2012                                       | <b>Treasury Management Strategy Report 2012/13.</b><br><br>This report provides information on the Council's Treasury Management Strategy for 2012/13. It seeks approval for borrowing limits and authorisation for the Executive Director of Finance   | Leader of the Council                                  |
|   | 29 Feb 2012                                       |   | Ward(s): All Wards                                     |
| Reason: Expenditure more than £100,000                    |   |   |  |

| <b>Decision to be Made by:</b><br>(ie Council or Cabinet) | <b>Date of Decision-Making Meeting and Reason</b> | <b>Proposed Key Decision</b>   | <b>Lead Executive Councillor(s) and Wards Affected</b> |
|---|---|--|--|
|   |   | and Corporate Governance to arrange the Council's cashflow, borrowing and investments in the year 2012/13.                           |  |
| Cabinet   | 30 Jan 2012                                       | <b>Housing Revenue Account Budget, Financial Strategy and Rent increase for 2012/13</b>  | Cabinet Member for Housing                             |
|   | Reason:<br>Budg/pol framework                     | This report presents the proposed HRA budget and rent increase for 2012/13 and gives an update on the HRA 30 year business plan.     | Ward(s):<br>All Wards                                  |
| Cabinet   | 30 Jan 2012                                       | <b>Update on implementation of services out of Sands End Community Centre</b>  | Cabinet Member for Residents Services                  |
|   | Reason:<br>Expenditure more than £100,000         | Update on the service arrangements and full approval of all funds required.  | Ward(s):<br>Sands End                                  |
| Cabinet   | 30 Jan 2012                                       | <b>Land at 282-292 Goldhawk Road</b>   | Cabinet Member for Housing                             |
|   | Reason:<br>Budg/pol framework                     | To agree the partnership and procurement arrangements necessary to bring forward the development of the sites.                       | Ward(s):<br>Ravenscourt Park                           |
| <b>March</b>  |   |  |  |
| Cabinet   | 5 Mar 2012  | <b>Award of Term Contract for Public Lighting and Ancillary Works 2012-2015</b>  | Deputy Leader (+Environment and Asset Management)      |
|   | Reason:<br>Expenditure more than £100,000         | Decision to award the new Public Lighting and Ancillary Works contract to the most economically advantageous tenderer.               | Ward(s):<br>All Wards                                  |
| Cabinet   | 5 Mar 2012  | <b>Remodelling of Day Services</b>   | Cabinet Member for Community Care                      |
|   | Reason:<br>Affects more than 1 ward               | Remodelling of day services, including proposals on relocation of some services and sharing building space with various care groups. | Ward(s):<br>All Wards                                  |

| <b>Decision to be Made by:</b><br>(ie Council or Cabinet) | <b>Date of Decision-Making Meeting and Reason</b> | <b>Proposed Key Decision</b>  | <b>Lead Executive Councillor(s) and Wards Affected</b> |
|---|---|---|--|
| Cabinet   | 5 Mar 2012  | <b>Hammersmith Town Hall - New CCTV Centre</b><br><br>Tender acceptance report to appoint contractor to carry out refurbishment works in Room 313, Hammersmith Town Hall and relocation of parking services.  | Deputy Leader (+Environment and Asset Management)      |
|   | Reason: Expenditure more than £100,000            |   | Ward(s): Hammersmith Broadway                          |
| Cabinet   | 5 Mar 2012  | <b>Recharges Policy for Property Services</b><br><br>The adoption of a Recharges Policy for Property Services   | Cabinet Member for Housing                             |
|   | Reason: Affects more than 1 ward                  |   | Ward(s): All Wards                                     |
| Cabinet   | 5 Mar 2012  | <b>Corporate Car Parking</b><br><br>Funding for changes to enable the introduction of charges for use of staff car parking spaces at various civic buildings.   | Deputy Leader (+Environment and Asset Management)      |
|   | Reason: Expenditure more than £100,000            |   | Ward(s): All Wards                                     |
| Cabinet   | 5 Mar 2012  | <b>West London Housing Related Support Joint Framework Agreement</b><br><br>Request for delegated authority to the Executive Director of Adult Social Care in consultation with the Cabinet Member for Community Care for the new framework agreement for housing related support services across eight West London boroughs. LBHF is the lead procurement borough for the new framework. | Cabinet Member for Community Care                      |
|   | Reason: Affects more than 1 ward                  |   | Ward(s): All Wards                                     |
| Cabinet   | 5 Mar 2012  | <b>Market Management Sponsorship</b><br><br>Contract for Advertising and Sponsorship Services.  | Cabinet Member for Residents Services                  |
|   | Reason: Expenditure more than £100,000            |   | Ward(s): All Wards                                     |



