

Cabinet



Agenda

MONDAY
6 FEBRUARY 2017
7.00 pm

COURTYARD ROOM
HAMMERSMITH
TOWN HALL
KING STREET
LONDON W6 9JU

Membership

Councillor Stephen Cowan, Leader of the Council
Councillor Michael Cartwright, Deputy Leader
Councillor Ben Coleman, Cabinet Member for Commercial Revenue and Resident Satisfaction
Councillor Sue Fennimore, Cabinet Member for Social Inclusion
Councillor Wesley Harcourt, Cabinet Member for Environment, Transport & Residents Services
Councillor Lisa Homan, Cabinet Member for Housing
Councillor Andrew Jones, Cabinet Member for Economic Development and Regeneration
Councillor Vivienne Lukey, Cabinet Member for Health and Adult Social Care
Councillor Sue Macmillan, Cabinet Member for Children and Education
Councillor Max Schmid, Cabinet Member for Finance

Date Issued
30 January 2017

If you require further information relating to this agenda please contact: Kayode Adewumi, Head of Governance and Scrutiny, tel: 020 8753 2499 or email: kayode.adewumi@lbhf.gov.uk

Reports on the open Cabinet agenda are available on the Council's website: www.lbhf.gov.uk/councillors-and-democracy

PUBLIC NOTICE

The Cabinet hereby gives notice of its intention to hold part of this meeting in private to consider items 17 to 19 which are exempt under paragraph 3 of Schedule 12A to the Local Government Act 1972, in that they relate to the financial or business affairs of any particular person, including the authority holding the information.

The Cabinet has received no representations as to why the relevant part of the meeting should not be held in private.

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

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 Kayode Adewumi 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 1 February 2017.

COUNCILLORS' CALL-IN TO SCRUTINY COMMITTEES

A decision list regarding items on this agenda will be published by **Wednesday 8 February 2017**. Items on the agenda may be called in to the relevant Accountability Committee.

The deadline for receipt of call-in requests is: **Monday 13 February 2017 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 13 February 2017**.

Cabinet Agenda

6 February 2017

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| 1. | MINUTES OF THE CABINET MEETING HELD ON 16 JANUARY 2017 | 1 - 14 |
| 2. | APOLOGIES FOR ABSENCE | |
| 3. | DECLARATION OF INTERESTS | |
| | <p>If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that 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 disclosable pecuniary interest or other significant 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.</p> <p>Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.</p> <p>Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Audit, Pensions and Standards Committee.</p> | |
| 4. | REVENUE BUDGET AND COUNCIL TAX LEVELS 2017/18 | 15 - 90 |
| 5. | FOUR YEAR CAPITAL PROGRAMME 2017/18 TO 2020/21 | 91 - 114 |
| 6. | CAPITAL PROGRAMME MONITOR & BUDGET VARIATIONS, 2016/17 (THIRD QUARTER) | 115 - 130 |

| | | |
|------------|---|-----------|
| 7. | FINANCIAL PLAN FOR COUNCIL HOMES: THE HOUSING REVENUE ACCOUNT FINANCIAL STRATEGY, 2017/18 HOUSING REVENUE ACCOUNT BUDGET AND 2017/18 RENT REDUCTION | 131 - 153 |
| 8. | TREASURY MANAGEMENT STRATEGY 2017/18 | 154 - 179 |
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| 10. | ARTICLE 4 DIRECTIONS | 184 - 194 |
| 11. | PROCUREMENT OF WATER RISK ASSESSMENT (LEGIONELLA) | 195 - 204 |
| 12. | PROPOSAL FOR AN AFFORDABLE HOUSING DELIVERY FRAMEWORK PARTNERING WITH INDEPENDENT LOCAL HOUSING ASSOCIATIONS | 205 - 220 |
| 13. | INDEPENDENT HEALTH COMPLAINTS ADVOCACY SERVICE (IHCAS) | 221 - 241 |
| 14. | THE ESTABLISHMENT OF A CONTRACTUAL JOINT VENTURE PARTNERSHIP WITH LBHF AND IMPERIAL COLLEGE LONDON This item has been deferred and will be considered at a future meeting. | |
| 15. | FORWARD PLAN OF KEY DECISIONS | 259 - 275 |
| 16. | EXCLUSION OF PRESS AND PUBLIC 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. | |
| 17. | EXEMPT MINUTES OF THE CABINET MEETING HELD ON 16 JANUARY 2017 (E) | |
| 18. | CORPORATE PLANNED MAINTENANCE PROGRAMME 2017/2018 (E) | |
| 19. | BUSINESS INTELLIGENCE INFRASTRUCTURE (E) | |

London Borough of Hammersmith & Fulham

Cabinet Minutes



Monday 16 January 2017

PRESENT

Councillor Ben Coleman, Cabinet Member for Commercial Revenue and Resident Satisfaction

Councillor Sue Fennimore, Cabinet Member for Social Inclusion

Councillor Wesley Harcourt, Cabinet Member for Environment, Transport & Residents Services

Councillor Lisa Homan, Cabinet Member for Housing

Councillor Andrew Jones, Cabinet Member for Economic Development and Regeneration

Councillor Vivienne Lukey, Cabinet Member for Health and Adult Social Care

Councillor Max Schmid, Cabinet Member for Finance

114. MINUTES OF THE CABINET MEETING HELD ON 5 DECEMBER 2016

RESOLVED:

That the minutes of the meeting of the Cabinet held on 5 December 2016 be confirmed and signed as an accurate record of the proceedings, and that the outstanding actions 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.

115. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Stephen Cowan, Michael Cartwright, and Sue Macmillan.

116. DECLARATION OF INTERESTS

There were no declarations of interest.

117. APPOINTMENT OF EXTERNAL AUDITORS

RESOLVED:

To approve that the Council opts in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

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.

118. COUNCIL TAX BASE AND COLLECTION RATE 2017/18 AND DELEGATION OF THE BUSINESS RATES ESTIMATE

RESOLVED:

1. That the estimated numbers of properties for each Valuation Band as set out in the report be approved.
2. That an estimated Collection rate of 97.5% be approved.
3. That the Council Tax Base of 75,938 Band "D" equivalent properties be approved.
4. To delegate authority to the Cabinet Member for Finance, in consultation with the Strategic Finance Director, to determine the business rates tax base for 2017/18.

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.

119. LONDON BOROUGH OF HAMMERSMITH AND FULHAM'S COUNCIL TAX SUPPORT SCHEME 2017/18

RESOLVED:

- 1.1. That the council continues with a scheme that reflects the old council tax benefit regulations as much as possible meaning no one in the borough is charged any council tax over and above what they would have been charged had the council tax benefit regulations continued.
- 1.2. That a continuation of the assessment of in work Universal Credit cases as agreed in our scheme last year, be approved.
- 1.3. To keep the scheme consistent with housing benefit rules it is recommend the reduction of the temporary absence rules for those travelling outside Great Britain to 4 weeks, in line with the housing benefit regulations. The same exemptions will be applied as the DWP (see appendix 1), but 26 weeks will be allowed where a resident is unable to return if they are looking after a sick relative, 52 weeks for military personnel as well as discretionary powers to maintain council tax support in other exceptional circumstances.

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.

120. MID-YEAR TREASURY REPORT 2016/17

RESOLVED:

That the Council's borrowing and investment activity up to the 30 September 2016, 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.

121. CORPORATE REVENUE MONITOR 2016/17 MONTH 7 - 31 OCTOBER 2016

RESOLVED:

1. That the General Fund and Housing Revenue Account month 7 forecast revenue variances, be noted.
2. That the action plans amounting to £1.025 million, seeking to address the General Fund gross overspend forecast of £2.074 million, be noted. All overspending departments to respond with further actions to reduce the net forecast overspend of £1.049 million.
3. That the proposed virement requests in appendix 11, 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.

122. DIRECT AWARD OF CONTRACT FOR BANK SERVICES - BUSINESS CASE

RESOLVED:

That approval be given to waive the competition requirements contained in the Council's Contract Standing Orders and approve a direct award of a banking services contract to the Royal Bank of Scotland Plc for a period of two years from 1st April 2017 to the 31st March 2019 for the notional sum of £120,000.

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.

123. ENFORCEMENT AGENT CONTRACT

RESOLVED:

1. That approval be given for the re-procurement of enforcement agents to assist in the recovery of unpaid Council Tax and Business Rates through the use of a Dynamic Purchasing System set up by the Yorkshire Purchasing Organisation (YPO).
2. That authority be granted to waive the competition requirements contained in Contract Standing Orders and to approve to carry on the current arrangement with the existing suppliers until the 31st March 2017 to ensure continuity of service delivery.
3. That the cost involved in accessing the YPO's Dynamic Purchasing System £1,500.00, be approved.
4. That delegated authority to award the contract be given to the Strategic Finance Director in consultation with the Cabinet Member for Finance.

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.

124. GRADUATE PLACEMENT FRAMEWORK RELET

RESOLVED:

1. That approval be given for the London Borough of Hammersmith and Fulham to run an open tender to let a framework for a period of 4 years for the provision of a graduate placement programme. That the framework is made available to other London councils and the City of London Corporation.
2. If the notional contract value exceeds £5,000,000, that delegated authority be given to the Shared Services Director for Human Resources, in consultation with the Cabinet Member for Finance to award the proposed framework.

3. That delegated authority be given to the Shared Services Director for Human Resources, in consultation with the Cabinet Member for Finance to award a call off contract from the framework for the London Borough of Hammersmith and Fulham.
4. That delegated authority be given to the Shared Services Director for Human Resources, in consultation with the Cabinet Member for Finance to enter necessary contractual arrangements to enable other London councils (as defined as part of the tender process) to access the Graduate Placement Framework, once awarded.

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.

125. RECRUITMENT ADVERTISING AND RELATED CONTRACTS

RESOLVED:

- 1.1 That ESPO Framework 3A- Advertising Solutions be utilised to run a mini competition to secure the services of a recruitment advertising provider under lot 1 of the said framework for a 2-year period with an option to extend for a further 2 periods of 12 months each.
- 1.2 That the Shared Services Director for Human Resources be given delegated authority, in consultation with the Cabinet Member for Finance to enable any extensions of the contract as set out in para 2.1.1 following the initial 2-year period.

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.

126. GRANT OF A LONG LEASE TO LONDON DIOCESAN FUND IN RESPECT OF PRYOR'S BANK, SW6 3LA

RESOLVED:

- 1.1. That the Council enter a 125- year lease (of land and premises shown on the plan attached as Appendix 2) with the London Diocesan Fund ('LDF'). The Council would receive a premium plus a rent under the proposed lease for LDF (details of which are given in the exempt part of the report comprising Appendix 1). The Council would terminate the current tenancy at will that is in place following the tenant holding over from their previous lease expiring in 2012.
- 1.2. That delegated authority be given to the Director for Building and Property Management, in consultation with the Cabinet Member for Environment, Transport and Residents' Services and the Cabinet Member for Finance, to finalise the property transaction.
- 1.3. That delegated authority be given to the to the Bi-Borough Director for Safer Neighbourhoods, in consultation with the Cabinet Member for Environment, Transport and Residents' Services and the Cabinet Member for Finance, the consideration of any comments or objections that arise from public notification of the proposed disposal, under the lease, of open space (largely comprising circulation space adjoining the property 'Pryor's Bank'). (This public notification is a statutory requirement explained in clauses 4.5, 8.2 and 8.3 of this 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.

127. PROCUREMENT STRATEGY FOR DEBT MANAGEMENT AND BUSINESS INTELLIGENCE SERVICES

RESOLVED:

- 1.1. That the Commercial Director be authorised to begin the procurement process to appoint a partner to deliver debt management services to H&F through a joint venture, and in accordance with the procurement strategy at Appendix 1.

- 1.2. That delegated authority be given to the Commercial Director in consultation with the Cabinet Member for Finance to award the framework agreement to the most economically advantageous tenderer.

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.

128. SCHOOL KITCHEN REPAIR AND MAINTENANCE CONTRACT- CONTRACT AWARD FOR THE LONDON BOROUGH OF HAMMERSMITH AND FULHAM; THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA AND WESTMINSTER CITY COUNCIL

RESOLVED:

That a contract be awarded for the provision of School Kitchen Repair and Maintenance contract, for a period of three (3) years, with the option to extend for up to a further (2) years commencing 1st February 2017.

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.

129. COMMISSIONING HIGHER EDUCATION PARTNER FOR STEP-UP TO SOCIAL WORK PROGRAMME

Councillor Sue Fennimore noted that Clare Chamberlain, Executive Director for Children's Services, had been awarded a CBE in the New Year Honours' List for services to children and families. Clare Chamberlain led work on Focus on Practice, a programme to enhance the skills of children's social workers and develop more effective help for families. This decision would enable the Council to continue and build on that good work.

RESOLVED:

1. That the procurement strategy, be approved.
2. That delegated authority be granted to the Director of Family Services and Director of Commissioning in consultation with the Cabinet Member for Children and Education to award a six-year contract to a Higher Education Institution with a total value of c.£1,100,000 (c.£380,000 for each of the three potential cohorts).
3. That the contract will be let by Hammersmith and Fulham Council and will include break clauses at two-year intervals, be noted. The contract will only continue on the basis of satisfactory performance by the Provider and continued funding from the Department for Education.

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.

130. AGREEMENT FOR THE DIRECT AWARD OF DAY SERVICES FOR PEOPLE WITH DEMENTIA

RESOLVED:

1. That approval be given to waiver the Council's Contract Standing Orders (CSO) 3.1 to directly award three contracts from 1st December 2016 to 31st March 2018 to the incumbent service providers.
2. That approval be granted to the Executive Director of Adult Social Care in consultation with Cabinet Member for Adult Social Care and Health to award the three contracts to the incumbent providers as outlined in Table 1 setting out details of the services and values for the contract period.

Table 1: Contract Values

| Provider | Service Name | Description | Annual Contract Value | ASC Annual Contrib. | HFCCG Annual Contrib. | Total Value for Contract Extension 16 months- | Funding Mechanism |
|----------|--------------|-------------|-----------------------|---------------------|-----------------------|---|-------------------|
|----------|--------------|-------------|-----------------------|---------------------|-----------------------|---|-------------------|

| | | | | | | 01/12/16 – 30/03/18) | |
|---------------------|--------------------------|--|-----------------|----------|---------|----------------------|----------------------|
| Alzheimer's Society | St. Vincent's Day Centre | Day Services for People with Dementia | £305,857 | £305,857 | Nil | £407,809 | LBHF only |
| Alzheimer's Society | Dementia Adviser | Info Advice and casework support for people with Dementia and Carers | £34,500 | Nil | £34,500 | £46,000 | Section 75 Agreement |
| Housing and Care 21 | Activity Plus | Community Based Outreach Service | £140,000 | £140,000 | Nil | £186,667 | LBHF only |
| Total | | | £480,357 | | | £640,476 | |

3. That all contracts referenced in table 1 above include a break clause, which would allow the Council to terminate the agreement with 3 months' written notice, be agreed.

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.

131. APPROVAL TO MAKE AN AWARD OF 2 CONTRACTS FOR PROVISION OF PARKING ENFORCEMENT AGENT (BAILIFF) SERVICES

RESOLVED:

- 1.1 That approval be given to award 2 Contracts for provision of Parking Enforcement Agent Services.
- 1.2 That approval be given to award the Contracts for provision of Parking Enforcement Agent Services to Marston Group Limited as primary provider and

Equita Limited as the reserve provider, commencing on 1 January 2017 for a term of 5 years.

- 1.3 That it be noted that this is a concessions contract which is subject to the Concession Contracts Regulations 2016 and that being a concessions contract where there are statutory recovery fees the award criteria to be used shall be primarily quality based.

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.

132. FORWARD PLAN OF KEY DECISIONS

The Key Decision List was noted.

133. 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.]

134. EXEMPT MINUTES OF THE CABINET MEETING HELD ON 5 DECEMBER 2016

RESOLVED:

That the exempt minutes of the meeting of the Cabinet held on 5 December 2016 be confirmed and signed as an accurate record of the proceedings, and that the outstanding actions 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.

135. DIRECT AWARD OF CONTRACT FOR BANK SERVICES - BUSINESS CASE: EXEMPT ASPECTS (E)

RESOLVED:

That the appendix 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.

136. GRADUATE PLACEMENT FRAMEWORK RELET: EXEMPT ASPECTS (E)

RESOLVED:

That the recommendations in the exempt part of 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.

137. RECRUITMENT ADVERTISING AND RELATED CONTRACTS: EXEMPT ASPECTS (E)

RESOLVED:

That the recommendations in the exempt part of 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.

138. GRANT OF A LONG LEASE TO LONDON DIOCESAN FUND IN RESPECT OF PRYOR'S BANK, SW6 3LA: EXEMPT ASPECTS (E)

RESOLVED:

That the appendix 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.

139. SCHOOL KITCHEN REPAIR AND MAINTENANCE CONTRACT - CONTRACT AWARD FOR THE LONDON BOROUGH OF HAMMERSMITH AND FULHAM; THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA AND WESTMINSTER CITY COUNCIL: EXEMPT ASPECTS (E)

RESOLVED:

That the recommendations in the exempt part of 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.

140. APPROVAL TO MAKE AN AWARD OF 2 CONTRACTS FOR PROVISION OF PARKING ENFORCEMENT AGENT (BAILIFF) SERVICES: EXEMPT ASPECTS (E)

RESOLVED:

That the recommendations in the exempt part of 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.

Meeting started: 7.00 pm

Meeting ended: 7.05 pm

Chair

| | | |
|---|--|---|
| London Borough of Hammersmith & Fulham CABINET 6 FEBRUARY 2017 | |  h&f hammersmith & fulham |
| DRAFT REVENUE BUDGET AND COUNCIL TAX LEVELS 2017/18 | | |
| Report of the Cabinet Member for Finance – Councillor Max Schmid | | |
| Open Report | | |
| Classification: For Decision Key Decision: Yes | | |
| Wards Affected: All | | |
| Accountable Director: Hitesh Jolapara – Strategic Finance Director | | |
| Report Author: Andrew Lord – Head of Strategic Planning and Monitoring | | Contact Details: Tel: 020 8753 2531 E-mail: andrew.lord@lbhf.gov.uk |

1. EXECUTIVE SUMMARY

- 1.1. The draft Report to Budget Council is attached (Appendix1).

2. RECOMMENDATIONS

- 2.1. To recommend, subject to any changes agreed by the Cabinet Member for Finance, that the draft Revenue Budget and Council Tax Level 2017/18 Report is forwarded to Budget Council.

3. REASONS FOR DECISION

- 3.1 To put forward Cabinet’s proposed 2017/18 Revenue Budget to Budget Council.

4. CONSULTATION

- 4.1. The budget proposals have been considered at each of the Policy and Accountability Committees.

5. EQUALITY IMPLICATIONS


- 5.1. These are considered as part of the draft Revenue Budget and Council Tax Level 2017/18 Report.

6. LEGAL IMPLICATIONS

- 6.1. These are set out in the draft Revenue Budget and Council Tax Level 2017/18 Report.

7. FINANCIAL AND RESOURCES IMPLICATIONS

- 7.1. These are set out in the draft Revenue Budget and Council Tax Level 2017/18 Report. Should further changes be required these will be subject to approval by the Cabinet Member for Finance.

| | | |
|--|--|---|
| London Borough of Hammersmith & Fulham COUNCIL 22 February 2017 | |  |
| DRAFT REVENUE BUDGET AND COUNCIL TAX LEVELS 2017/18 | | |
| Report of the Leader of the Council: Councillor Stephen Cowan | | |
| Open Report. | | |
| Classification - For Decision Key Decision: Yes | | |
| Wards Affected: All | | |
| Accountable Director: Hitesh Jolapara, Strategic Finance Director | | |
| Report Author: Andrew Lord- Head of Strategic Planning and Monitoring | | Contact Details: Tel: 020 8753 2531 E-mail: andrew.lord@lbhf.gov.uk |

1. EXECUTIVE SUMMARY

1.1. The 2017/18 revenue budget proposals are set out regarding:

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

2. RECOMMENDATIONS

- 2.1 A freeze in the Hammersmith & Fulham element of the council tax charge
- 2.2 Not apply the “social care precept” levy. This means H&F residents will pay council tax at 4% below the level modelled (2% social care precept and 2% for council tax) by the Government for the coming year.
- 2.3 Council tax be set for 2017/18 for each category of dwelling, as calculated in accordance with Sections 31A to 49B 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 £727.81 per Band D property in 2017/18.*
- (b) *The element of council tax charged by the Greater London Authority will be £280.02 per Band D property in 2017/18*
- (c) *Social Care Precept set at nil*
- (d) *The overall Council Tax to be set at £1,007.83 per Band D property in 2017/18.*

| Category of Dwelling | A | B | C | D | E | F | G | H |
|----------------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Ratio | 6/9 £ | 7/9 £ | 8/9 £ | 1 £ | 11/9 £ | 13/9 £ | 15/9 £ | 18/9 £ |
| A) H&F | 485.21 | 566.07 | 646.94 | 727.81 | 889.55 | 1,051.28 | 1,213.02 | 1,455.62 |
| b) GLA | 186.68 | 217.79 | 248.90 | 280.02 | 342.24 | 404.47 | 466.70 | 560.04 |
| c) Total | 671.89 | 783.86 | 895.84 | 1,007.83 | 1,231.79 | 1,455.75 | 1,679.72 | 2,015.66 |

- 2.4 The Council’s own total net expenditure budget for 2017/18 is set at £144.205m.
- 2.5 To approve £7.268m new spend on key council services, including £4.413m new funding for Adult Social Care to improve services for the elderly and disabled.
- 2.6 Fees and charges are approved as set out in paragraph 6.1
- 2.7 The budget projections, made by the Strategic Finance Director to 2020/21, be noted.
- 2.6 The statement made by the Strategic Finance Director under Section 25 of the Local Government Act 2003 regarding the adequacy of reserves and robustness of estimates be noted (section 14).

- 2.7 The Strategic Finance Director 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.
- 2.8 That all Directors be required to report on their projected financial position compared to their revenue estimates in accordance with the Corporate Revenue Monitoring Report timetable.
- 2.9 Directors be authorised to implement their service spending plans for 2017/18 in accordance with the recommendations within this report and the Council's Standing Orders, Financial Regulations and relevant Schemes of Delegation.
- 2.10 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.

3. REASONS FOR DECISION

- 3.1 The Council is obliged to set a balanced budget and council tax charge in accordance with the Local Government Finance Act 1992.

4. BUDGET OVERVIEW

- 4.1 **A freeze in the Hammersmith and Fulham element of council tax is recommended.** This includes not levying a 2% 'social care precept' as suggested by Central Government. This will provide a balanced budget whilst not increasing the burden on local taxpayers.
- 4.2 The council tax freeze has been delivered despite on-going government funding cuts. From 2010/11 to 2016/17 government funding has reduced by £74m. The 2017/18 funding reduction from 2016/17 is £8.9m. In addition, the Government has imposed £0.65m of unfunded new burdens on the Council for 2017/18. Funding is forecast to reduce by a further £19m from 2017/18 to 2020/21. A fuller explanation of the funding forecast and spending power calculation is set out in Appendix I.
- 4.3 The Council has adopted a new way of looking at how it spends money providing services for residents. The 'Smarter Budgeting' programme has focussed on developing service and cost improvement ideas to bridge the budget gap. The resultant budget proposals focus on protecting front-line services and value for money.
- 4.4 Growth of **£7.3m** has been provided to meet statutory obligations, demographic, service pressures and key local priorities. **£4.4m** of the growth (of which £3.491m is on-going) relates to Adult Social Care.

- 4.5 Savings of **£14.5m** are put forward to balance the 2017/18 budget. Nearly 50% of the savings relate to enabling activities (support services and commercial activities).
- 4.6 The budget proposals mean that H&F residents will pay council tax at 4% below the level modelled (2% social care precept and 2% for council tax) by the Government for 2017/18.

5. THE COUNCIL TAX REQUIREMENT

- 5.1 The Band D council tax charge is calculated by dividing the council tax requirement by the council tax base¹. The 2017/18 council tax requirement is **£55.268m**. The medium-term forecast, to 2020/21 is set out in Appendix B.

| Table 1: The Council Tax Requirement | £'000s |
|--|----------------|
| Base gross budget rolled forward from 2016/17 ² | 160,373 |
| Plus/Minus: | |
| Inflation (section 6) | 2,916 |
| Growth (section 6) | 7,268 |
| Savings and additional income (section 7) | (14,491) |
| One-off Contribution to the Efficiency Projects Reserve | 2,902 |
| Earmarked Grant | (831) |
| Gross Budget Requirement | 158,137 |
| Specific unringfenced grants (section 8) | (11,932) |
| Use of developer contributions (section 8) | (2,000) |
| Net Budget Requirement for 2017/18 | 144,205 |
| Less: | |
| Revenue Support Grant (section 8) | (29,499) |
| Locally retained business rates (section 8) | (58,421) |
| One off Collection Fund Surplus | (1,017) |
| 2017/18 Council Tax Requirement | 55,268 |

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

² The base budget carried forward is net of one-off contributions to reserves. In line with wider accounting treatment the business rates tariff payable to government is now netted against resources rather than shown as expenditure. The tariff was £2.9m in 2016/17 and increases to £18.1m in 2017/18.

6. INFLATION AND GROWTH

Inflation

6.1 The following provision is made for inflation:

- **Price inflation** is provided for when there is a contract in place.
- **Pay inflation** of 1% is provided for in line with Government recommendations for public sector pay awards.
- **Fees and charges**
 - Adult Social Care, Children's Services, Libraries and Housing charges frozen.
 - A standard uplift of 1.8% based on the August Retail Price index for some fees in Environmental Services. All parking charges are frozen.
 - Commercial services that are charged on a for-profit basis, will be reviewed on an ongoing basis in response to market conditions and varied up and down as appropriate, with appropriate authorisations according to the Council constitution.

Current proposed exceptions to the standard 1.8% increase are set out in Appendix F.

Growth

6.2 Growth is provided through the budget process as necessary. This is detailed in Appendix C and summarised in Table 2.

Table 2: 2017/18 Growth Proposals

| Service Area/ Outcome | £'m |
|------------------------------|--------------|
| Adult Social Care | 4.413 |
| Children's Services | 0.739 |
| Environmental Services | 0.238 |
| Housing | 0.230 |
| Enabling/Council wide | 1.648 |
| Total Growth | 7.268 |

Table 3: Categorisation of Growth

| Service Area/ Outcome | £'m |
|---|--------------|
| Government burden/related | 0.650 |
| Increase in demand/demographic growth | 1.390 |
| Council Priority | 2.034 |
| Budget Pressure | 0.381 |
| Existing budget pressures funded by virements from budget underspends/savings | 0.060 |
| New Grant | 1.753 |
| Pension Triennial Valuation | 1.000 |
| Total Growth | 7.268 |

- 6.3 The growth proposals include use of a **new one-off Adult Social Care Support Grant** of £0.922m and an ongoing increase in support through **the Better Care Fund** of £0.831m. The Better Care Fund income will increase to £4.4m in 2018/19 and £7.5m in 2019/20. The on-going Adult Social Care growth, excluding the use of the one-off grant, is £3.491m.

7. SAVINGS AND INCOME GENERATION

- 7.1 The Council's 'Smarter Budgeting' programme has focussed on developing service and cost improvement ideas to bridge the budget gap.
- 7.2 Under the programme eight outcomes were agreed and a team established for each outcome focussed on service and efficiency opportunities. The outcomes were:
- Economic Growth
 - The best start in life for children
 - Resident involvement
 - Decent homes
 - Reducing homelessness
 - Supporting vulnerable adults
 - Safer and healthier place
 - Cleaner, greener, sustainable borough

A similar approach has been adopted for reviewing support services (enabling activities).

- 7.3 Budgets and spend has been mapped against each of the outcomes. The teams worked together to: analyse their cost base and activities; identify

new and innovative ideas; and, develop the ideas into business cases to help meet the financial challenges and improve services for residents.

- 7.4 Since Smarter Budgeting began brainstorming sessions have been held to generate new ideas for initiatives and money-saving exercises across the business involving staff as well as our partners. Workshops were held to investigate those ideas and ensure they were joined up across the council, eliminating duplication and putting collaboration at the forefront of our thinking.
- 7.5 For each outcome, a number of business cases were developed. These include identifying new sources of income, service improvement and savings.
- 7.6 The saving proposals are detailed in Appendix C with the 2017/18 position summarised in Table 4. The £1.885m savings for Adult Social Care are less than the growth of £4.413m.

Table 4: 2017/18 Savings Proposals

| Service Area/Outcome | Savings £'000s |
|--|---------------------------|
| Enabling | 7,028 |
| Income Adult Learning and Skills | 95 |
| Children's Services | 1,870 |
| Libraries | 382 |
| Housing Services | 1,256 |
| Adult Social Care | 1,885 |
| Environmental Services | 450 |
| Public Health Investment | 2,000 |
| Total All savings | 14,966 |
| Less savings accounted for in the grant/resource forecast ³ | (475) |
| Net Savings | 14,491 |

- 7.7 The saving proposals are categorised by savings area in Table 5.

³ The council has undertaken business intelligence and other projects that have generated extra grant and council tax income of £0.475m. These are shown within the resource forecast.

Table 5: Categorisation of 2017/18 Savings

| | Savings £'m |
|--|------------------------|
| Business Intelligence | (0.625) |
| Budget reduced in line with spend | (0.335) |
| Commercialisation / Income | (2.873) |
| Income | (0.332) |
| Outside investment secured (e.g. NHS) | (0.213) |
| Prevention | (0.626) |
| Procurement / Commissioning | (5.036) |
| Service reconfiguration | (2.724) |
| Staffing / Productivity | (2.247) |
| Total All Savings | (14.966) |
| Less savings accounted for in the grant/resource forecast ⁴ | 0.475 |
| Net Savings | (14.491) |

8. EXTERNAL, DEVELOPER AND BUSINESS RATES FUNDING

- 8.1 The Government funding receivable is detailed in Appendix E. On a like-for like-basis 2017/18 funding is £8.9m (18% in cash terms) less than in 2016/17.
- 8.2 The key elements of the business rates retention system, for Hammersmith and Fulham, are set out in Appendix H. The amount retained by Hammersmith and Fulham is £0.1m more than the Government assumes when determining grant allocations. This benefit is largely due to a downwards revision in the sum set aside by the Council for historic rates appeals. The benefit from the reduction in historic appeals has enabled a £2.9m increase in the budget for locally retained business rates. This one-off gain will be used to top-up the Efficiency Projects Reserve.
- 8.3 A business rates revaluation, undertaken by the Valuation Agency, is effective from April 2017. The average rates payable in Hammersmith and Fulham, before transitional reliefs apply, has increased by 30%. The Council gets no benefit from this increase. It is redistributed to other parts of the country through payment of an increased tariff (from £2.9m to £18.1m) to the Government.
- 8.4 Property developments over recent years have placed increased pressure on council services.

⁴ The council has undertaken business intelligence projects that have generated extra grant and council tax income of £0.475m. These are shown within the resource forecast.

- 8.6 Section 106 agreements containing planning obligations are entered into between developers and the Council as the Local Planning Authority. The use of such obligations is controlled by legislation, including regulation 122 of the Community Infrastructure Regulations 2010 which requires planning obligations to be:
- Necessary to make the development acceptable in planning terms;
 - Directly related to the development; and
 - Fairly and reasonably related in scale and kind to the development.
- 8.7 The Council has entered into a significant number of s106 agreements. Whilst S106 funds can only lawfully be applied in accordance with the terms of each specific agreement, as approved by the Planning Applications Committee, some approved funds are identified fairly generally as being for expenditure on as yet unspecified “Social and Physical Infrastructure” or “Environmental Improvements” (although the agreements identify the types of projects/items the funds can be used for).
- 8.8 Provided the Council respects the obligation to maintain a reasonable relationship with the developments and complies with the specific terms of each of the s106 agreements giving rise to the funds, the Council has a degree of flexibility and discretion as to how it spends some of these funds. The council has analysed all of its s106 agreements that may give a financial benefit in the next ten years to determine which should be relied upon for budgeting purposes and which have flexibility in how they may be applied. As is usual in these circumstances many areas of Council activity that have faced increased demand following new developments offer a good fit with the purposes of some of the uncommitted s106 funds which can therefore be lawfully used to finance such activities. It is therefore proposed to use an additional £2m of uncommitted funding to support relevant spend within the Council in 2017/18, as was done in the previous year 2016/17.

HAMMERSMITH AND FULHAM’S COUNCIL TAX REQUIREMENT

- 9.1 Council on 25 January formally agreed a Tax Base of 75,938 equivalent Band D properties for 2017/18. Therefore, the Council's element of the Council Tax can be calculated as follows:

| | | |
|--------------------------------------|--------------------|-----------|
| <u>Total Council Tax Requirement</u> | = <u>£55.2685m</u> | = £727.81 |
| Tax Base | 75,938 | |

- 9.2 This represents a freeze in the LBHF element of the council tax charge.

10. PRECEPTOR'S COUNCIL TAX REQUIREMENTS (SUBJECT TO CONFIRMATION)

- 10.1 The Greater London Authority's precept of £21.264m is also funded from Council Tax. The following table analyses the total amount to be funded and the resulting overall Band D Council Tax level.

| | | | | |
|--------------------------------------|---|------------------|---|---------|
| <u>Preceptors Budget Requirement</u> | = | <u>£21.2642m</u> | = | £280.02 |
| Tax Base | | 75,938 | | |

- 10.2 This represents an increase of £4.02 from the 2016/17 level.

11. OVERALL COUNCIL TAX REQUIREMENTS 2017/18

- 11.1 It is proposed to freeze Hammersmith and Fulham's element of the Council Tax in 2017/18. This will provide a balanced budget with £14m - £20m in General Fund balances (see section 14). The overall amount to be funded from the Council Tax is calculated as follows:

Table 5 – Overall 2017/18 Council Tax Requirement

| | |
|--|--------------------------|
| London Borough of Hammersmith & Fulham | £000s 55,268.5 |
| Greater London Authority | 21,264.2 |
| Total Requirement for Council Tax | 76,532.7 |

- 11.2 In accordance with the Local Government Finance Act 1992, the Council is required to calculate and approve a council tax requirement for its own budgetary purposes (section 9) and then add the separate Council Tax requirements for each of the preceptors (section 10). The requisite calculation is set out in Appendix A.
- 11.3 The Council must then set the overall Council Tax for the Borough. These calculations 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 Council Tax Requirement</u> | = | <u>£ 76.5327m</u> | = | £1,007.83 |
| Tax Base | | 75,938 | | |

12. CONSULTATION WITH NON DOMESTIC RATEPAYERS

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

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

- 13.1 As part of the consultation process the budget proposals have been reviewed by a relevant PAC.

14. COMMENTS OF THE STRATEGIC FINANCE DIRECTOR

The Robustness of the Budget Estimates

- 14.1 Under Section 25 of the Local Government Act 2003, the Strategic Finance Director is required to include, in the budget report, his view of the robustness of the 2017/18 estimates.
- 14.2 Budget estimates are exactly that, estimates of spending and income at a point in time. This statement about the robustness of estimates cannot give a guaranteed assurance about the budget, but gives Members reasonable assurances that the budget has been based on the best available information and assumptions. For the reasons set out below the Strategic Finance Director is satisfied with the accuracy and robustness of the estimates included in this report:
- The budget proposals have been developed following guidance from the Strategic Finance Director 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.
 - Rigorous mechanisms will be in place to monitor sensitive areas of expenditure and the delivery of savings. Whilst existing monitoring arrangements have delivered consistent budget underspends the Council recognises that more robust arrangements are required to deal with the future financial challenge.

- Key risks have been identified and considered.
- Prudent assumptions have been made about interest rates payable and the budget proposals are joined up with the requirements of the prudential code and Treasury Management Strategy.
- The revenue effects of the capital programme have been reflected in the budget.
- The recommendations regarding fees and charges are in line with the assumptions in the budget.
- The provision for redundancy is reasonable to meet future restructuring and downsizing.
- The use of budget monitoring in 2016/17 to re-align budgets where required.
- A review via the Senior Leadership Team of proposed savings and their achievability.
- A Member review and challenge of all budget proposals.
- The establishment of appropriate management and monitoring arrangements for the delivery of transformation programmes.
- A prudent approach has been adopted on the local share of income receivable through the business rates retention scheme.
- Developer contributions fund some budget pressures. Such contributions can only be used once. Monitoring arrangements are in place to ensure that sufficient contributions are set aside to meet the budget assumptions.
- A process is in place for 2018/19, and beyond, to tackle underlying budget pressures.

Risk, Revenue Balances and Earmarked Reserves

- 14.3 Under Section 25 of the Local Government Act 2003, the Strategic Finance Director is required to include, in budget reports, his view of the adequacy of the balances and reserves the budget provides for. The level of balances is examined each year along with the level of reserves in light of the risks facing the Authority in the medium term.

General Fund Balances

- 14.4 The Council's general balance stood at £19m as at 1 April 2016 and it is currently projected that this will not reduce in the current financial year. This will leave general balances at over 12% of the 2017/18 gross budget requirement.
- 14.5 The Council's gross budget requirement for 2017/18 is £158.1m. 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 D and amount to £20.6m.
- 14.6 Given the on-going scale of change in local government funding, the Strategic Finance Director considers that a wider than normal range needs to be specified for the optimal level of balances. He is therefore

recommending that reserves need to be maintained within the range £14m - £20m. The optimal level is projected to be broadly met over the next 3 years and is, in the Strategic Finance Director's view, sufficient to allow for the risks identified and to support effective medium term financial planning.