| <b>Decision to be Made by:</b><br>(ie Council or Cabinet) | <b>Date of Decision-Making Meeting and Reason</b> | <b>Proposed Key Decision</b>   | <b>Lead Executive Councillor(s) and Wards Affected</b> |
|---|---|--|--|
| Cabinet   | 5 Mar 2012  | <b>Hammersmith Town Hall - Smart Accommodation Programme - Phase 1</b>   | Deputy Leader (+Environment and Asset Management)      |
|   | Reason:<br>Expenditure more than £100,000         | Tender acceptance report to appoint contractor to carry out remodelling works on 1st and 2nd floor offices at Hammersmith Town Hall to provide smart working, open plan accommodation to maximise occupancy.   | Ward(s):<br>Hammersmith Broadway                       |
| Cabinet   | 5 Mar 2012  | <b>Network technology enabling multimedia use</b>  | Leader of the Council                                  |
|   | Reason:<br>Expenditure more than £100,000         | Work is required to implement network technology enabling multimedia use. This will enable (for example) access to e-meetings, streaming from websites such as news or webinars, training materials or staff briefings from the Leader or Chief Executive. This will offer cost-effective just-in-time and personalised training courses, resulting in lower training costs and a higher-skilled workforce. There are also potential benefits from improved communication, e.g. videos of Leadership forum events. | Ward(s):<br>All Wards                                  |
| Cabinet   | 5 Mar 2012  | <b>Provision of Café Services - Ravenscourt Park, London W6 0HG</b>  | Cabinet Member for Residents Services                  |
|   | Reason:<br>Expenditure more than £100,000         | Contract award for catering provisions for the Ravenscourt Park Café.  | Ward(s):<br>Ravenscourt Park                           |
| Cabinet   | 5 Mar 2012  | <b>Earls Court Olympic Volleyball LATMP</b>  | Deputy Leader (+Environment and Asset Management)      |
|   | Reason:<br>Expenditure more than £100,000         | Details of the Local Area Traffic Management Plan to facilitate the Olympic Volleyball competition to be held at Earls Court from 28 July to 12 August 2012.   | Ward(s):<br>Fulham Broadway; North End                 |

| <b>Decision to be Made by:</b><br>(ie Council or Cabinet) | <b>Date of Decision-Making Meeting and Reason</b> | <b>Proposed Key Decision</b>  | <b>Lead Executive Councillor(s) and Wards Affected</b> |
|---|---|---|--|
| Cabinet   | 5 Mar 2012  | <b>Housing Development Company Joint Venture</b>  | Cabinet Member for Housing                             |
|   | Reason:<br>Affects more than 1 ward               | Proposal to establish a joint venture company to deliver new affordable housing.  | Ward(s):<br>All Wards                                  |
| Cabinet   | 5 Mar 2012  | <b>The General Fund Capital Programme, Housing Capital Programme and Revenue Monitoring 2011/12 month 9</b>   | Leader of the Council                                  |
|   | Reason:<br>Expenditure more than £100,000         | The report seeks approval to changes to the Capital Programme and Revenue budgets.  | Ward(s):<br>All Wards                                  |
| Cabinet   | 5 Mar 2012  | <b>TfL funded annual integrated transport investment programme 2012/13</b>  | Deputy Leader (+Environment and Asset Management)      |
|   | Reason:<br>Expenditure more than £100,000         | <p>This report summarise the TfL funded integrated transport investment programme for 2012/13. Eighteen projects are proposed totalling £1.988 million under three programme areas; Corridors, Neighbourhoods and Smarter Travel.</p> <p>The purpose of the schemes is to help meet the Transport Plan (LIP) objectives of improving access to the borough's regeneration areas, improving the efficiency of the road network , improve the quality of our streets and air quality, make it easier for everyone to gain access to transport, control parking spaces fairly for residents and businesses and reduce the numbers of people killed and injured on our roads.</p> <p>The funding has been provided specifically for these purposes by Transport for London and will be designed to give maximum value for</p> | Ward(s):<br>All Wards                                  |

| <b>Decision to be Made by:</b><br>(ie Council or Cabinet) | <b>Date of Decision-Making Meeting and Reason</b> | <b>Proposed Key Decision</b>   | <b>Lead Executive Councillor(s) and Wards Affected</b>                                    |
|---|---|--|---|
|   |   | money and reduce longer term maintenance costs to the council . There will be full consultation on the details of schemes with residents, businesses and road user groups and schemes will only be supported if they have broad local support.   |   |
| Cabinet   | 5 Mar 2012  | <b>Riverside Studios, Crisp Road, London, W6</b><br><br>Re-development of Riverside Studios Site.  | Deputy Leader (+Environment and Asset Management)<br><br>Ward(s):<br>Hammersmith Broadway |
|   | Reason:<br>Expenditure more than £100,000         |  |   |
| Cabinet   | 5 Mar 2012  | <b>Meals Service Contract</b><br><br>To request authority for the outsourcing of the Meals Service to a "cook on route" model. To notify of multi borough tendering arrangements. To request that authority to award the contract be delegated to Cabinet Member for Community Care in conjunction with the Executive Director of Adult Social Care. | Cabinet Member for Community Care<br><br>Ward(s):<br>All Wards                            |
|   | Reason:<br>Expenditure more than £100,000         |  |   |
| Cabinet   | 5 Mar 2012  | <b>Trade Waste Profitability 2012/13</b><br><br>Review of viability of Trade Waste service operation.  | Cabinet Member for Residents Services<br><br>Ward(s):<br>All Wards                        |
|   | Reason:<br>Expenditure more than £100,000         |  |   |
| Cabinet   | 5 Mar 2012  | <b>Contracts for Satellite Tennis Centres</b><br><br>To seek permission to appoint a contractor to oversee tennis provision in a number of sites across the borough.   | Cabinet Member for Residents Services<br><br>Ward(s):<br>All Wards                        |
|   | Reason:<br>Expenditure more than £100,000         |  |   |

| <b>Decision to be Made by:</b><br>(ie Council or Cabinet) | <b>Date of Decision-Making Meeting and Reason</b> | <b>Proposed Key Decision</b>   | <b>Lead Executive Councillor(s) and Wards Affected</b>   |
|---|---|--|--|
| Cabinet   | 5 Mar 2012  | <b>Parks Capital Programme 2012/13</b>   | Cabinet Member for Residents Services  |
|   | Reason: Expenditure more than £100,000            | To outline Capital Expenditure for Parks over the next 2-3 years.  | Ward(s): All Wards   |
| Cabinet   | 5 Mar 2012  | <b>Tackling Youth Disaffection Creating Opportunities</b>  | Leader of the Council  |
|   | Reason: Affects more than 1 ward                  | Initiative to establish a payment by results model to address youth unemployment   | Ward(s): All Wards   |
| Cabinet   | 5 Mar 2012  | <b>National non-domestic write offs</b>  | Leader of the Council  |
|   | Reason: Expenditure more than £100,000            | This report seeks approval to write off three National Non-Domestic Rate debts in excess of £100,000, in accordance with the Council's Financial Regulations.  | Ward(s): All Wards   |
| Cabinet   | 5 Mar 2012  | <b>School Organisation Report</b>  | Cabinet Member for Children's Services   |
|   | Reason: Affects more than 1 ward                  | The updated Schools Organisation Strategy and Capital Funding Strategy   | Ward(s): All Wards   |
| Cabinet   | 5 Mar 2012  | <b>Housing Investment Plan (HEIP) and Action Plan</b>  | Cabinet Member for Housing   |
|   | Reason: Affects more than 1 ward                  | Following report approved at November Cabinet, consultation outcome has now been considered and assessment undertaken using the criteria agreed. Now returning to Cabinet with a recommended estate to be the first to benefit from the Housing Investment Plan. | Ward(s): All Wards   |
| Cabinet   | 5 Mar 2012  | <b>Tri-Borough Legal Agreements</b>  | Leader of the Council, Cabinet Member for Children's Services, Cabinet Member for Community Care |
|   |   | To obtain final approval to enter into Tri-Borough Legal Agreement.  |  |