Earmarked Reserves

- 14.7 The Council holds a number of one-off earmarked reserves. General Fund earmarked reserves stood at £86m at the start of 2016/17 with School Reserves at £14m. In the Strategic Finance Director's view such reserves are adequate to deal with anticipated risks and liabilities
- 14.8 The Council is undertaking a number of major efficiency and other transformation programmes, the up-front and transition costs of which are being funded by reserves. These include the transition from the current IT contract in order to make at least £4.7 million annual savings, the consolidation of office estate in the Town Hall, the redesign of adult social care, taking forward the Integrated Family Support Service and mitigating the poor service provided by the outsourced managed services programme.
- 14.9 An additional one-off contribution to reserves for efficiency projects of £2.9m is proposed as part of the budget proposals so that the Council can continue to plan for these challenges over the next few years and meet the budget gap caused by the continuing decrease in central government grant. These one-off funds have become available following a review of the historic provision for business rates appeals.

Council Tax Setting

- 14.10 As part of the Localism Act 2011, the Government replaced the power to cap excessive budgets and Council Tax increases with compulsory referenda on Council Tax increases above limits it sets. For 2017/18 local authorities "will be required to seek the approval of their local electorate in a referendum if, compared with 2016/17, they set an increase in the relevant basic amount of council tax that is 2% or higher". No such referendum will be required by this Council.
- 14.11 In addition the Government has given power to authorities to charge a 6% social care precept by 2019/20. The maximum increase in any year is 3%. Revenue from an average 2% precept per annum is included in Government projections for LBHF's spending power in future years. However, the Council wishes to avoid having to apply this tax to residents.

Prior Year Collection Fund Surplus

- 14.12 The Local Government and Finance Act 1988 requires that all council tax and non-domestic rates income is paid into a Collection Fund, along with

payments out regarding the Greater London Authority precept, the business rates retention scheme and a contribution towards a Council's own General Fund. As at the close of 2015/16, due to the receipt of higher than expected income, the Collection Fund was in surplus by £1.4m. The Hammersmith and Fulham share of this surplus is £1m and this is included within the 2017/18 budget proposals. The balance of £0.4m is payable to the Greater London Authority.

15. LEGAL IMPLICATIONS

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

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

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

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

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

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

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

(a) tackle prejudice, and

(b) promote understanding.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 15.9 All these matters will be considered by service departments as part of the final decision-making and implementation processes, but must also be considered by the Council when taking its decision.
- 15.10 To assist the Council in fulfilling its PSED, the Equality Impact Analysis ('EIA') that has been carried out in respect of the proposed budget, including the proposed Council Tax reduction, is attached to this report in Appendix G. This will need to be read and taken into account by the Council, together with the requirements of the PSED itself set out above, in reaching a decision on the recommendations in the report.
- 15.11 The EIA addresses the broad issue of the proposed freeze in Council Tax and identifies the areas of the budget which may have particular equality implications. It also identifies areas that are likely to require further detailed consideration prior to implementation during the financial year and which may, as a result, be subject to change. The courts have found that this is a legitimate approach.
- 15.12 Implications verified by: Tasnim Shawkat – Director of Law Hammersmith and Fulham (020 8753 2700)

16. EQUALITY IMPLICATIONS

- 16.1 Published with this report is an Equality Impact Analysis ('EIA'). The EIA assesses the impacts on equality of the main items in the budget proposed to Full Council as well as the decision to freeze Council Tax. The full EIA is attached, in Appendix G.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

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

LIST OF APPENDICES:

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

Appendix B – Medium Term Financial Forecast

Appendix C – Growth and Savings Proposals

Appendix D - Budget Risks

Appendix E – Government Grant Funding

Appendix F – Fees and Charges – exceptions to the standard 1.8% increase (to follow)

Appendix G – Draft Equalities Impact Assessment (to include latest draft)

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

Appendix I – Reduction in Spending Power

APPENDIX A

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

| | | <u>£'s</u> |
|-----|---|------------|
| (a) | Being the aggregate of the amounts which the Council estimates for the items set out in section 31A (2) (a) to (f) of the Act. | tbc |
| (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. | tbc |
| (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. | 76,532,700 |
| (d) | Being the amount calculated by the council as the council tax base for 2017/18 and formerly agreed by council on 25 January 2017. | 75,938 |
| (e) | Being the amount at (c) divided by the amount at (d) above, calculated by the Council in accordance with Section 31B of the Act as the Basic amount of council tax (Band D) for the year. | 1,007.83 |
| (f) | Hammersmith and Fulham proportion of the Basic amount of its Council Tax (Band D) | 727.81 |

(g) Valuation Bands – Hammersmith & Fulham Council:

| (g) Valuation Bands – Hammersmith & Fulham Council: | | | |
|---|----------|----------|----------|
| Band A | Band B | Band C | Band D |
| 485.21 | 566.07 | 646.94 | 727.81 |
| Band E | Band F | Band G | Band H |
| 889.55 | 1,051.28 | 1,213.02 | 1,455.62 |

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.

(h) Valuation Bands – Greater London Authority

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

| Band A | Band B | Band C | Band D |
|---------------|---------------|---------------|---------------|
| 186.68 | 217.79 | 248.90 | 280.02 |
| Band E | Band F | Band G | Band H |
| 342.24 | 404.47 | 466.70 | 560.04 |

(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 2017/18 for each of the categories of dwellings shown below:

| Band A | Band B | Band C | Band D |
|---------------|---------------|---------------|---------------|
| 671.89 | 783.86 | 895.84 | 1,007.83 |
| Band E | Band F | Band G | Band H |
| 1,231.79 | 1,455.75 | 1,679.72 | 2,015.66 |

Medium Term Budget Requirement

Appendix B

| | Year 1 2017/18 £'000 | Year 2 2018/19 £'000 | Year 3 2019/20 £'000 | Year 4 2020/21 £'000 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| General Fund Base Budget | 164,373 | 164,373 | 164,373 | 164,373 |
| One off budget adjustments | (4,000) | (4,000) | (4,000) | (4,000) |
| Net General Fund Base Budget | 160,373 | 160,373 | 160,373 | 160,373 |
| Contract and Income Inflation | 2,066 | 4,416 | 7,116 | 9,616 |
| New Burdens from Government | | | | |
| Growth | 7,268 | 7,046 | 7,046 | 7,046 |
| Pay Award Contingency. (1% per annum) | 850 | 1,700 | 2,550 | 3,400 |
| Savings (1) | (14,491) | (27,902) | (38,600) | (46,544) |
| One off Contribution to Efficiency projects Reserve | 2,902 | 0 | 0 | 0 |
| Current headroom | 0 | 3,000 | 6,000 | 9,000 |
| Better Care Funding - Earmarked Grant | (831) | (831) | (831) | (831) |
| Gross Budget Requirements | 158,137 | 147,802 | 143,654 | 142,060 |
| Less: | | | | |
| Developer Contributions | (2,000) | (2,000) | (2,000) | (2,000) |
| New Homes Bonus Grant and Other Revenue Grants | (11,932) | (8,609) | (8,346) | (8,346) |
| Revenue Grants | (13,932) | (10,609) | (10,346) | (10,346) |
| Net Budget Requirement | 144,205 | 137,193 | 133,308 | 131,714 |
| Resources | | | | |
| Revenue Support Grant | 29,499 | 23,427 | 17,131 | 13,983 |
| Council Resources | 113,689 | 113,766 | 116,177 | 117,731 |
| Collection fund surplus | 1,017 | | | |
| Gross Resources | 144,205 | 137,193 | 133,308 | 131,714 |
| Budget Gap | 0 | 0 | 0 | 0 |

1) £475k of savings are built into the resources forecast. Details of these can be seen in the Enabling outcome savings schedule.

Enabling Activities

| MTFS Growth | | Budget Change | | | |
|--|---|--------------------------------|---|---|---|
| Service | Description | 2017-18 Budget Change (£000's) | 2018-19 Budget Change Cumulative (£000's) | 2019-20 Budget Change Cumulative (£000's) | 2020-21 Budget Change Cumulative (£000's) |
| Recharge to Schools for HR Services | Children's Services currently invoice schools £570,000 for the provision of HR services (including payroll). The actual sum now estimated as recoverable will be significantly less, due in large part, to schools opting out of the BT payroll service. Part of the £275,000 income loss can be offset through £200,000 of lower payments to BT. | 60 | 60 | 60 | 60 |
| Taxicard Scheme | Taxicard Scheme - Review of eligibility criteria | 20 | 20 | 20 | 20 |
| Triennial valuation of the pension fund - employer contribution rate (estimated) | The current employer contribution rate will be in place until 31st March 2017. The triennial valuation of the Fund is in progress with firm figures expected in the Autumn. The preliminary view of the actuary was that there may need to be a small increase in contributions and certainly no reduction. | 1,000 | 1,000 | 1,000 | 1,000 |
| Recharges to the HRA | The HRA share of overhead efficiencies | 301 | 301 | 301 | 301 |
| Waste & Street Cleansing | Alternative Weed Treatment - to improve quality of the environment | 137 | 137 | 137 | 137 |
| Pensions | The Pensions Act 2008 requires all employers to provide a workplace pension scheme for employees called Auto enrolment. Auto-enrolment will result in a net increase in employer pension contributions as more employees enter the pension scheme. | 250 | 500 | 500 | 500 |
| Growth Total | | 1,768 | 2,018 | 2,018 | 2,018 |

| MTFS Savings | | Budget Change | | | |
|---|--|--------------------------------|---|---|---|
| Service | Description | 2017-18 Budget Change (£000's) | 2018-19 Budget Change Cumulative (£000's) | 2019-20 Budget Change Cumulative (£000's) | 2020-21 Budget Change Cumulative (£000's) |
| Procurement & Information Technology Strategy | Information Technology - New contract arrangements | (1,600) | (2,700) | (3,200) | (3,200) |
| Innovation and Change Management | Business Intelligence - revenue savings (including freedom pass work) | (150) | (400) | (650) | (900) |
| Commercialisation | Commercialisation | | | | |
| All | Savings from better contract management | (500) | (1,000) | (1,000) | (1,000) |
| Property and Highways | Increased advertising revenue | (453) | (675) | (675) | (675) |
| ICM | Business Intelligence - commercial income | (500) | (1,000) | (1,000) | (1,000) |
| Commercial | Commercialisation of better contract management | 0 | 0 | 0 | 0 |
| ELRS, Filming and Events | Improved utilisation of venues/locations | (50) | (100) | (100) | (100) |
| CCTV | Deployable CCTV | (100) | (100) | (100) | (100) |
| ELRS, Community Safety | Professional Witness | (20) | (20) | (20) | (20) |
| ELRS | Markets and events income | (100) | (100) | (100) | (100) |
| Finance | External Audit - recognition of underspend | (20) | (20) | (20) | (20) |
| HR | Reduction in redundancy provision | (450) | (450) | (450) | (450) |
| Delivery & Value | Offset against public health investment | (213) | (213) | (213) | (213) |
| Delivery and Value | Delivery & Value Budget Review | (144) | (144) | (144) | (144) |
| Cross Cutting | Contact Centre transformation | (250) | (250) | (250) | (250) |
| Finance | Shared Service Anti Fraud Service (CAFS) - recognition of existing underspends | (75) | (75) | (75) | (75) |

| MTFS Savings | | Budget Change | | | |
|---|---|--------------------------------|---|---|---|
| Service | Description | 2017-18 Budget Change (£000's) | 2018-19 Budget Change Cumulative (£000's) | 2019-20 Budget Change Cumulative (£000's) | 2020-21 Budget Change Cumulative (£000's) |
| Across Council | Use of Vacancy Board, agency staff review and flexible working to reduce spend | (850) | (850) | (850) | (850) |
| Centrally Managed Budgets | Savings on unfunded pensions costs | (200) | (200) | (200) | (200) |
| Planning | Planning applications efficiencies | (180) | (180) | (180) | (180) |
| | Complaints Service - Realignment of costs charged to Housing Revenue Account in line with activity | (50) | (50) | (50) | (50) |
| Electoral Services | Electoral Registration - Reduced print and back office costs by enabling canvassers to use tables to re | (41) | (46) | (46) | (46) |
| Human Resources | Human Resources Core Team - reduce costs including transactional work | (20) | (40) | (40) | (40) |
| Parking | Cashless parking | (250) | (250) | (250) | (250) |
| Parking | Ending unregulated use of Hurlingham car park | (87) | (87) | (87) | (87) |
| H&F Direct | Improved Housing Benefit Overpayments recovery | (200) | (200) | (200) | (200) |
| H&F Direct | Taxicards - recognition of underspends | (50) | (50) | (50) | (50) |
| Cross Cutting | Further productivity and other efficiencies from new ways of working | 0 | (6,467) | (15,388) | (23,002) |
| Savings Total | | (6,553) | (15,667) | (25,338) | (33,202) |
| Private Sector Housing | Improved council tax collection | (125) | (125) | (125) | (125) |
| Innovation and Change Management | Identifying invalid Single Person Discount claims | (200) | (200) | (200) | (200) |
| Innovation and Change Management | Identifying 'empty' properties that are inhabited | (50) | (50) | (50) | (50) |
| Innovation and Change Management | Identifying properties in the borough that are not on the Council Tax register | (100) | (100) | (100) | (100) |
| Savings Shown Within Gross Resources | | (475) | (475) | (475) | (475) |
| Total Enabling Savings | | (7,028) | (16,142) | (25,813) | (33,677) |

Income opportunities from adult learning and skills

| MTFS Savings | | Budget Change | | | |
|----------------------|--|---|--|--|--|
| Service | Description of Budget Change | 2017-18 Budget Change (£000's) | 2018-19 Budget Change Cumulative (£000's) | 2019-20 Budget Change Cumulative (£000's) | 2020-21 Budget Change Cumulative (£000's) |
| Adult Learning | Developing Income Opportunities for Adult Learning | (95) | (95) | (95) | (95) |
| Savings Total | | (95) | (95) | (95) | (95) |

Childrens Services

| MTFS Growth | | Budget Change | | | |
|---|--|---|--|--|--|
| Service | Description | 2017-18 Budget Change (£000's) | 2018-19 Budget Change Cumulative (£000's) | 2019-20 Budget Change Cumulative (£000's) | 2020-21 Budget Change Cumulative (£000's) |
| Unaccompanied asylum seeking children -10 additional children beyond current allocation | There is an interest for the administration to support a number of unaccompanied asylum seeking children in addition to our current allocation. A range of factors will impact the actual cost including age of children, grant funding and number of vacancies within the in-house provision. | 141 | 141 | 141 | 141 |
| MTFS Growth Held Corporately | | | | | |
| Queens Manor Resource Centre | Cabinet agreed funding to build and develop a Resource Centre for disabled children and their families; to rebuild the SEN Unit at Queen's Manor School and to fund project and specialist resources to develop the service offer of the Resource Centre in co-production with partners and families. | 150 | 600 | 600 | 600 |
| Travel Care and Support Service Arrangements | A recommendation was made to change the existing delivery arrangements to improve service standards and sovereign accountability, which included approval to fund additional recurring costs totalling £228k per annum from 2016/17. | 228 | 228 | 228 | 228 |
| Travel Care and Support Service Arrangements | There is a requirement to reprocur certain, significant, elements of passenger transport as a result of the end of the lifetime of the West London Alliance Framework and the decision to include within the procurement one of the largest providers of home to school transport currently on the Westminster Framework. As part of this proposal the procurement will establish "sovereign" routes and to enhance the quality of the existing service. | 220 | 220 | 220 | 220 |
| Growth Total | | 739 | 1,189 | 1,189 | 1,189 |

| Savings for Including In the MTFS | | Budget Change | | | |
|--|---|---|--|--|--|
| Service | Description | 2017-18 Budget Change (£000's) | 2018-19 Budget Change Cumulative (£000's) | 2019-20 Budget Change Cumulative (£000's) | 2020-21 Budget Change Cumulative (£000's) |
| Family Services/Commissioning | Integrated Family Support Services | (500) | (1,500) | (1,500) | (1,500) |
| Family Services | Maximising social care effectiveness | (797) | (1,261) | (1,365) | (1,365) |
| Family Services | Securing social housing placements for vulnerable young people | 0 | (100) | (100) | (100) |
| Education | Staffing and other efficiencies as disability placements ageing out | (122) | (122) | (122) | (122) |
| Education | Schools standards staffing and discretionary spend | (129) | (129) | (129) | (129) |
| Education | Education Psychology - additional traded income with schools | (50) | (50) | (50) | (50) |
| Education | Move to more independent travel training for some Special Educational Need Pupils in cases where this would be better for the pupil | (25) | (25) | (25) | (25) |

| | | | | | |
|----------------------|---|----------------|----------------|----------------|----------------|
| Education | Other efficiencies | (30) | (30) | (30) | (30) |
| Cross Cutting | Efficiencies to Legal Costs | (100) | (150) | (150) | (150) |
| Family Services | Aligning the budget to actual expenditure | (30) | (105) | (105) | (105) |
| Family Services | Family Service Savings- full year effect of savings delivered from 2016-17 staff reorganisation | (87) | (87) | (87) | (87) |
| Savings Total | | (1,870) | (3,559) | (3,663) | (3,663) |

Libraries

| MTFS Savings | | Budget Change | | | |
|--------------------------------|---|---|--|--|--|
| Service | Description | 2017-18 Budget Change (£000's) | 2018-19 Budget Change Cumulative (£000's) | 2019-20 Budget Change Cumulative (£000's) | 2020-21 Budget Change Cumulative (£000's) |
| | Maximising income from unused space and out of hours in libraries | (382) | (382) | (382) | (382) |
| Total Libraries Savings | | (382) | (382) | (382) | (382) |

Housing

| MTFS Growth | | Budget Change | | | |
|---|--|---|--|--|--|
| Service | Description | 2017-18 Budget Change (£000's) | 2018-19 Budget Change Cumulative (£000's) | 2019-20 Budget Change Cumulative (£000's) | 2020-21 Budget Change Cumulative (£000's) |
| H&F Link Team (Formally HB Assist Team) | The HB Assist project has delivered a programme of work addressing the impact on households living in the private rented sector, temporary accommodation and permanent Council properties. Growth is requested to fund the HB Assist Team on an ongoing basis. | 230 | 230 | 230 | 230 |
| Growth Total | | 230 | 230 | 230 | 230 |

| MTFS Savings | | Budget Change | | | |
|---------------------------|---|---|--|--|--|
| Service | Description | 2017-18 Budget Change (£000's) | 2018-19 Budget Change Cumulative (£000's) | 2019-20 Budget Change Cumulative (£000's) | 2020-21 Budget Change Cumulative (£000's) |
| Environmental Health | Contribution to overheads to cover operation of private sector licencing scheme. | (300) | (300) | (300) | (300) |
| Housing & Regeneration | Temporary Accommodation - reducing spend through longer term contracts and other efficiencies | (956) | (1,201) | (1,215) | (1,215) |

Adult Social Care

| MTFS Growth | | Budget Change | | | |
|---|--|--|--|--|--|
| Service | Description | 2017-18 Budget Change Cumulative (£000's) | 2018-19 Budget Change Cumulative (£000's) | 2019-20 Budget Change Cumulative (£000's) | 2020-21 Budget Change Cumulative (£000's) |
| Underlying Budget Pressures | There are continued pressures on the Home Care Packages and Direct Payment Budgets as part of the out of hospital strategy and the tendering of new home care contracts which is now operational . This has led to both an increases in demand | 1,030 | 1,030 | 1,030 | 1,030 |
| Home Care | Ne price for Home Care contracts | 820 | 820 | 820 | 820 |
| ASC element of Transport Contract | ASC element of Travel and Care Contract | 50 | 50 | 50 | 50 |
| Transition of People with Learning Disabilities | Existing budgets are struggling to cope with demand due to a number of reasons one of which is the combination of existing customers who are living longer with increasingly complex needs and new customers who are transferring from Children's Services with expensive care packages as the relevant budget does not transfer with customers. | 360 | 360 | 360 | 360 |
| Adult Social Care Support Grant | New One-off Support Grant for 2017/18 | 922 | 0 | 0 | 0 |
| Better Care Funding | Increase in 2017/18 Grant Funding | 831 | 831 | 831 | 831 |
| National Living Wage | Increased investment in home care contracts to deliver better service for residents and pay carers the London Living Wage | 400 | 400 | 400 | 400 |
| | | | | | |
| Growth Total | | 4,413 | 3,491 | 3,491 | 3,491 |

| MTFS Savings | | Budget Change | | | |
|--|---|--|--|--|--|
| Service | Description | 2017-18 Budget Change Cumulative (£000's) | 2018-19 Budget Change Cumulative (£000's) | 2019-20 Budget Change Cumulative (£000's) | 2020-21 Budget Change Cumulative (£000's) |
| Strategic Commissioning and Enterprise | Asset based commissioning of prevention services - improved targeting of services to deliver savings. | 0 | (150) | (150) | (150) |
| Integrated Care | Assisting people to maximise their independence where appropriate for their circumstances | (344) | (494) | (494) | (494) |
| Strategic Commissioning and Enterprise | Review operating model with high value providers | (200) | (330) | (330) | (330) |
| Strategic Commissioning and Enterprise | Remodel in house service delivery to lower costs through LEAN review and examine community and other delivery models. | (200) | (375) | (375) | (375) |
| Integrated Care | Alternative delivery vehicle for in house and commissioned services. | 0 | (50) | (125) | (200) |

| MTFS Savings | | Budget Change | | | |
|--|---|--|--|--|--|
| Service | Description | 2017-18 Budget Change Cumulative (£000's) | 2018-19 Budget Change Cumulative (£000's) | 2019-20 Budget Change Cumulative (£000's) | 2020-21 Budget Change Cumulative (£000's) |
| Integrated Care | Direct payments as first choice | 0 | (300) | (950) | (950) |
| Integrated Care | Forensic assessment of where payments are not aligned to services provided and/or customers needs | (222) | (444) | (444) | (444) |
| Strategic Commissioning and Enterprise | Dynamic Purchasing System | (200) | (650) | (650) | (650) |
| Integrated Care | Improved transition and promote independence | 0 | (310) | (465) | (465) |
| Integrated Care | Review of care pathways & extending independence through housing | (579) | (579) | (579) | (579) |
| All | Review of workforce costs | (140) | (240) | (240) | (240) |
| Strategic Commissioning and Enterprise | Profit from selling consultancy services | 0 | (100) | (100) | (100) |
| Savings Total | | (1,885) | (4,022) | (4,902) | (4,977) |

Environmental Services

| MTFS Growth | | Budget Change | | | |
|-------------------------------------|---|---|--|--|--|
| Service | Description | 2017-18 Budget Change (£000's) | 2018-19 Budget Change Cumulative (£000's) | 2019-20 Budget Change Cumulative (£000's) | 2020-21 Budget Change Cumulative (£000's) |
| CGCS | Introduce Street Czar post to work with communities to improve street cleanliness | 38 | 38 | 38 | 38 |
| MTFS Growth Held Corporately | | | | | |
| SND | Set fleet management budgets in line with current service demand | 80 | 80 | 80 | 80 |
| Growth Total | | 118 | 118 | 118 | 118 |

| MTFS Savings | | Budget Change | | | |
|----------------------------|--|---|--|--|--|
| Service | Description | 2017-18 Budget Change (£000's) | 2018-19 Budget Change Cumulative (£000's) | 2019-20 Budget Change Cumulative (£000's) | 2020-21 Budget Change Cumulative (£000's) |
| Transport & Highways | Cycle street furniture initiative | (75) | (125) | (150) | (150) |
| Environmental Health | Shared management of corporate health and safety | (25) | (25) | (25) | (25) |
| Transport & Highways | Review street naming charges | (11) | (11) | (11) | (11) |
| Transport & Highways | Transport Planning Consultancy | (55) | (65) | (66) | (66) |
| Transport & Highways | Savings through the roll out of Light Emitting Diode Lighting across the borough | (49) | (213) | (213) | (213) |
| Waste & Street Enforcement | Targeted reduction in general waste and increased recycling | (60) | (60) | (60) | (60) |
| Leisure & Parks | Flower stall | (5) | (5) | (5) | (5) |
| Leisure & Parks | Provide a digital genealogy service for Cemetery & Bereavement services | (5) | (7) | (10) | (15) |
| Waste & Street Enforcement | Provide street cleansing service to private land / road owners | (5) | (5) | (5) | (5) |
| Waste & Street Enforcement | WRWA - revised estimate of waste disposal costs | (160) | (160) | (160) | (160) |
| Savings Total | | (450) | (676) | (705) | (710) |

Public Health

| MTFS Savings | | Budget Change | | | |
|----------------------|---|---|--|--|--|
| Service | Description | 2017-18 Budget Change (£000's) | 2018-19 Budget Change Cumulative (£000's) | 2019-20 Budget Change Cumulative (£000's) | 2020-21 Budget Change Cumulative (£000's) |
| Public Health | Efficiencies in Public Health Delivery - reprocurement of NHS contracts and back office savings | (2,000) | (2,000) | (2,000) | (2,000) |
| Savings Total | | (2,000) | (2,000) | (2,000) | (2,000) |

Departmental Risk/Challenges

| Department & Division | Short Description of Risk | Risk | Risk | Risk | Risk | Mitigation |
|----------------------------------|--|------------------------|------------------------|------------------------|------------------------|--|
| | | 2017/18 Value (£000's) | 2018/19 Value (£000's) | 2019/20 Value (£000's) | 2020/21 Value (£000's) | |
| Adult Social Care | | | | | | |
| Integrated Care | Demographic pressures on Adult Social Care services would continue to increase as the population gets older. We continue to experience increases in numbers during future financial years.* | 0 | 1,346 | 1,914 | 1,914 | The Local Government settlement announced a new Adult Social Care support grant for 17/18 only and this will mitigate demographic pressures in year 1. |
| Integrated Care | Investment from health through the Better Care Fund has not yet been agreed for 2017/18. There is uncertainty about future years funding as Health budgets are also under significant financial pressures. | 2,000 | 2,000 | 2,000 | 2,000 | Negotiations have commenced with the Clinical Care Commissioning groups over the two year funding settlements (2017-19), and the local authorities are anticipating as a minimum the same level of health investment as previous years in order to deliver Better Care Fund Savings. |
| Integrated Care | Commissioners are continuing to receive requests for inflationary increases from providers above that which has already been built into the base budget | 236 | 236 | 236 | 236 | The Commercial and Innovation team will negotiate with providers on the inflationary increases to be awarded and this will need to be managed through this process. The Care Market is particularly fragile with a number of factors which are affecting the price-service delivery model. |
| All | Savings from Transformation Commissioning Programme to be delivered on a shared services platform as RAG rated red | 400 | 980 | 980 | 980 | The department has a transformational programme review group which will review all saving programmes and check progress on delivery. |
| | | | | | | |
| | | | | | | |
| Adult Social Care Total | | 2,636 | 4,562 | 5,130 | 5,130 | |
| Centrally Managed Budgets | | | | | | |
| Net Cost of Borrowing | Net Cost of Borrowing – Impact of Brexit on investment income earned. | 750 | 750 | 750 | 750 | Regular review of Investment Options. |

| Department & Division | Short Description of Risk | Risk | Risk | Risk | Risk | Mitigation |
|--|---|------------------------|------------------------|------------------------|------------------------|---|
| | | 2017/18 Value (£000's) | 2018/19 Value (£000's) | 2019/20 Value (£000's) | 2020/21 Value (£000's) | |
| All | Inflation – Uplift in inflation following pound devaluation. | 1,000 | 1,000 | 1,000 | 1,000 | Regular Review of Contracts. |
| Other Corporate Items | Land Charges Income – Potential slow down in the property market. | 400 | 400 | 400 | 400 | Seek compensating underspends elsewhere withn Centrally Managed Budgets |
| Centrally Managed Budgets Total | | 2,150 | 2,150 | 2,150 | 2,150 | |
| Children's' Services | | | | | | |
| LAC and Leaving Care | Housing provides support to Families with No recourse to Public Funds - NRPF status, on behalf of Children services, but demand for services in excess of what can be supported within existing budgets. | 225 | 225 | 225 | 225 | A joint working strategy has been agreed with Housing, in order to review these cases and take appropriate action |
| LAC and Leaving Care | Queens Speech - The introduction of the children and social work bill provides all care leavers up to the age of 25 with access to a personal adviser, who will guide and support them on anything from applying for jobs to finding a first place to live. This introduces a new duty of care towards young people who are 21+ and not in education. | 216 | 313 | 403 | 403 | As the changes in the Children and Social Work Bill is new primary legislation some central government funding is anticipated. However previous grant funding to cover increased responsibilities for Care Leavers has fallen short of the full costs of implementing the service enhancements. This risk will be reviewed once the announcement on a funding formula (anticipated spring 2017) for any new grant is made by the DFE. |
| Fostering and Adoption | Tower Hamlets - Risk of backdated claims following the court of appeal ruling that connected persons carers should receive payments on the same level as those of unrelated foster carers. | 2,528 | 2,990 | 3,499 | 3,499 | This risk is currently under review by the service, and individual cases are being resolved as they arise within current budgets. However, a review of policy may be required should risk materialise to a level which is deemed unmanageable. |

| Department & Division | Short Description of Risk | Risk | Risk | Risk | Risk | Mitigation |
|--|---|------------------------|------------------------|------------------------|------------------------|--|
| | | 2017/18 Value (£000's) | 2018/19 Value (£000's) | 2019/20 Value (£000's) | 2020/21 Value (£000's) | |
| Special Educational Needs | Travel Care and Support - The reprocurement of the Travel Care and Support contract to increase the quality of travel provision in LBHF. Risk of increased demand & impact of expected minimum wage changes | 72 | 584 | 653 | 717 | <ul style="list-style-type: none"> • Demand management – the review of the internal application of the travel assistance policy to ensure robust application and review processes in place • Establish clear process and mechanism for the identification of children and adults suitable for Independent Travel Training • The procurement of an effective Independent Travel Training contractor • Potential extension of the use of alternative travel options – e.g. personal transport budgets / mileage allowances – where more cost effective to do so. • Route optimisation |
| | | | | | | |
| | | | | | | |
| Children's' Services Total | | 3,041 | 4,112 | 4,780 | 4,844 | |
| Corporate Services | | | | | | |
| Innovation and Change Management | Risk of achieving the commercial income target by selling Business Intelligence to other organisations | - | 250 | 250 | 250 | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Corporate Services Total | | - | 250 | 250 | 250 | |
| Environmental Services (Inc CPA) | | | | | | |
| Buildings and Property Management | Increase in advertising revenue from Lyric Square saving not feasible | 100 | 100 | 100 | 100 | Work with the Commercial Director to develop and implement plans. Review post planning permission decision and local consultation. |
| Buildings and Property Management | Fall in advertising revenue if economic conditions change | 500 | 500 | 500 | 500 | Ensure tender process is run effectively and according to schedule. |
| Parking | Parking suspension income falls if there is a drop in economic activity | 500 | 500 | 500 | 500 | Regular finance review and reporting through Parking Control Board and DMT. |

| Department & Division | Short Description of Risk | Risk | Risk | Risk | Risk | Mitigation |
|--|---|------------------------|------------------------|------------------------|------------------------|--|
| | | 2017/18 Value (£000's) | 2018/19 Value (£000's) | 2019/20 Value (£000's) | 2020/21 Value (£000's) | |
| Cleaner, Greener & Cultural Services | Business case for new Events saving may not be viable | 100 | 100 | 100 | 100 | Work with the Commercial Director to develop and implement plans. Regular finance review and reporting through DMT and Commercial Board |
| Cleaner, Greener & Cultural Services | Increasing number of households may result in higher waste collection costs | 298 | 411 | 519 | 626 | Regular finance review and reporting through DMT. Continue to progress action plans to target reductions in general waste tonnages and increase recycling. |
| Safer Neighbourhoods | New deployable CCTV income target may not be met if demand does not materialise | 100 | 100 | 100 | 100 | Work with the Commercial Director to develop and implement plans. Regular finance review to monitor service demand. Report through DMT and Commercial Board |
| Other Commercial Services | Duct Asset Concession Contract income target not achieved | 290 | 290 | 290 | 290 | Work with the Commercial Director and concession holder to identify new large contracts. Regular finance review to monitor concession holder's performance. Set aside departmental reserves. |
| Various | Extra costs of apprenticeship levy may not be met from new savings | 109 | 109 | 109 | 109 | Use apprentices to fill existing and vacant roles where appropriate. Charge all appropriate training costs to the apprenticeship levy. |
| Environmental Services (Inc CPA) Total | | 1,997 | 2,110 | 2,218 | 2,325 | |
| Libraries & Archives Shared Service | | | | | | |
| Libraries & Archives | Decision taken not to follow a Trust model which would have yielded up to £115k savings in NNDR, but had significant set-up costs | 115 | 115 | 115 | 115 | Increased use of volunteers, sponsorship and crowd-funding. Work will be undertaken with economic development officers to raise the profile of libraries with potential Corporate |
| Libraries & Archives | Commercial target – still ongoing discussions of how to achieve full target | 100 | 100 | 100 | 100 | Further review of commercial opportunities and use of Library space outside of opening hours |
| Libraries & Archives Shared Service Total | | 215 | 215 | 215 | 215 | |
| Housing Dept | | | | | | |
| 1. Overall Benefit Cap | | 452 | 452 | 452 | 452 | |

| Department & Division | Short Description of Risk | Risk | Risk | Risk | Risk | Mitigation |
|--|---------------------------|------------------------|------------------------|------------------------|------------------------|---|
| | | 2017/18 Value (£000's) | 2018/19 Value (£000's) | 2019/20 Value (£000's) | 2020/21 Value (£000's) | |
| 2. Direct Payment | | 560 | 1,233 | 1,653 | 1,811 | <p>The following activities will help mitigate the Housing Department risks:</p> <ul style="list-style-type: none"> • A full service review, to be completed by April 2017, placing a greater emphasis on preventing homelessness, improved engagement with the third sector and reducing rough sleeping. • A focus on acquiring properties on longer term leases as well as exploring procuring different accommodation types – e.g. shared housing where suitable for under 35 year olds. • The Social Lettings Agency is intended to increase the supply of TA directly let accommodation and private rented accommodation, with the potential for revenue generation from providing management services, which can be used to subsidise other activity. However, any savings or income generation will only be realised after 2017/18 if it is successful. • Exploring the use of buybacks in the Earl's Court regeneration area for use as Temporary Accommodation. • Increasing the supply of social and affordable housing is crucial to the success of any strategic approach to managing the Temporary Accommodation process. The limited number of social homes has slowed the Temporary Accommodation move on process and resulted in more households remaining in Temporary Accommodation for longer periods – compounding the need for additional Temporary Accommodation units • Use of the Temporary Accommodation reserve (3.1m forecast reserve level at 1st April 2017) |
| 3. Increased B&B Costs | | 375 | 524 | 672 | 821 | |
| 4. subsidy entitlements (It may need to remove this one depend on the charging policy to tenant from April 2017) | | 830 | 857 | 884 | 922 | |
| 5. Inflationary pressures on TA landlord costs | | 1,087 | 1,517 | 1,959 | 2,415 | |
| 6. Increased number of homelessness acceptances | | 336 | 886 | 1,409 | 1,878 | |
| 7. Loss of Temporary Accommodation Management Fee (TAMF) on Housing Benefit Subsidy | | 1,872 | 1,872 | 1,872 | 1,872 | |
| 8. Homeless Reduction Bill (HRB) | | 3,700 | 3,700 | 3,700 | 3,700 | |
| 9. Expensive Void sell | | | 106 | 213 | 319 | |
| 10. S106 funding | | 1,201 | 1,578 | 1,168 | 1,168 | |

| Department & Division | Short Description of Risk | Risk | Risk | Risk | Risk | Mitigation |
|-----------------------|---------------------------|------------------------|------------------------|------------------------|------------------------|------------|
| | | 2017/18 Value (£000's) | 2018/19 Value (£000's) | 2019/20 Value (£000's) | 2020/21 Value (£000's) | |
| 13. SFA funding | | 174 | 174 | 174 | 174 | |
| | | | | | | |
| Housing Dept Total | | 10,587 | 12,899 | 14,156 | 15,532 | |
| Public Health Service | | | | | | |
| | Grand Total | 20,626 | 26,298 | 28,899 | 30,446 | |

| Government Resources Summary | | | | |
|--|---------------|---------------|---------------|---------------|
| Unringfenced resources | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| | £'000 | £'000 | £'000 | £'000 |
| Revenue Support Grant | 38,453 | 29,499 | 23,427 | 17,131 |
| Other Unringfenced grants | | | | |
| New Homes Bonus Grant | 8,096 | 7,831 | 5,880 | 5,641 |
| Housing Benefit Administration Grant | 1,285 | 1,273 | 1,273 | 1,273 |
| Localised Council Tax Support Administration Grant | 319 | 364 | 364 | 364 |
| Education Support Grant | 1,232 | 582 | 296 | 296 |
| Special Educational Needs Implementation | 124 | 139 | 0 | 0 |
| Independent Living Fund | 850 | 821 | 796 | 772 |
| Adult Social Care Support Grant | 0 | 922 | 0 | 0 |
| Total Other Unringenced Grants | 11,906 | 11,932 | 8,609 | 8,346 |
| Total Unringfenced Grants | 50,359 | 41,431 | 32,036 | 25,477 |
| Reduction in Unringenced grants | | 8,928 | 9,395 | 6,559 |
| Ringfenced Grants allocated within Departmental Budgets | | | | |
| Better Care | | | | |
| 2017/18 Better Care Increase | 0 | 831 | 831 | 831 |
| Public Health | 22,903 | 22,338 | | |
| Total Specific Grants | 22,903 | 23,169 | | |