| <b>Decision to be Made by:</b><br>(ie Council or Cabinet) | <b>Date of Decision-Making Meeting and Reason</b> | <b>Proposed Key Decision</b>  | <b>Lead Executive Councillor(s) and Wards Affected</b> |
|---|---|---|--|
|   | Reason:<br>Affects more than 1 ward               |   | Ward(s):<br>All Wards                                  |
| <b>April</b>  |   |   |  |
| Cabinet   | 16 Apr 2012                                       | <b>The General Fund Capital Programme, Housing Capital Programme and Revenue Monitoring 2011/12 month 10</b>  | Leader of the Council                                  |
|   | Reason:<br>Expenditure more than £100,000         | The report seeks approval to changes to the Capital Programme and Revenue Budgets.  | Ward(s):<br>All Wards                                  |
| Cabinet   | 16 Apr 2012                                       | <b>Travel Assistance Policies</b>   | Cabinet Member for Children's Services                 |
|   | Reason:<br>Affects more than 1 ward               | Travel Assistance Policy – Special education needs (SEN)  | Ward(s):<br>All Wards                                  |
| Cabinet   | 16 Apr 2012                                       | <b>The Archives Service Review</b>  | Cabinet Member for Residents Services                  |
|   | Reason:<br>Affects more than 1 ward               | This report will outline the current position and recommend options for the future delivery of the Council's archives service.  | Ward(s):<br>All Wards                                  |
| Cabinet   | 16 Apr 2012                                       | <b>Contract for the Provision of Service for Face to Face Customer Transactions</b>   | Cabinet Member for Residents Services                  |
|   | Reason:<br>Expenditure more than £100,000         | The successful contractor from current tender process (Dec 2011) shall provide a full face to face payment and verification process for the Council which shall include the requirements as specified below. The majority of payments will be cash or cheque but may also be via credit card or debit card or postal orders. The Contractor may be asked to support new payment types that emerge during the life of the Contract.<br><br>The following shows the | Ward(s):<br>All Wards                                  |

| <b>Decision to be Made by:</b><br>(ie Council or Cabinet) | <b>Date of Decision-Making Meeting and Reason</b> | <b>Proposed Key Decision</b>   | <b>Lead Executive Councillor(s) and Wards Affected</b> |
|---|---|--|--|
|   |   | <p>transaction types which the Contractor shall undertake.</p> <p>Payment only<br/>Confirmation of payment amount and payment<br/>Validation of eligibility and payment (Full application process)<br/>Validation of eligibility<br/>Validation of eligibility, data capture and payment<br/>Validation of eligibility, payment and issue of goods<br/>Payment and issue of goods<br/>Payment and taking application form.</p> |  |
| Cabinet   | 16 Apr 2012                                       | <b>Section 106 Hammersmith Library Funding</b>   | Cabinet Member for Residents Services                  |
|   | Reason: Expenditure more than £100,000            | Approval for funding for refurbishment of Hammersmith Library.   | Ward(s): Hammersmith Broadway                          |
| Cabinet   | 16 Apr 2012                                       | <b>Measured Term Contract for the Provision of the Inspection and Maintenance of Fire Fighting Equipment in Council-owned Housing Properties 2012-2017</b>   | Cabinet Member for Housing                             |
|   | Reason: Expenditure more than £100,000            | Periodic inspection, repairs and maintenance work to fire fighting equipment located on Council-owned housing properties for the London Borough of Hammersmith and Fulham.   | Ward(s): All Wards                                     |
| Cabinet   | 16 Apr 2012                                       | <b>Care proceedings pilot</b>  | Cabinet Member for Children's Services                 |
|   | Reason: Expenditure more than £100,000            | A Tri-borough multi agency pilot to reduce the length of time care proceedings take in order to improve outcomes for children and reduce expenditure.  | Ward(s): All Wards                                     |

| <b>Decision to be Made by:</b><br>(ie Council or Cabinet) | <b>Date of Decision-Making Meeting and Reason</b> | <b>Proposed Key Decision</b>   | <b>Lead Executive Councillor(s) and Wards Affected</b> |
|---|---|--|--|
| Cabinet   | 16 Apr 2012                                       | <b>Polo in the Park Agreement 2013/19</b><br><br>Polo in the Park event Agreement in Hurlingham Park to organise and manage the event for seven years. | Cabinet Member for Residents Services                  |
|   | Reason: Expenditure more than £100,000            |  | Ward(s): Palace Riverside                              |
| Cabinet   | 16 Apr 2012                                       | <b>Polo in the Park Agreement 2013/19</b><br><br>Polo in the Park event Agreement in Hurlingham Park to organise and manage the event for seven years. | Cabinet Member for Residents Services                  |
|   | Reason: Expenditure more than £100,000            |  | Ward(s): Palace Riverside                              |