Fees & Charges Exceptions 2017-18

| H&F Adult Social Care 2017/18 Proposed Fees and Charges : Exceptions | | | | | | |
|---|------------------------|-----------------------------|------------------------|---|---|--|
| Fee Description | 2016/17 Charge (£) | 2017/18 Proposed Charge (£) | Proposed Variation (%) | Total Estimated Income Stream for 2017/18 | Reason For Variation Not At Standard Rate | |
| Meals service charges | £2.00 | £2.00 | → 0.0% | £47,000 | The price was reduced from £3 to £2 in 2016/17 . | |
| 1. Careline Alarm Gold Service (Pendant) | Monthly Charges | | | | | |
| Private Clients (Home owners & Private Sector Tenants) | £23.14 | £23.14 | → 0.0% | £45,900 | There was no increase to Careline fees and charges in 2016/17 and it is proposed that there is no increase again in 2017/18. A board has been set up to discuss the Community Equipment Service and is reviewing the current Careline provision with the aim of modernising the service with a broad band solution. The Charging strategy will also be considered as part of this review. | |
| Council Non-Sheltered or Housing Association (RSL) Tenants | £17.21 | £17.21 | → 0.0% | £15,600 | | |
| 2. Careline Alarm Silver Service (Pendant) - Monitoring Service only | | | | | | |
| Private Clients (Home owners & Private Sector Tenants) | £16.12 | £16.12 | → 0.0% | £22,800 | | |
| Council Non-Sheltered or Housing Association (RSL) Tenants | £10.30 | £10.30 | → 0.0% | £5,700 | | |
| 3. Careline Alarm Gold Service (Pull cord) - Emergency Response & Monitoring Service | | | | | | |
| (A) Provided to Registered Social Landlord Sheltered Accommodations (RSL Financed) | £6.76 | £6.76 | → 0.0% | £23,300 | | |

Fees & Charges Exceptions 2017-18**Environmental Services Fees and Charge 2017-18 - Exceptions to the inflationary 1.8% increase**

| Fee Description | Sub Category | 2016-17 Fee (£) | 2017-18 Fee (£) | % Change | Reason for exception to inflationary increase |
|--|--|-----------------|-----------------|----------|---|
| Parking Permits | | | | | |
| Individual's first permit (6mths) | | 71.00 | 71.00 | 0.0% | Parking fees are considered in the context of Parking Policy |
| Individual's second permit (6mths) | | 260.00 | 260.00 | 0.0% | |
| Individual's first permit (Yearly) | | 119.00 | 119.00 | 0.0% | |
| Individual's second permit (Yearly) | | 497.00 | 497.00 | 0.0% | |
| Discounted permit charges (Green vehicles) | | 60.00 | 60.00 | 0.0% | |
| Business first permit (6mths) | | 464.00 | 464.00 | 0.0% | |
| Business second permit (6mths) | | 735.00 | 735.00 | 0.0% | |
| Business first permit (Yearly) | | 791.00 | 791.00 | 0.0% | |
| Business second permit (Yearly) | | 1,310.00 | 1,310.00 | 0.0% | |
| Doctors | | 125.00 | 125.00 | 0.0% | |
| Parking Pay and Display | | | | | |
| Zone A | | 2.80 | 2.80 | 0.0% | |
| Zone A - Visitor's | | 1.80 | 1.80 | 0.0% | |
| Suspension of Parking Bay | | | | | |
| 1-5 Days | | 40.00 | 40.00 | 0.0% | |
| 6-42 Days | | 60.00 | 60.00 | 0.0% | |
| 43 days + | | 80.00 | 80.00 | 0.0% | |
| Community Safety | | | | | |
| Stray Dogs | Return of Stray Dogs to Owners | 25.00 | 25.00 | 0.0% | Price freeze as 2016/17 charges have not yet been introduced. |
| Stray Dogs | Statutory fee | 25.00 | 25.00 | 0.0% | |
| Stray Dogs | Administration Fee | 25.00 | 25.00 | 0.0% | |
| Stray Dogs | Kennelling (per day) | 12.50 | 12.50 | 0.0% | |
| Neighbourhood Wardens | | | | | |
| Patrols | Neighbourhood Warden Patrols (per hour) | 100.00 | 100.00 | 0.0% | Price freeze to remain competitive. |
| Anti Social Behaviour | | | | | |
| Investigations | Casework (per hour) | 100.00 | 100.00 | 0.0% | Price freeze to remain competitive. |
| Investigations | Professional Witness Service (per hour) | 50.00 | 50.00 | 0.0% | |
| Camera hire | Pin hole camera hire - charge per day | 10.00 | 10.00 | 0.0% | |
| Camera hire | Pin hole camera with briefcase hire - charge per day | 25.00 | 25.00 | 0.0% | |
| Camera hire | Lipstick camera hire - charge per day | 10.00 | 10.00 | 0.0% | |
| Camera hire | Lipstick camera with briefcase hire - charge per day | 25.00 | 25.00 | 0.0% | |

| Fee Description | Sub Category | 2016-17 Fee (£) | 2017-18 Fee (£) | % Change | Reason for exception to inflationary increase |
|----------------------------|---|-----------------|-----------------|----------|---|
| Camera hire | Door viewer camera hire - charge per day | 10.00 | 10.00 | 0.0% | Price freeze as 2016/17 charges have not yet been introduced. |
| Camera hire | Door viewer camera with briefcase hire - charge per day | 25.00 | 25.00 | 0.0% | |
| Camera hire | Large zoom camera hire - charge per day | 15.00 | 15.00 | 0.0% | |
| Camera hire | Large zoom camera with briefcase hire - charge per day | 25.00 | 25.00 | 0.0% | |
| Camera hire | Polecam hire - charge per day | 50.00 | 50.00 | 0.0% | |
| Camera hire | Door viewer camera (housed) hire - charge per day | 15.00 | 15.00 | 0.0% | |
| Camera hire | Metal hide with camera hire - charge per day | 25.00 | 25.00 | 0.0% | |
| Camera hire | Notice board camera hire - charge per day | 25.00 | 25.00 | 0.0% | |
| Camera hire | Fire sign camera hire - charge per day | 25.00 | 25.00 | 0.0% | |
| Camera hire | Motion sensor camera hire - charge per day | 20.00 | 20.00 | 0.0% | |
| Camera hire | Briefcase camera plus audio hire - charge per day | 50.00 | 50.00 | 0.0% | |
| Camera hire | Camera equipped vehicle hire - charge per day | 50.00 | 50.00 | 0.0% | |
| CCTV | | | | | |
| 4G Deployable CCTV cameras | Survey (per hour) | 25.00 | 25.00 | 0.0% | Price freeze as 2016/17 charges have not yet been introduced. |
| 4G Deployable CCTV cameras | Individual PoleCam (set up) | 400.00 | 400.00 | 0.0% | |
| 4G Deployable CCTV cameras | Individual PoleCam (charge per day) | 100.00 | 100.00 | 0.0% | |
| 4G Deployable CCTV cameras | Individual PoleCam (charge per week) | 600.00 | 600.00 | 0.0% | |
| 4G Deployable CCTV cameras | Individual PoleCam (charge per calendar month) | 1,800.00 | 1,800.00 | 0.0% | |
| 4G Deployable CCTV cameras | Two PoleCams (set up) | 600.00 | 600.00 | 0.0% | |
| 4G Deployable CCTV cameras | Two PoleCams (charge per day) | 180.00 | 180.00 | 0.0% | |
| 4G Deployable CCTV cameras | Two PoleCams (charge per week) | 1,000.00 | 1,000.00 | 0.0% | |
| 4G Deployable CCTV cameras | Two PoleCams (charge per calendar month) | 3,000.00 | 3,000.00 | 0.0% | |
| Footage analysis | Forensic review of recorded footage (per hour) | 30.00 | 30.00 | 0.0% | |
| Footage analysis | Forensic review of recorded footage (per day) | 200.00 | 200.00 | 0.0% | |

Economic Regeneration, Housing and the Arts - Fees and Charges Not Increasing at the Standard Rate 2017/18

| Fee Description | 2016/17 Charge (£) | 2017/18 Charge (£) | Proposed Variation (%) | Total Estimated Income Stream for 2017/18 | Reason For Variation Not At Standard Rate |
|---|---|---------------------------------------|---|---|--|
| Housing & Regeneration | | | | | |
| Private Sector Leasing | | | | | |
| Private Sector Leasing Water Charges | Varies | Varies | Subject to water company increase, expected in January 2017 | Nil | The charge is determined by the annual increase set by the water companies. |
| Private Sector Leasing Rent (average per week) | £295.85 as at 1st September 2015 | £276.96 as at 1st October 2016 | n/a | £10.8m (2017/18 Estimates, based on 782 units with 4% void at the weekly rent of £276.96) | Since April 2012, the PSL rent threshold has been based on the January 2011 Local Housing Allowance (LHA). The LHA varies according to changes in market rents, the location of the property and its bedroom size. The threshold formula is 90% of LHA plus £40 and subject to a cap of £500 on Inner London and Outer South West London Broad Rental Market Areas (BRMA) and a cap of £375 on other BRMAs. From April 2017, the PSL rent threshold will be based on April 2015 LHA to reflect the implementation of Universal Credit. |
| Bed and Breakfast Temporary Accommodation | | | | | |
| B & B Rent Single/Family (Average per week) | £228.43 as at 1st September 2015 | £213.46 as at 1st October 2016 | n/a | £1.5m (2017/18 Estimates, based on 134 tenants at a weekly rent of £213.46) | Since April 2012, the B&B rent threshold has been based on the January 2011 Local Housing Allowance (LHA). From April 2017, the B&B rent threshold will be based on the April 2015 LHA to reflect the implementation of Universal Credit. The LHA varies according to changes in market rents, the location of the property and its bedroom size. This fee is the LHA threshold for one bedroom properties. |
| B & B Amenity Charges - Single Adult | £10.56 | £10.56 | → 0.0% | £73,600 (2017/18 Estimates, based on 134 tenants) | From 7th November 2016, the benefits caps were reduced from £26,000 per annum to £23,000 for Lone parents and Couples households and from 18,200 to £15,410 for Singles, in London. Any increase in fees is likely to be irrecoverable. |
| B & B Amenity Charges - Two Adults | £13.51 | £13.51 | → 0.0% | | |
| B & B Amenity Charges - Single Adult & Children | £11.14 | £11.14 | → 0.0% | | |
| B & B Amenity Charges - Two Adults and Children | £14.07 | £14.07 | → 0.0% | | |
| B & B Amenity Charges - Three Adults and Children | £17.12 | £17.12 | → 0.0% | | |
| B & B Amenity Charges - Four Adults and Children | £19.94 | £19.94 | → 0.0% | | |
| B & B Amenity Charges - any additional adult | £2.92 | £2.92 | → 0.0% | | |
| Adult Education | | | | | |
| Adult Education Class Full Fee per hour Band A | £0.00 | £0.00 | ↑ 1.0% | £694,000 (2017/18 Estimates) | |
| Adult Education Class Full Fee per hour Band B | £2.27 | £2.29 | ↑ 1.0% | | |
| Adult Education Class Full Fee per hour Band C | £3.45 | £3.48 | ↑ 1.0% | | |
| Adult Education Class Full Fee per hour Band D | £4.75 | £4.80 | ↑ 1.0% | | |
| Adult Education Class Full Fee per hour Band E | £5.95 | £6.01 | ↑ 1.0% | | |
| Adult Education Class Full Fee per hour Band F | £11.50 | £11.62 | ↑ 1.0% | | |
| Adult Education Class Full Fee per hour Band G | Market Rate | Market Rate | ↑ 1.0% | | |
| Libraries | | | | | |
| No Proposed Increases | | | | | |

Appendix G

(Draft) Equality Impact Analysis (EIA) of main budget proposals for 2017/18

1. Overview and Summary

The Council is obliged to set a balanced budget and Council Tax charge in accordance with the Local Government Finance Act 1992. The purpose of this EIA is to assess the main items in the budget that will be proposed to Full Council on 22 February 2017.

For 2017/2018, a balanced budget is proposed, based on various growth areas, efficiency savings, fees and reserves. On the basis of that budget, the Council proposes to freeze Council Tax. Further information is set out in the accompanying Report.

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). This EIA is intended to assist the Council in fulfilling its public sector equality duty ("PSED"). It assesses, so far as is possible on the information currently available, the equality impact of the budget, including the proposal to freeze Council Tax. The requirements of the PSED and case law principles are explained in the Legal Implications section of the report to Full Council. The Equality Implications section of that report is informed by this analysis.

2. Methodology

The analysis looks, first, at the impact of Council Tax remaining at the current level and, secondly, at the budget on which that decision is based. It is not, however, feasible or appropriate to carry out detailed EIAs of all the individual proposed policy decisions on which the budget is based at this stage. Detailed EIAs will be carried out of policy decisions that have particular relevance to the protected groups prior to any final decision being taken to implement those policy decisions. This will happen throughout 2017/18 as part of the Council's decision-making process, and changes will be made where appropriate.

The aim in this document is to identify the elements of the budget that may have a particular adverse or a particular positive impact on any protected group so that these can be taken into account by the Council when taking a final decision on the budget and the level of Council Tax. Generally, it is not possible at this stage, and prior to any detailed EIA, to identify measures that will mitigate the adverse effects of any particular policy decision, although where this is possible mitigating measures are identified at the appropriate point in this document.

3. Analysis of the impact of Council Tax remaining at current level

It is proposed that council tax remains at its current level for 2017/18 which means that there is no new impact resulting from the setting of council tax for this budgetary year, either positive or negative. The government allows local authorities to raise council tax by up to 4.99% of which 3% would have to be ring fenced for spending on social care ("the social care precept"). Beyond 4.99%, with 3% ring-fenced, then a referendum would need to be held. Which means that the Council needs to assess the impact of not taking the option of an additional precept. Were the Council to do so up to the 3% maximum allowed for 2017/18, it would mean that the Council would have £1.65m additional income ring-fenced for spending on adult social care (ASC).

Users of ASC services comprise customers with physical support, learning disability and mental health needs and their carers. Based on the latest population data (please see Appendix 1), 20% of the Borough population have a long term health condition or disability and 9% of the population are above 65.

Data from SALT returns shows 45% of those receiving long term services at end of March 2016 were in the 18-64 age range and 55% were over 65. For short term services the figures are 17% in the 18-64 age range and 83% were over 65. The combined figures were 27% in the 18-64 age range and 73% were over 65.

69% of carers assessed by the Council are women carers (whereas only 51% of the population as a whole is female), so carers are disproportionately more likely to be female. For ASC residential and nursing placements and for community based services, 38% of customers are from Black, Asian, mixed or other ethnicity groups, 60% of customers are White and 2% remain unclassified. This is based on published information in the Short and Long Term Care return. In contrast, data from the 2011 Census indicates that the proportion of Black, Asian, mixed or other ethnicity groups in the Borough population as a whole is 32% so these groups are marginally over-represented among service users (as BME groups tend to have poorer health than those from the White ethnic groups, after accounting for age differences). Given that the provision of ASC services in general promotes equality of opportunity for these groups, a decision not to use the social care precept is potentially a decision to forego a chance to promote equality of opportunity for these groups and/or a decision not to avoid a negative impact on these groups.

However, the equality impact analysis of the currently proposed ASC budget, later in this document, shows that the savings that it is proposed to make from the social care services budget are not themselves likely to have any significant adverse impact on any individual service user or carer and the council will continue to meet its statutory duties on the basis of the current budget. The additional £1.65 million which could be raised through the social care precept is not therefore necessary to address any significant adverse impact of the present ASC budget since no such impact has been identified. ASC's proposed budget also incorporates a growth of £2.660m, details of which are set out in paragraph 4.1.5 of this EIA. That growth, which is assessed below to have positive impacts, is achievable without the need to use the social care precept.

An additional £1.65m income could, though, be used for: (i) providing further additional discretionary ASC services; and/or (ii) meeting any non-anticipated ASC budget pressures, e.g., if demand for social care services is greater than expected in any area. Of those, option (i) would be capable of contributing further to the promotion of equality of opportunity for some users of ASC services and their carers. Option (ii) might also have such an effect, though if there were a shortfall in the Council's provision of services to meet its statutory duties, the Council would in any event find that money from reserves if there were insufficient money in the social care budget.

The Council must give due weight to these impacts when determining council tax and the budget for 2017/18. The Council will need to balance the impact of not using the social care precept against the wider benefits of not raising council tax or implementing the social care precept this year.

In considering this decision, the Council will also need to take into account what the equalities impact would be of introducing the social care precept of 3%. A detailed equality impact analysis of the effect of reducing council tax was undertaken for the purposes of the 2015/16 Budget. It is possible to draw on that analysis in order to consider the potential impact of introducing the social care precept, which would essentially produce the inverse picture to the 2015/16 reduction. In other words:

- those who are eligible for full Local Council Tax Support ("LCTS") would not be affected;
- those who are not eligible for LCTS would bear the bulk of the increase (likely to amount to about £30.00 per year for a Band D Council Tax payer);
- those who are eligible for partial LCTS would bear a smaller increase.

Appendix 2 provides details of LCTS claimant data. In terms of equality impact, the group that will be most significantly affected by any increase in council tax and/or the introduction of the social care precept will be those with low incomes that are just above the threshold for LCTS or who qualify for partial LCTS for whom the increase will represent a larger proportion of their disposable income. No specific data is held for this group, but the profile is likely to be similar to that of those who are eligible for LCTS. Of the 15,500 LCTS claimants, approximately 55% are female (higher than the proportion of females in the borough population as a whole, which was 51.3% according to the 2011 Census). Pensioners are also disproportionately represented (34% of LCTS claimants, but only 9% of Borough residents). Based on ONS data on low income groups, it is also likely that disabled residents, ethnic minority groups, women on maternity leave, single parents (who are normally women) and families with young children will be disproportionately represented in the affected group. Any children present in such households may be indirectly affected by the decrease in household income. Further, in line with social trends, there is likely to be a group of pensioners who are asset rich but cash poor who occupy some of the more expensive properties in the borough and will thus be subject to a greater negative financial impact as a proportion of their disposable

income. For example, a 3% increase on a property banded at G would result in an increase of about £51 per year.

As such, introducing the social care precept by 3% would likely have a disproportionate negative impact on pensioners, women, the disabled, ethnic minority groups and (indirectly) on children. The Council will need to weigh this negative impact against the potential positive impact of raising an additional £1.65m ring-fenced income for ASC services.

4. Analysis of overall impact of the proposed budget

4.1 Adult Social Care

4.1.1 Efficiencies, Growth and Fees and Charges

The 2017/18 proposals are detailed in this report, they are grouped into Integrated front door and demand management programme, tactical strategic & transformational commissioning programme and other efficiencies.

Any efficiency with a potential equalities impact on staff are to be considered as part of the staffing establishment reorganisations. Other items are to do with more effective and efficient way of delivering services are detailed below.

4.1.2 Integrated Front Door and Demand Management Programme

The Strategic outline for Adult Social Care over the past and future years is to develop further integrated services with health partners to improve access to frontline services and put more emphasis on preventive measures with the aim to promote independence and personalisation of services.

| | H&F 2017/18 Savings |
|---|---------------------|
| Assisting people to maximise their independence where appropriate for their circumstances | £0.344m |

4.1.2.1. Assisting people to maximise their independence where appropriate for their circumstances £0.344m.

This project will also focus on promoting independence first before increasing care or providing new long term care arrangements. It is linked to the continued efforts to improve customer outcomes across pathways through a range of services that are jointly commissioned or provided by Health, Social Care or third sector.

This project should have a positive impact on customers as it would follow a systematic approach which would consider the use of assistive technology, equipment, reablement or major adaptations before increasing long term home care or support services. It would promote independence amongst service users who can benefit from it, particularly service users who have a disability. Promoting independence is a key outcome with regards to compliance with the Care Act.

The programme is not an alternative to homecare services if that is what our customers require.

Adequate and thorough assessment would need to be carried out to ensure that the primary needs of the care user is made a priority and met

4.1.3 Tactical, Strategic and Transformations Commissioning Programme

| | H&F 2017/18 Savings |
|--|---------------------|
| Review Operating Model with high value providers (tactical savings) | £0.200m |
| Remodel in house service delivery | £0.200m |
| Forensic assessment of where payments are not aligned to services provided and/or customers' needs | £0.222m |
| E-market Dynamic Purchasing System | £0.200m |
| Review Care Pathways and extending independence through housing | £0.579m |

4.1.3.1 Review Operating Models with high value providers £0.200m

This project will review the operating models of high value providers to help deliver further tactical savings and work with providers to ensure that outcomes-based operating models which would tailor personalised services, put our customers first and replace more traditional forms of care to deliver improved outcomes for residents.

This process would involve:

- Retendering of current services to secure the best value
- Negotiations with providers on high volumes of spot contracts.

The review of Operating models is a fulfilment of a requirement under the Care Act and will have a positive implication for all service users.

4.1.3.2 Remodel in house service delivery. £0.200m

This project aims to modernise and remodel the in house services portfolio which includes day care, supported housing, and respite care. The aim will be to remodel services at a lower cost case through two potential routes:

- Lean efficiency savings
- Refocus toward community based alternatives

A number of savings proposals are interlinked which would have an impact on the operating models and demand for in house services. These linkages will need to be managed accordingly.

This is anticipated to have a neutral impact because it aims to promote independence, choice and personalisation of services.

4.1.3.3 Forensic assessment of where payments are not aligned to services. £0.222m

This project will undertake forensic needs, service level and payments analysis to ensure that all payments are for activities undertaken, against an agreed and assessed need for a customer, as detailed in their care plan.

This project will help to resolve inefficiencies in current practice. Inadequate service provision will reduce and overpayments to providers will be eliminated.

here should be a positive equalities impact as customers will receive appropriately funded care services as detailed in their care plan.

4.1.3.4 E-Market Dynamic Purchasing System (DPS) £0.200m

The project focusses on the procurement and implementation of a DPS, an electronic mini tendering system for regular purchases of residential care placements. This improves access to a wider market and the best price in an automated way. Customers will be provided with a 'best fit' placement that will clearly support their assessed needs and agreed outcomes.

The care assessment and budget allocation process will remain the same, however it would make the systems of seeking quotes from providers electronic. The DPS relies on the same inputs from operational staff and brokerage as is the case now, so there would be no difficulties with the purchase of care. It will make the system more systematic and transparent.

This is a joint WLA project, which aims to deliver cashable savings, but may only result in future cost avoidance.

A robust new Top-up policy is required where customers choose a placement that is more expensive than the one being offered.

The proposal will have a neutral impact in terms of equalities regarding access choice and control regarding a customer's residential care placement.

4.1.3.5 Review Care Pathways and extending independence through housing £0.579m

This proposal will review care pathways across all customers with the aim of

- Producing integrated pathways with partners
- Improving opportunities for choice, independence, and control through alternative housing solutions/ suitable accommodation to support independent living. Care Pathways will prioritise preventative services that will help reduce, prevent or delay the need for long term care and residential services. This is a partnership project with Health.

The proposal has a neutral equalities impact as it aims to provide alternative housing options to support independence of the customers in terms change of potential change of care settings.

4.1.4 Others

| | |
|---------------------------|--------------------------------|
| | H&F Savings 2017/18 |
| Review of Workforce Costs | £0.140m |

4.1.4.1 Review of Workforce costs £0.140m

The aim of this proposal is to explore any remaining opportunities for reducing the total staffing bill (not FTE reduction) such as:

- Reducing variations for consultancy services, agency, and interim costs.
- Better marketing and enhancing flexible working options.
- Applying a 'career' transition factor to appropriate posts to support recruitment of staff with relevant skills but limited experience.
- Greater standardisation and moderation of pay grades.
- Robust analysis of temporary staffing and its implications on staffing budgets.

We anticipate that there would neutral impact on our staff as there would be no staff reductions.

4.1.5 Growth

| Growth Initiative | Agreed Growth | Implications |
|-----------------------------|----------------------|---|
| Underlying Budget Pressures | £1,030m | <p>There are continued pressures on the Home Care Packages and Direct Payment Budgets as part of the out of hospital strategy and the tendering of new home care contracts which are now operational. This has led to both an increase in prices to improve quality of service and increase in demand.</p> <p>However, demand is expected to continue to increase over the coming years as the strategy remains to keep people living in their homes for longer and prevent entry into residential or nursing care. The additional growth provided will have a positive impact on the service user as it will enable the Department to continue to implement the out of hospital strategy and this will impact the service user positively as they able to live independently for longer.</p> |
| Home Care Contract Price | £0.820m | <p>There are further pressures within Home Care due to the implementation of the new home care contract. This has led to an increase in price of the service as well as demand for the service higher than previously expected. This growth is required to bring ASC budgets in line with 2017/18 contract prices.</p> <p>The additional growth will enable the service to manage this demand and continue to provide the service free for service users. It will also help providers with staff retention and therefore ensure continuity of care for service users. This will have a positive impact on the wellbeing of service users.</p> |

| | | |
|---|----------------|---|
| ASC Element of Passenger Transport contract | £0.050m | Growth was sought as part of a transport procurement of contracts exercise to cover the impact of inflation, minimum wage increases and volume and quality increases. This will have a positive impact on the service user because the growth received will enable to the department to keep providing the service as required by the end users. |
| Learning Disabilities Transitions | £0.360m | Existing budgets are struggling to cope with demand in the Learning Disability client group. This is due to several reasons, one of which is the combination of existing customers who are living longer with increasingly complex needs and new customers who are transferring from Children's Services. This will have a positive impact on the service user as additional budget received will be used to fund transitional clients. |
| National Living Wage. | £0.400m | The National Wage became law on the 1 st of April 2016 for anyone working and aged 25 or over and not in the first year of an apprenticeship who are legally entitled to at least £7.20 per hour . From 1 April 2017, the National Living Wage will increase from £7.20 to £7.50. The National Living Wage (NLW) will impact more in London with the workforce being captured by the increase in the minimum rate. There is likely to be a knock on effect with ASC Placement providers wanting/needing to maintain differential rates between roles. Providers based outside London are estimated to request a rise in contract pricing to cover the additional staffing costs associated with the National Living Wage which is estimated to be 3% year on year increases. The additional growth will enable the Department to stay competitive in the placement procurement market – which would enable service users to have continuity of care. |
| Improved Better Care Fund (IBCF) | £0.831m | This is an increase to the on-going Better Care Fund. It has been proposed that this grant be used to fund the shortfall in inflationary requests as providers are requesting increases above what was initially anticipated. |
| Adult Social Care support grant | £0.922m | This is a one off grant for 2017/18, which is from the redirection of the New Home Bonus Grant. It is anticipated that this grant will be used to reduce demographic pressures within the Department's Budgets. |
| Total Growth | £4.413m | |

4.1.6 Fees and Charges

Meals on Wheels: No Change in price

LBHF provides a meal service for customers of the borough under the Care Act and charges customers a flat rate contribution towards the service.

There are currently 126 service users receiving meals within Adult Social Care. 55% of these are female in comparison to the 45% that are male. BME ethnic groups account for 27% of service users.

Maintaining the current price is expected to have a positive impact on BME user groups as well as other users as a price freeze will improve their financial position and overall wellbeing.

Careline: No change in charges

If there is no change in the Careline charge from the 2016/17 price. This will have a positive impact as it will improve the financial position of customers in real terms.

4.2 Public Health

The impact of 2017-18 efficiencies proposals is detailed in this report. They are grouped into transformation projects, procurement and contract efficiencies, reconfiguration of services and in other efficiencies. Detailed EIAs will be carried out at the time the proposals are in development when the potential impact can be fully assessed. All expenditure and savings will be contained within the ring-fenced Public Health Grant Budget and earmarked reserves.

4.2.1 Sexual Health Services

| 2016-17 Budget | 2017-18 Proposed Budget | 2017-18 Savings |
|----------------|-------------------------|-----------------|
| £5,758k | £5,554k | (£214k) |

The contract for providing community sexual health and reproductive services (contraception) will lead to savings through re-negotiating existing activity. There will also be more emphasis on long-acting methods of contraception, which have a lower cost. There is also a planned procurement of the genito-urinary medicine (GUM) contract, which will promote channel shift to online and postal sampling rather than clinical sampling. This will have one-off set-up costs in 2017-18, then realising savings from 2018-19 onwards.

The proposed remodelling of services will continue to offer open access and ensure that the services are accessible to all, therefore there should be no changes for those groups who hold protected characteristics.

4.2.2 Substance Misuse Services

| 2016-17 Budget | 2017-18 Proposed Budget | 2017-18 Savings |
|----------------|-------------------------|-----------------|
| £4,870k | £4,570k | (£300k) |

The newly procured detox placement contracts have coped with the levels of demand in the borough. Therefore, the £300K allocated from the risk and transformation fund (held to address any pressures from new contracts) is not required.

The redesigned services provided the opportunity to strive for disabled friendly premises and will enable disabled friendly refurbishment: inclusion of ramps, wide door frames, info in braille, U-loop, lifts or wheelchair friendly design.

The most common age of service users is 30-40, with many having been in treatment for long periods of time. Re-commissioned services have renewed focus on engaging older drinkers, which is shown to be cost effective by avoiding long term care and health interventions later on.

The prevalence of substance misuse issues amongst some of the more marginalised ethnic groups, accompanied by cultural stigma and shame associated with substance misuse, has led to commissioned services which focus on engaging BME substance misusers into treatment. Services are provided on an in-reach basis at venues best suited to meet the needs of this group and staff members will be knowledgeable in the cultures individuals are from. Service information and advice is available in a wide range of languages.

4.2.3 Behaviour Change

| 2016-17 Budget | 2017-18 Proposed Budget | 2017-18 Savings |
|----------------|-------------------------|-----------------|
| £2,537k | £2,396k | (£141k) |

Within Behaviour Change, an element of activity is for Health Checks, which are aimed at older residents within the borough. As part of efficiency proposals, the Health Trainers element of Health Checks is proposed to be reduced, as it has not been required at the level that was anticipated.

There will be no adverse impact and residents accessing the service will not notice any difference.

4.2.4 Families and Children

| 2016-17 Budget | 2017-18 Proposed Budget | 2017-18 Savings |
|----------------|-------------------------|-----------------|
| £6,441k | £6,216k | (£225k) |

The majority of services within Families and Children's provide universal services to families with children. The efficiency proposals are related to School Nursing and Health Visiting; the proposal doesn't affect how the service is received by residents of the borough.

For School Nursing, a new contract has been procured, which led to a saving when compared to the former contract. In Health Visiting, the contract was transferred to LBHF from the NHS, with 2016-17 being the first full year of operation by the Council. The efficiency proposal is for a reduction in overheads, which will not

change the way in which Hammersmith and Fulham residents access this universal service.

4.3 Children’s Services

4.3.1 Savings Proposals

Key Protected Characteristics: Disability, Maternity and Pregnancy, Age, Race, Religion, Gender.

There remains an aim within the Council to ensure required savings take place alongside innovative and improved service delivery wherever possible. Where individual savings relate to staffing efficiencies, re-procurements or other major programmes, appropriate procedures will ensure equality impacts are assessed and responded to. A number of the developments described have already been subject to a detailed EIA or will be carried out at a point at which these implications can be fully assessed.

4.3.2 Family Services. £1.514m

Key Protected Characteristics: Disability, Age, Race, Religion, Gender.

| Family Services and Cross Cutting Savings | H&F 2017/18 Savings |
|---|--------------------------------|
| Maximising Social Care Effectiveness (see cabinet report on 07/11/16) | £0.797m |
| Integrated Family Support Services (see cabinet report on 10/10/16) | £0.500m |
| Efficiencies to Legal Costs | £0.100m |
| Aligning the budget to actual expenditure | £0.030m |
| Full year effect of 2016/17 MTFS savings delivered in 2016/17 | £0.087m |

Family Services continue to improve services with an increasing focus on family preservation approaches which enable more children to remain with their families. This has a significant and positive impact upon overall outcomes for children and the cost of supporting them. This complements the wide ranging Focus on Practice programme which is providing the workforce with additional skills to maximise their potential to secure effective and sustainable change, reducing re-referrals and escalating children through the system where required. This will build upon a locally developed approach to intensive working with families which has demonstrated its effectiveness in diverting children from care.

In addition, there will be further exploration of opportunities to reduced spend on legal costs associated with proceedings in the Family Courts, changing the balance of which services are provided and when to avoid unnecessary costs. Because of ongoing strategies to reduce the number of children entering care, there are already robust monitoring processes in place which will track the impact upon relevant protected characteristics. It is known that 66% of the borough’s current looked after children are from BME backgrounds so it will be important to monitor whether children in this cohort equally benefit from the positive impact of being supported to

remain with or return to their birth families where appropriate. Baselines are available and it is anticipated that the demand management programme will have a positive impact upon older children who are also currently overrepresented.

Family Services and Children’s Commissioning are in the process of redesigning universal and targeted services as part of a whole system service strategy with specialist services. This will lead to integration of practice and workforces across a range of family and health services, budgets and the different thresholds of support provided.

Alongside this a number of savings are planned to existing early help services in 2017/18 as part of the first stage of Integrated Family Support. Management savings have been identified in Children’s Centres and efficiencies in the management of youth provision made through better systems and processes rather than through reducing levels of services to local children and families (and hence with no equality impacts expected). Some restructuring of early help services is being planned within the next six months and this will be subject to an Equality Impact Assessment.

4.3.3 Education and Schools. £0.356m

Key Protected Characteristics: Disability, Age, Race, Religion, Gender.

| Education and Disability Savings | H&F 2017/18 Savings |
|---|--------------------------------|
| Staffing and other efficiencies as disability placements ageing out | £0.122m |
| Schools Standards Staffing and discretionary spend | £0.129m |
| Education Psychology – additional traded income with schools | £0.050m |
| Move to more independent travel training for some Special Educational Need Pupils in cases where this would be better for the pupil | £0.025m |
| Other efficiencies | £0.030m |

Actions taken have been part of the ongoing service efficiencies that have improved the quality and focus of the school improvement services. School improvement functions have secured clear leadership in early years’ education advisory support and advisory support for English as an additional language with a focus on establishing best practice networks and brokering support between schools. This has led to reduced demands and, as a consequence, a reduced budget. All requests for support continue to be met as before so a neutral equalities impact is expected. In addition, the need to make further savings has been lessened by income generation from Educational Psychology traded services. These actions have been assessed against the equality impact criteria and it has been concluded that there will be a neutral impact on equalities.

Services for children with special educational needs and disabilities are now managed within the Children’s Service Education Directorate. There are plans in 2017/18 to change the balance of staffing, with social care key workers providing

additional capacity following a reduction in social worker posts. This reflects the feedback of parents and carers and provides capacity appropriately within the system. A number of service improvements will compliment this change which is designed to ensure children and their families receive the support they need when they need it. The Short Breaks service available to families will be revised in the context of a more accessible range of other support services through the Local Offer which reduce reliance on specialist one to one provision where services which meet needs can be offered in other ways. The new offer is designed to be more accessible, including to those who have not previously met the criteria for services, and provides greater choice. This, along with any proposed changes to staff structures will be subject to an Equality Impact Assessment.

Development of an independent travel training programme will provide some young people who have special educational needs (some of whom will have the protected characteristic of disability) with the confidence to travel alone, enhancing their independence and access to opportunities while reducing the costs which result from specialist travel arrangements. It is therefore anticipated that the equality impact of this will be positive.

4.3.4 Growth Proposals. £0.739m

| Children's Services Budget Growth 2017/18 Proposed | H&F 2017/18 Growth |
|--|-------------------------------|
| Queens Manor Resource Centre - to rebuild the SEN Unit at Queen's Manor School and to fund project and specialist resources to develop the service offer of the Resource Centre in co-production with partners and families. | £0.150m |
| Unaccompanied asylum seeking children - additional children beyond current allocation | £0.141m |
| Travel Care and Support Service Arrangements - Change the existing delivery arrangements to improve service standards and sovereign accountability. | £0.228m |
| Passenger Transport – Re-procurement to establish sovereign routes and to enhance the quality of the existing service. | £0.220m |

Planned growth will impact upon two cohorts of children, young people with disabilities and those who are looked after children or care leavers. The development of a resource centre for children with disabilities will provide a new, specialist service offer including additional early intervention and targeted provision. The centre will contribute to plans to avoid unnecessarily placing children who have the protected characteristic of disability away from their families out of borough and support better transitions to adulthood and relevant local services where required.

Meanwhile there are planned developments of services for looked after children and care leavers including improvements to services for unaccompanied asylum seeking children, provision of support until the age of 25 and introduction of a council tax allowance for care leavers who are resident in the borough. All of these will contribute to an enhanced service offer for a group of young people within which the protected characteristics of race and disability are overrepresented.

4.4 Environmental Services

4.4.1 Environmental Services is targeting efficiencies of £2.38m from 2017/18. The majority of the savings proposed are concerned with generating new commercial income, spend efficiencies and back office staff. As such there are no adverse equality implications for any particular groups with protected characteristics. Where there are staff changes leading to savings, Equality Impact Assessments are carried out as part of the reorganisation process.