# Agenda Item 16



London Borough of Hammersmith & Fulham

## Cabinet

30 JANUARY 2012

### SUMMARY OF OPEN DECISIONS TAKEN BY THE LEADER AND CABINET MEMBERS REPORTED TO CABINET FOR INFORMATION

**CABINET MEMBER  
FOR RESIDENTS  
SERVICES**

*Councillor Greg  
Smith*

**16.1 LEASING OF GLASSHOUSES AND GARDENS IN  
RAVENS COURT PARK TO HAMMERSMITH COMMUNITY  
GARDEN ASSOCIATION (HCGA)**

The glasshouses and associated walled gardens in Ravenscourt Park are used as a community facility for environmental education. However, the current occupation and usage is required to be formalised as it may present future issues with regard to legal tenure and liability.

The proposed leasing of the area to HCGA will complement the existing leasing arrangement the council has with HCGA who manage other open spaces as well as providing community engagement, parks and environmental education and provide further opportunity to access external funding to develop the infrastructure of sites it leases.

**Decision made by Cabinet Member on 23: December 2011**

**That authority be delegated to the Cabinet Member for Residents Services, in consultation with the Executive Director of Environment, Leisure & Residents Services, to approve the leasing of the glasshouses and associated gardens to HGCA for a period of 7 years from 2011 to 2018 for a rent of £550 per annum and, as set out within a service level agreement or otherwise on terms considered by the Executive Director of Environment, Leisure & Residents Services, to be appropriate in the light of advice from the Assistant Director Legal and Democratic Services and the Assistant Director Building and Property Management.**

**Ward: Ravenscourt Park**



**CABINET MEMBER  
FOR HOUSING**

*Councillor Andrew  
Johnson*

**16.2 THE FUTURE OF RESIDENT INVOLVEMENT IN LBHF**

This report sets out two related actions to support adoption and implementation of the Residents Involvement Strategy.

**Decision made by Cabinet Members on: 9 January 2012**

- 1. To authorise consultation with secure tenants seeing their views on the on the Councils' Draft Residential Involvement Strategy and the future of the Tenants Levy.**
- 2. To authorise the Executive Director of Housing and Regeneration to serve 3 months written notice on HAFFTRA by 29<sup>th</sup> December 2011.**

**Wards: All**

# Agenda Item 17

## SUMMARY OF URGENT DECISION TAKEN BY THE LEADER REPORTED TO CABINET FOR INFORMATION

The following reports were considered in accordance with paragraph 1.21 of the Leader's Portfolio.

### ITEM

#### **17.1 LONDON BOROUGH GRANT SCHEME BUDGET 2012/13**

1. The London Councils Leaders Committee, on which LBHF is represented, met in December 2011 and reached agreement about the Grant Scheme budget for 2012/13. The LBHF contribution will be £249,390.
2. A formal decision is required because London Councils need a two thirds majority approval from the boroughs, otherwise legal provisions come into effect that would force it to set the budget at 2011/12 levels. This would have the highly undesirable effect of increasing LBHF's contribution to more than £500,000.
3. The savings programme for 2012/13 anticipated that a reduction in spend of £195,000 would be achieved. The notification from London Councils that LBHF's contribution will be £249,390 means that the saving will be only £56,754.
4. This reduction is less than the Council would like, but given the background of the judicial review which successfully challenged the budget in 2011/12, is moving in the right direction. Further reductions must be sought for 2013/14.
5. The Adult Social Care Department (CSD) can cover the 2012/13 £138,000 shortfall from its projected £1.8m underspend against budget in 2011/12.

#### **Reasons for Urgency:**

A Leader's Urgent Decision is requested because London Councils notified LBHF of its contribution on 17 December 2011, with a request for formal approval by 20th January 2012.

#### **Decision taken by the Leader on: 13 January 2012**

#### **Recommendations:**

1. That the London Boroughs Grant Scheme budget for 2012/12 be approved.
2. That the LBHF contribution of £249,390 be approved to be paid in 2012/13.
3. That ASC (CSD) carries forward £138,000 of its 2011/12 underspend into 2012/13.

**Wards: Not applicable**