4.4.2 The £0.30m contribution to reserves from introducing additional and selective private landlord licensing is not expected to have any negative equality impacts. The policy seeks to set minimum housing standards for safety and amenity to safeguard all persons, but it is likely that this will positively impact the young, elderly and vulnerable as they are more susceptible to defects commonly reported to the council (e.g. damp, slips, trips, falls, overcrowding, inadequate heating and poor ventilation).

4.4.3 Environmental Services has been awarded budget growth of £0.118m from 2017/18. This will fund a new Street Czar post (£0.038m), as well as address existing budget pressures (£0.080m). There are no associated equalities implications.

4.5 Corporate Services

Most of the proposed savings are concerned with back office staff and functions. As such they will have no equalities impact on front line service users. Where there are staff changes leading to savings, EIAs will be carried out. However, some of the proposals are to do with more efficient ways of delivering services to the public and these are set out below.

4.5.1 Business Intelligence: £1,000k

A range of business intelligence projects are in progress that seek to validate discounts offered, payments made and grants claimed by the council.

The forecast benefit of £1,000k includes £500k for increase in commercial income. By combining and analysing various data sets the Council holds, this work will give us new insights that will enable us to take informed and targeted actions to generate additional revenue, reduce waste and identify fraud. As a result, there will be a direct positive effect on all adults in the borough who pay Council Tax (regardless of age, race, sex, disability, etc.). Funding will be generated that supports front line services.

4.5.2 Maximising Funding of Third Sector Investment: £213k

The Council's grant expenditure continues to have a positive impact for residents as funding supports services which are hugely beneficial to disabled residents, BME communities, women and vulnerable adults. Funded organisations are required to

promote equality of opportunity and social inclusion and ensure services are fully accessible to all beneficiaries.

4.5.3 Contact Centre Transformation: £250k

This is a cross cutting savings across the council's customer services. This includes improvements to contact centres (by reducing duplication, co-location of services, improving customer journeys); improving Myaccount and online services; data migration and use of resident data to give staff an integrated view of individual customers to improve customer experience whilst reducing costs. As and when these initiatives are being finalised full EIAs will be reviewed before implementation.

4.5.4 More efficient use of employee resources £850k

This is another cross cutting savings. A Vacancy Panel will be established to constructively challenge managers on how they can fill vacancies, taking a Council wide view of resourcing and skills requirements and vacancies. There will be an emphasis on encouraging secondments, providing professional development opportunities and mentoring to support staff career development plans and progression paths, and more flexible working initiatives. Any proposals affecting staff will be informed by EIAs as and when they occur.

4.5.5 Other Savings

These are also savings from more effective procurement and other initiatives. The other savings are listed below:

- Savings from implementation of new ICT arrangements in November 2016, with the insourcing of service from the previous provider £1,600k
- Better contract management, £500k
- Reduction in Redundancy Provision £450k
- Review of unfunded pension costs £200k
- Efficiency savings in printing and electoral registration £121k
- Budget review and recognition of underspend in Delivery and Value, H&F Direct and HR and Finance departments £559k

The savings given above are unlikely to have an impact on residents or service users, and represent better ways of providing services to frontline departments while ensuring that resources are allocated where they are most needed. There are therefore unlikely to be any equalities impact on service users.

4.5.6 Growth

Growth of £20k is proposed for the review of the current Taxicard Schemes to widen the scheme to more residents and make it more comparable with the Blue Badge eligibility criteria.

The other growth items relate to back office functions such as:

- Triennial valuation of the pension fund - employer contribution rate £1,000k
- Impact of pension auto-enrolment from October 2017 £250k
- Funding to compensate reduction in income from schools opting out of some of the council services £60k

4.6 Housing Services

4.6.1 Growth

H&F Link Team (formerly HB Assist team): £230k

The H&F Link team deliver a programme of work addressing the impact of the Government's programme of Welfare Reform on households living in the private rented sector, temporary accommodation and permanent Council properties. The most significant financial implication of the Welfare Reform programme relates to the reduction in rental income from housing stock and temporary accommodation units. Further, tenants who struggle to manage their household finances under Welfare Reform could lose their accommodation due to arrears, which could in turn increase homelessness presentations from those affected.

The team carry out essential intervention work which ensures the best possible outcomes for our most vulnerable residents in temporary accommodation and the large number of private rented sector households, protects our temporary accommodation income, and prevents potential homelessness which would result from the unmitigated impact of Welfare Reform.

The effect on clients whose tenancies are sustained is expected to be positive as the Council will be supporting tenants to remain within their homes. Where clients need to be relocated to alternative accommodation, the effect is likely to be neutral as the Council maintains its' on-going duty to provide accommodation to all households.

4.6.2 Efficiency Savings

4.6.2.1 Temporary Accommodation - reducing spend through longer term contracts: £916k

The proposed changes to the housing procurement strategy should achieve a diverse temporary accommodation portfolio which will continue to reflect the current mix of property retaining equality neutral impact on individuals or client groups. It is hoped that achieving longer term property leases will have a positive equality impact as it will give customers stability to improve social improvement and wellbeing.

4.6.2.2 Improve Private Sector Rent by Using Landlord Licencing

The £300k contribution to overheads to cover operation of private landlord licensing is not expected to have any negative equality impacts. The policy seeks to set minimum housing standards for safety and amenity to safeguard all persons, but it is likely that this will positively impact the young, elderly and vulnerable as they are more susceptible to defects commonly reported to the council (e.g. damp, slips, trips, falls, overcrowding, inadequate heating and poor ventilation).

4.6.3 Adult Learning & Skills Service: £95k

This relates to a review of the service and the identification of income generating opportunities. No significant equalities impact is expected.

4.7 Libraries

4.7.1 Savings

There is a savings target for Libraries of £382k for 2017/18.

4.7.2 Libraries Review – Shared Service staff savings - £90k

A full review of the Libraries Service has been completed, and efficiencies across the Shared Service have been identified. As a result of this it is anticipated that a £90k saving will be achieved through reducing shared service staff numbers. All three councils agreed to develop a new operating model to deliver the shared elements of the service. RBKC and WCC will also have their sovereign operational service reorganised to deliver their savings. The changes include streamlining the service senior management and creating a new “leadership team” and fewer layers of management between the frontline and head of service.

It is considered that these changes are streamlining the service, and there have been no changes to the front line staff in the Council’s libraries, so it is expected that this will have no impact on the public.

4.7.3 Commercialisation - £165k

To achieve savings, libraries will need to be more outward looking, efficient, commercially aware and entrepreneurial.

There are significant opportunities to utilise the space available in Libraries buildings. The library service, working with the Council’s Property department, is actively pursuing several opportunities for co-location or commercial hire of underused space. This would provide income, better use of library buildings and increased footfall, as part of our “sweating the assets” approach. This includes renting space at Hammersmith Library to the Law Centre, a new café in Fulham Library, and other opportunities for hire of the libraries’ spaces outside of opening hours, which would amount to £80k.

Other opportunities are being considered with the libraries’ space, which include hire for larger scale events and meetings, particularly outside normal opening hours,

using our heritage library buildings as film locations and holding film clubs and community activities could earn libraries £85k upwards.

It is anticipated because this is utilising available space better, some of it out of Library hours, that this will not have a significant impact on the public.

4.7.4 Other (£127K)

Other options are being considered currently to achieve the remainder of the saving, which includes increased use of volunteers, and also increased sponsorship, crowd-funding, and crowd sourcing: we plan to work with colleagues in economic development to raise the profile of libraries with potential corporate sponsors. At a local level work continues to set up library friends and fundraising groups, possibly as part of the Council's Space Hive civic crowd-funding initiative – income to be confirmed. Crowd-sourcing could bring local experts and champions into libraries. This could help to provide some of the services that local people value as well as things we can't currently provide. Examples include getting more young people volunteering, better quality IT provision and help, more classes and events and community activities for libraries.

4.7.5 Fees & Charges

It is proposed that there are no increases to fees within Libraries. Charges were increased in October 2014 as part of the rationalisation of library fees and charges across the Shared Service. It is considered that although there is a general decline in income streams across Libraries, with areas such as fines already high compared with most other authorities, any further increases could be a barrier to customers using the service.

5. Conclusion on impact on the budget

5.1 Adult Social Care

Consideration of the Public Sector Equality Duty and the equalities implications of any proposed decision is an inherent part of the department's decision making since most ASC customers will have physical support, and/or learning disability and/or mental health needs.

The proposed efficiencies and savings do not have any significant negative equalities impacts on individuals or groups with protected characteristics. Whereas a number of the planned initiatives will have a positive impact on those with protected characteristics, such as the Independence First project and the growth to meet underlying budget pressures which will enable the department to continue to implement the out of hospital strategy, enabling those with protected characteristics to live independently for longer.

The department will carry out full EIA assessments on specific initiatives in line with the decision-making and governance processes before final decisions are taken on proposals.

5.2 Public Health

The vast majority of the efficiencies proposals have a neutral equalities impact. The substance misuse proposal to focus on greater engagement with BME substance misusers has a positive equalities impact.

5.3 Children's Services

The majority of the savings proposals have a neutral equalities impact. The focus on family preservation and reducing the number of children entering care is likely to have a positive equalities impact as 66% of the borough's looked after children are from BME backgrounds.

There are no predicted negative equalities impacts arising from changes proposed for schools. It is likely that the independent travel programme will have a positive equalities impact.

The department's growth proposals are likely to have either a neutral or a positive equalities impact.

5.4 Environmental Services

The department has not identified any negative equalities implications arising from its budget proposals.

5.5 Corporate Services

The majority of proposed departmental savings are concerned with back office staff and functions and will have no equalities impact on front line service users. Any proposals affecting staff will be informed by full EIAs before the relevant decision is made.

The business intelligence projects and the proposed savings from more effective procurement and other initiatives will have a positive effect on all adults in the borough who pay Council Tax and the additional funding generated will support front line services.

5.6 Housing Services

The department has not identified any negative equalities implications arising from its budget proposals.

5.7 Libraries

The department has not identified any negative equalities implications arising from its budget proposals.

5.8 Conclusion

Overall the collective budget proposals are likely to have a neutral equalities impact although identified above are some proposals which are likely to have positive equalities impacts.

In some cases, detailed EIAs will be required before the full nature of any impact can be assessed, or mitigating measures identified.

Ultimately if, on further analysis, it is decided that any particular proposed policy would have an unreasonable detrimental impact on any protected group then H&F could, if it considered it appropriate, use reserves or virements to subsidise those services in 2017/18.

Population Data

The data in this Annex is from the Borough Profile 2010, from the Census 2001, from the Census 2011 F, or, where information for H&F is not available, from other sources which are given below. The most up to date is given in each case and used in the analysis above.

Data

- Tables of data from the Office of National Statistics (ONS) Crown Copyright Reserved [from Nomis on 6 December 2013]
- Live Births by Usual Area of Residence: ONS 2012 (e.g. for pregnancy and maternity) Crown Copyright Reserved [from Nomis on 6 December 2013]
 - H&F Framework-i
 - Kairos in Soho, London's LGBT Voluntary Sector Infrastructure Project,2007

Table 4: Age

| QS103EW ONS | | |
|-------------|---------|------|
| Age | Numbers | % |
| 0-4 | 11,900 | 6.5 |
| 5-10 | 10,172 | 5.6 |
| 11-16 | 9,019 | 4.9 |
| 17-24 | 22,184 | 12.2 |
| 25-39 | 65,211 | 35.7 |
| 40-49 | 25,083 | 13.7 |
| 50-64 | 22,511 | 12.3 |
| 65-74 | 9,102 | 5.0 |
| 75+ | 7,311 | 4.0 |

Table 5: Age and disability

Adults not in employment and dependent children and persons with long-term health problems or disability for all

| KS106EW, ONS | | |
|--------------------------------------|--------|-------|
| Household Composition | 2011 | |
| | Number | % |
| Count of Household; All households | 80,590 | 100.0 |
| No adults in employment in household | 21,192 | 26.3 |

| | | |
|---|--------|------|
| No adults in employment in household: With dependent children | 3,897 | 4.8 |
| No adults in employment in household: No children dependent | 17,295 | 21.5 |
| Dependent children in household: All ages | 18,479 | 22.9 |
| Dependent children in household: Age 0 to 4 | 9,083 | 11.3 |
| One person in household with a long-term health problem or disability | 15,999 | 19.9 |
| One person in household with a long-term health problem or disability : With dependent children | 2,809 | 3.5 |
| One person in household with a long-term health problem or disability : No dependent children | 13,190 | 16.4 |

Table 6: Disability

| Framework-i | |
|--|--|
| Rate of physical disability registrations for H&F | 38.7 registrations per 1000 people |
| Rate of physical disability registrations for Wormholt & White City | 56.6 registrations per 1000 people the highest |
| Rate of blind/visual impairment registrations for H&F: | 6.2 registrations per 1000 people |
| Rate of blind/visual impairment registrations for Ravenscourt Park: | 14.1 registrations per 1000 people the highest |
| Rate of deaf/hard of hearing registrations for H&F: | 2.0 registrations per 1000 people |
| Rate of deaf/hard of hearing registrations for She herds Bush Green: | 4.0 registrations per 1000 people the highest |

Table 7: Sex
Usual resident population

| KSIOIEW ONS | | |
|---------------------|---------|-------|
| Variable | 2011 | |
| | number | % |
| All usual residents | 182,493 | 100.0 |
| Males | 88,914 | 48.7 |
| Females | 93,579 | 51.3 |

Table 8: Race

| KS201EW ONS | | |
|---|---------|-------|
| Ethnic Group | 2011 | |
| | number | % |
| All usual residents | 182,493 | 100.0 |
| White | 124,222 | 68.1 |
| White: English/Welsh/Scottish/Northern Irish/British | 81,989 | 44.9 |
| White: Irish | 6,321 | 3.5 |
| White: Gypsy or Irish Traveller | 217 | 0.1 |
| White: Other White | 35,695 | 19.6 |
| Mixed/multiple ethnic groups | 10,044 | 5.5 |
| Mixed/multiple ethnic groups: White and Black Caribbean | 2,769 | 1.5 |
| Mixed/multiple ethnic groups: White and Black African | 1,495 | 0.8 |
| Mixed/multiple ethnic groups: White and Asian | 2,649 | 1.5 |
| Mixed/multiple ethnic groups: Other Mixed | 3,131 | 1.7 |
| Asian/Asian British | 16,635 | 9.1 |
| Asian/Asian British: Indian | 3,451 | 1.9 |
| Asian/Asian British: Pakistani | 1,612 | 0.9 |
| Asian/Asian British: Bangladeshi | 1,056 | 0.6 |
| Asian/Asian British: Chinese | 3,140 | 1.7 |
| Asian/Asian British: Other Asian | 7,376 | 4.0 |
| Black/African/Caribbean/Black British | 21,534 | 11.8 |
| Black/African/Caribbean/Black British: African | 10,552 | 5.8 |
| Black/African/Caribbean/Black British: Caribbean | 7,111 | 3.9 |
| Black/African/Caribbean/Black British: Other Black | 3,842 | 2.1 |
| Other ethnic group | 10,087 | 5.5 |
| Other ethnic group: Arab | 5,228 | 2.9 |
| Other ethnic group: Any other ethnic group | 4,859 | 2.7 |

Table 9: Religion and Belief (including non-belief)

| KS209EW, ONS | | |
|--------------------------|---------|-------|
| Religion | 2011 | |
| | number | % |
| All categories: Religion | 182,493 | 100.0 |
| Has religion | 123,667 | 67.8 |
| Christian | 98,808 | 54.1 |

| | | |
|---------------------|--------|------|
| Buddhist | 2,060 | 1.1 |
| Hindu | 2,097 | 1.1 |
| Jewish | 1,161 | 0.6 |
| Muslim | 18,242 | 10.0 |
| Sikh | 442 | 0.2 |
| Other religion | 857 | 0.5 |
| No religion | 43,487 | 23.8 |
| Religion not stated | 15,339 | 8.4 |

Table 10: Pregnancy and maternity
Live births (numbers and rates): age of mother and administrative area
of usual residence England and Wales

| | | | | | | | | |
|------------------------|----------|----------|-------|-------|-------|-------|-------|-----|
| ONS 2012 | | | | | | | | |
| Age of mother at birth | | | | | | | | |
| All ages | Under 18 | Under 20 | 20-24 | 25-29 | 30-34 | 35-39 | 40-44 | 45+ |
| 2,646 | 15 | 45 | 238 | 491 | 970 | 689 | 200 | 13 |
| Age of mother at birth | | | | | | | | |
| All Ages | Under 18 | Under 20 | 20-24 | 25-29 | 30-34 | 35-39 | 40-44 | |
| 52.5 | 6.7 | 12.3 | 31.1 | 37.6 | 88.6 | 84.1 | 29.0 | 2.2 |

Table 11: Marriage and Civil Partnership Status

| | | |
|--|---------|-------|
| KS103EW ONS | | |
| Marital Status | 2011 | |
| | number | % |
| All usual residents aged 16+ | 152,863 | 100.0 |
| Single (never married or never registered a same-sex civil partnership) | 85,433 | 55.9 |
| Married | 45,248 | 29.6 |
| In a registered same-sex civil partnership | 743 | 0.5 |
| Separated (but still legally married or still legally in a same-sex civil partnership) | 4,425 | 2.9 |

| | | |
|--|---------|-----|
| Divorced or formerly in a same-sex civil partnership which is now le all dissolved | 11 ,386 | 7.4 |
| Widowed or surviving partner from a same-sex civil partnership | 5,628 | 3.7 |

Table 12: Living arrangements

| QS108EW, ONS | | |
|---|---------|------|
| Living Arrangement | 2011 | |
| All categories: Living arrangements | 151,028 | |
| Living in a couple: Total | 60,569 | 40.1 |
| Living in a couple: Married | 40,917 | 27.1 |
| Living in a couple: Cohabiting (opposite-sex) | 17,046 | 11.3 |
| Living in a couple: In a registered same-sex civil partnership or cohabiting same-sex | 2,606 | 1.7 |
| Not living in a couple: Total | 90,459 | 59.9 |
| Not living in a couple: Single (never married or never registered a same-sex civil partnership) | 68,170 | 45.1 |
| Not living in a couple: Married or in a registered same-sex civil partnership | 3,820 | 2.5 |
| Not living in a couple: Separated (but still legally married or still le all in a same-sex civil partnership) | 3,698 | 2.4 |
| Not living in a couple: Divorced or formerly in a same-sex civil partnership which is now le all dissolved | 9,517 | 6.3 |
| Not living in a couple: Widowed or surviving partner from a same-sex civil partnership | 5,254 | 3.5 |

Information set 13: Gender Reassignment and Lesbian, Gay, Bisexual and Heterosexual People

'In 2005 the Department for Trade and Industry published a figure of 6% as the percentage of LGBT people in the general population. The number of LGBT people in London js thought to be anywhere between 6% and 10% of the total population, increased by disproportionate levels of migration.

The 2011 census recorded 17,046 people (or 11.3% of couples), aged 16 and over, living as same sex couples in Hammersmith and Fulham. The same census recorded 2,606 (or 1.7% of couples) as a registered same-sex civil partnership or cohabiting (same-sex). Data on heterosexuality as such is also not collated although given the estimated numbers of LBG T people, it appears that the majority of the population is heterosexual. Data on transgendered or transitioning people was not available.

Annex 2

LCTS Claimant Data

Table 1: Composition of LCTS claimants in LBHF

| | Level of benefit | | | Weekly payment | | |
|--|------------------|--------------|---------------|-----------------|----------------|-----------------|
| | Full | Partial | total | Full | Partial | Total |
| Pensioners | 3659 | 1572 | 5,231 | £56,773 | £17,627 | £74,400 |
| | 70% | 30% | 100% | | | |
| Non Pensioners | 6896 | 3432 | 10328 | £104,050 | £34,450 | £138,500 |
| | 67% | 33% | 100% | | | |
| Households with children | 2098 | 1441 | 3539 | £34,365 | £16,228 | £50,593 |
| | 59% | 41% | 100% | | | |
| Households with disabled adult | 2772 | 466 | 3238 | £42,677 | £5,132 | £47,809 |
| | 86% | 14% | 100% | | | |
| Households with children and disabled adult | 264 | 29 | 293 | £4,897 | £392 | £5,289 |
| | 90% | 10% | 100% | | | |
| Households without children and disabled adult | 4457 | 2141 | 6598 | £66,153 | £22,339 | £88,492 |
| | 68% | 32% | 100% | | | |
| Overall Totals | 10,557 | 5,015 | 15,572 | £160,823 | £52,077 | £212,900 |

Table 2: Council Tax bands of LCTS claimants

| | A | B | C | D | E | F | G | H | Totals |
|--------------------|------|------|------|------|------|-----|-----|----|--------|
| Pensioners | 294 | 719 | 1459 | 1459 | 761 | 330 | 207 | 3 | 5232 |
| Working age | 834 | 1334 | 2628 | 3311 | 1523 | 507 | 182 | 9 | 10328 |
| Total | 1128 | 2053 | 4087 | 4770 | 2284 | 837 | 389 | 12 | 15560 |
| | 7% | 13% | 26% | 31% | 15% | 5% | 3% | 0% | 100% |

Table 3: the composition of I-CTS claimants by pensioner and nonpensioner claims where households have a disabled adult and the disability premium has been awarded, by male and female only, and by couple.

| | | | | |
|--|--------|--|--|---|
| Total number of claims | 15,455 | | | |
| Total number of pensioner claims (includes households with a disabled adult where the disability premium has been awarded) | 5,269 | Number of female only claimants = 2931 or 56% | Number of male only claimants = 1652 or 31% | Number of claiming couples = 686 or 13% |
| Total number of non-pensioner claims (includes households with a disabled adult where the disability premium has been awarded) | 10,186 | Number of female only claimants = 5552 or 55% | Number of male only claimants = 3082 or 30% | Number of claiming couples = 1545 OR 15% |
| Households with a disabled adult (where the disability premium has been awarded) as a standalone group of the total number of claims | 3,518 | Number of female only claimants = 1942 or 55% | Number of male only claimants = 1579 or 45% | Number of claiming couples = 342 or 10% |

Council Tax Exemptions

Further information can be found on our website and a summary of exemptions is given here:

Exemptions and empty property discounts

Some properties are exempt from council tax, The different classes of exemption are listed below.

Properties occupied by:

full time students (they must complete an application form and return it to us with a council tax certificate from their place of study); severely mentally impaired people; a foreign diplomat who would normally have to pay council tax; people who are under 18; members of a visiting force who would normally have to pay council tax; or elderly or disabled relatives of a family who live in the main property, in certain annexes and self-contained accommodation.

Unoccupied properties that:

are owned by a charity, are exempt for up to six months; are left empty by someone who has moved to receive care in a hospital or home elsewhere; are left empty by someone who has gone into prison; are left empty by someone who has moved so they can care for someone else; are waiting for probate to be granted, and for six months after probate is granted; have been repossessed; are the responsibility of a bankrupt's trustee; are waiting for a minister of religion to move in, are left empty by a student whose term-time address is elsewhere, are empty because it is against the law to live there, including from 1st April 2007 where a planning condition prevents occupation; form part of another property and may not be let separately

A pitch or mooring that doesn't have a caravan or boat on it is also exempt

Note: Those who feel they are entitled to an exemption are encouraged to contact the Council and information on how to do that is in the following link:
<https://www.lbhf.gov.uk/council-tax/contact-us>.

The Business Rates Retention Scheme for Hammersmith and Fulham

| | | 2017/18 £'000 |
|---------|---|------------------|
| Step 1 | Notification from the government of the Settlement Funding Assessment (SFA). This combines formula funding (effectively what formula grant would have been had it continued) and a number of rolled in grants. | 87,264 |
| Step 2 | Split of the SFA between Revenue Support Grant (34%) and a Business Rates Funding Baseline (66%). The % split is the same for all authorities. | |
| | - Revenue Support Grant payable by the government | 29,499 |
| | - Business Rates Funding Baseline | 57,765 |
| Step 3 | Agreement of the localised element of non-domestic rates. This is the amount of business rates income that LBHF actually expects to collect. | 74,208 |
| Step 4. | Payment of a tariff to the government. For LBHF because what the government expects this authority to collect in business rates (step 3) exceeds the funding identified through the SFA (step 2) a tariff is payable to the government. The tariff is a charge to the revenue budget. Most authorities receive a top-up rather than pay a tariff. | (18,060) |
| Step 5 | Other adjustments – Impact of small business rate relief and discretionary reliefs (grant from government) | 1,712 |
| Step 6 | Locally Retained Business rates (Step 3 less step 4 add step 5) | 57,860 |
| Step 6 | The difference between what LBHF expects to retain in (step 6) and the government target (step 2) | 96 |
| Step 7 | Levy payable at 23.82% - this is payable on the sum we have forecast that is above what the government expects us to collect (step 6) | (23) |

Summary – 2017/18 Business Rates in the Budget Report

| | £000s |
|--|---------------|
| LBHF Business Rates Forecast (step 4) | 74,208 |
| Other Adjustments (step 5) | 1,712 |
| Cost of Collection Allowance | 584 |
| Less levy (step 7) | (23) |
| | 76,481 |
| Less tariff payable to Government (step 4) | (18,060) |
| Locally Retained Share | 58,421 |

Spending Power Reduction

The Provisional 2017/18 Local Government Finance Settlement (LGFS)

1. The key Hammersmith and Fulham figures from the provisional settlement are summarised in Table 1 and Table 2.

Table 1 – Unringfenced Government Funding

| | 2016/17 | 2017/18 |
|------------------------------|---------------|---------------|
| Confirmed Allocations | £'000s | £'000s |
| Revenue Support Grant | 38,453 | 29,499 |
| New Homes Bonus Grant | 8,096 | 7,831 |
| Other Unringfenced Grants | 3,810 | 4,101 |
| Total | 50,359 | 41,431 |
| | | |
| Grant fall - cash | | -8,928 |
| Grant fall – cash terms % | | -18% |
| | | |

Table 2 - Ring-fenced Funding Allocations

| | 2016/17 | 2017/18 |
|---------------------------------|---------------|---------------|
| | £000s | £'000s |
| Public Health Grant | 22,903 | 22,338 |
| Increase in LA Better Care Fund | | 831 |
| | 22,903 | 23,169 |

- 2 The government place restrictions on how Public Health Grant and better care funding are used. These grants are allocated to Departmental Budgets before the calculation of the Council budget requirement.

2017/18 Spending Power

- 3 In the settlement announcement the government state their view of the cut in local authority spending power. As well as government funding this includes their assumption on what local authorities will collect through council tax and business rates. The figures are set out in Table 3. The Hammersmith and Fulham cut is greater than the national average.


Table 3 – Government Spending Power Calculation.

| | 2016/17 | 2017/18 |
|----------------|---------|---------|
| LBHF | -3.1% | -1.6% |
| London Average | -3.0% | -1.5% |
| National | -2.8% | -1.3% |

5. The Government spending power calculation is questionable:
- It takes no account of inflation or demographic pressures.
 - It assumes that authorities that have social care responsibilities will levy a 2% social care precept. Hammersmith and Fulham will not make this levy.
 - It assumes that authorities will increase council tax by 2%. Hammersmith and Fulham has a council tax freeze.
 - It does not take account of additional unfunded government burdens placed on local authorities
- 6 As set out in Table 4 when account is taken of the above factors the local spending power reduction for Hammersmith and Fulham is estimated at 6.8%.

Table 4 – LBHF Spending Power Reduction

| | £'m |
|---|--------------|
| Government Spending Power Calculation 2016/17 | 157.0 |
| Government Spending Power Calculation 2017/18 | 154.5 |
| Less: | |
| Council Tax Freeze | (1.6) |
| No Use of the Adult Social Care Precept | (1.6) |
| Inflation Provision | (2.9) |
| Unfunded Government Burdens | (0.6) |
| Increase in Demand/Demographic Pressure | (1.4) |
| Adjusted LBHF Spending Power Calculation 2017/18 | 146.4 |
| Adjusted Reduction | 6.8% |

| | |
|---|--|
| <p align="center">London Borough of Hammersmith & Fulham</p> <p align="center">CABINET</p> <p align="center">6 February 2017</p> |  |
| <p>FOUR YEAR CAPITAL PROGRAMME 2017-21</p> | |
| <p>Report of the Cabinet Member for Finance – Councillor Max Schmid</p> | |
| <p>Open Report</p> | |
| <p>Classification: FOR DECISION</p> | |
| <p>Key Decision: Yes</p> | |
| <p>Wards Affected: ALL</p> | |
| <p>Accountable Director: Hitesh Jolapara, Strategic Finance Director</p> | |
| <p>Report Author: Christopher Harris, Head of Corporate Accountancy and Capital</p> | <p>Contact Details: Tel: 0208 753 6440 christopher.harris@lbhf.gov.uk</p> |

1. EXECUTIVE SUMMARY

- 1.1. This report presents the Council’s four-year Capital Programme for the period 2017-21. The programme for this period totals £253.2m.
- 1.2. The gross programme for 2017/18 totals £98.8m. This comprises the General Fund Programme of £45.6m and the Housing Programme of £53.2m.
- 1.3. The report sets out the Councils’ Minimum Revenue Provision (MRP) policy and the Prudential Indicators.

2. RECOMMENDATIONS

- 2.1. To approve the General Fund Capital Programme budget at £45.6m for 2017/18 (paragraph 5.1, Table 2 and Appendix 1).
- 2.2. To approve the continuation of the Council’s rolling programmes and the continued use of internal funding for 2017/18 General Fund ‘Mainstream’ Programme as set out in Table 3 (paragraph 5.2) and specifically as follows:
 - Capital receipts and internal borrowing amounting to £5.48m to fund the Council’s rolling programmes as follows:

| | £m |
|---|-------------|
| Disabled Facilities Grant [ASC] | 0.45 |
| Planned Maintenance/DDA Programme [ENV] | 2.50 |
| Footways and Carriageways [ENV] | 2.03 |
| Parks Programme [ENV] | 0.50 |
| Total | 5.48 |

- Contributions from revenue amounting to £0.544m to fund the Council's rolling programmes as follows:

| | £m |
|--------------------------------|--------------|
| Controlled Parking Zones [ENV] | 0.275 |
| Column Replacement [ENV] | 0.269 |
| Total | 0.544 |

- 2.3. To note existing capital receipts funded schemes previously approved, but now scheduled for 2017/18 (paragraph 5.2, Table 3):

One off schemes:

- Schools' Organisation Strategy - £0.8m
- Carnwath Road - £ 3.07m

Rolling programmes:

- Parks Programme- £0.335m
- Planned Maintenance/DDA Programme (including Hammersmith Town Hall refurbishment) – £5.35m

- 2.4. To approve the Housing Programme at £53.2m for 2017/18 as set out in Table 5 (paragraph 7.3) and Appendix 1.
- 2.5. To approve the annual Minimum Revenue Provision policy statement for 2017/18 in Appendix 4.
- 2.6. To approve the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Indicators as set out in Appendix 5 to the report.

3. REASONS FOR DECISION

- 3.1. The reason for the recommendations is to comply with the Council's Financial Regulations which form part of the Council's Constitution. It is also necessary to comply with statutory accounting requirements and the CIPFA Prudential Code.

4. INTRODUCTION AND BACKGROUND

- 4.1. This report sets out an updated four-year capital expenditure and resource forecast and a capital programme for 2017/18 to 2020/21, as summarised in Table 1 below. A detailed analysis of specific schemes by service is included in Appendix 1.

Table 1 - Capital Programme 2017/18 to 2020/21

| | Indicative Budgets | | | | Total Budget (All years) £'000 |
|--|--------------------|------------------|------------------|------------------|--------------------------------------|
| | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | |
| CAPITAL EXPENDITURE | | | | | |
| Children's Services | 28,258 | 7,334 | - | - | 35,592 |
| Adult Social Care | 865 | 450 | 1,387 | 450 | 3,152 |
| Environmental Services | 16,486 | 7,831 | 7,731 | 7,731 | 39,779 |
| Sub-total (Non-Housing) | 45,609 | 15,615 | 9,118 | 8,181 | 78,523 |
| HRA Programme | 33,523 | 29,634 | 28,826 | 32,475 | 124,458 |
| Decent Neighbourhoods Programme | 19,655 | 13,599 | 7,662 | 9,313 | 50,229 |
| Sub-total (Housing) | 53,178 | 43,233 | 36,488 | 41,788 | 174,687 |
| Total Expenditure | 98,787 | 58,848 | 45,606 | 49,969 | 253,210 |
| CAPITAL FINANCING | | | | | |
| Specific/External Financing: | | | | | |
| Government/Public Body Grants | 10,360 | 2,157 | 3,364 | 2,157 | 18,038 |
| Developers Contributions (S106) | 18,920 | 501 | - | - | 19,421 |
| Leaseholder Contributions (Housing) | 2,849 | 2,849 | 2,849 | 2,849 | 11,396 |
| Sub-total - Specific Financing | 32,129 | 5,507 | 6,213 | 5,006 | 48,855 |
| Mainstream Financing (Internal): | | | | | |
| Capital Receipts - General Fund | 14,790 | 3,840 | 3,840 | 3,840 | 26,310 |
| Capital Receipts - Housing* | 11,063 | 16,952 | 13,575 | 17,832 | 59,422 |
| Revenue funding - General Fund | 544 | 544 | 544 | 544 | 2,176 |
| Revenue Funding - HRA | 2,464 | 6,028 | - | 1,313 | 9,805 |
| Major Repairs Reserve (MRR) [Housing] | 18,174 | 17,404 | 19,794 | 19,794 | 75,166 |
| Sub-total - Mainstream Funding | 47,035 | 44,768 | 37,753 | 43,323 | 172,879 |
| Internal Borrowing | 19,623 | 8,573 | 1,640 | 1,640 | 31,476 |
| Total Capital Financing | 98,787 | 58,848 | 45,606 | 49,969 | 253,210 |

*Includes use of brought-forward receipts

- 4.2. The forecast above for specific and external resource is based on known allocations at December 2016. The resource forecasts for both external and internal financing will be updated over the forthcoming months in accordance with relevant government, and other public and private, spending announcements. This will include a review of Children's Services allocations. At present schools' funding is not confirmed beyond 17/18. Once this is confirmed by Government, General Fund capital expenditure is likely to increase. In addition the capital receipts figures will be updated as they become known.
- 4.3. The CIPFA Prudential Indicators have been updated to meet statutory requirements for 2017/18 and are detailed in Appendix 5.

5. THE GENERAL FUND CAPITAL PROGRAMME

5.1 The General Fund programme is summarised in Table 2, below. Detail for each service is included at Appendix 1. The programme includes:

- The continuation of the School's Organisation Strategy (within Children's Services) which is committed to increasing school places in the Borough;
- The continuation of the Council's rolling programmes for Disabled Facilities Grants, Planned Building Maintenance, Footways and Carriageways and Parks.
- The planned refurbishment of Hammersmith Town Hall (within existing resources from the Planned Building Maintenance programme). This project is designed to increase the usage and occupancy of the Town Hall, thereby allowing other corporate property to be vacated or let out at commercial rates, creating significant savings.

Table 2 – General Fund Capital Programme 2017-21

| | Indicative Budgets | | | | Total Budget (All years) £'000 |
|---|--------------------|------------------|------------------|------------------|--------------------------------------|
| | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | |
| CAPITAL EXPENDITURE | | | | | |
| Children's Services | 28,258 | 7,334 | - | - | 35,592 |
| Adult Social Care | 865 | 450 | 1,387 | 450 | 3,152 |
| Environmental Services | 16,486 | 7,831 | 7,731 | 7,731 | 39,779 |
| Total Expenditure | 45,609 | 15,615 | 9,118 | 8,181 | 78,523 |
| CAPITAL FINANCING | | | | | |
| Specific/External Financing: | | | | | |
| Government/Public Body Grants | 10,090 | 2,157 | 3,094 | 2,157 | 17,498 |
| Developers Contributions (S106) | 10,749 | 501 | - | - | 11,250 |
| Sub-total - Specific Financing | 20,839 | 2,658 | 3,094 | 2,157 | 28,748 |
| Mainstream Financing (Internal): | | | | | |
| Capital Receipts - General Fund | 14,790 | 3,840 | 3,840 | 3,840 | 26,310 |
| Revenue funding - General Fund | 544 | 544 | 544 | 544 | 2,176 |
| Sub-total - Mainstream Funding | 15,334 | 4,384 | 4,384 | 4,384 | 28,486 |
| Internal Borrowing | 9,436 | 8,573 | 1,640 | 1,640 | 21,289 |
| Total Capital Financing | 45,609 | 15,615 | 9,118 | 8,181 | 78,523 |

5.2 Table 3 below shows the projects funded from internal resource and comprises the completion of existing schemes and the continuation of rolling programmes.

Table 3 – General Fund Mainstream Programme 2017-21

| | Indicative Budgets | | | | Total Budget (All years) £'000 |
|---|--------------------|----------------|----------------|----------------|-----------------------------------|
| | Budget 2017/18 | Budget 2018/19 | Budget 2019/20 | Budget 2020/21 | |
| | £'000 | £'000 | £'000 | £'000 | |
| Approved Expenditure | | | | | |
| Ad Hoc Schemes: | | | | | |
| Schools Organisation Strategy [CHS] (mainstream element) | 807 | - | - | - | 807 |
| Hammersmith Town Hall Refurbishment (Mainstream Element/CPMP) [ENV] | 5,075 | 1,325 | 1,000 | - | 7,400 |
| Carnwath Road [ENV] | 3,070 | - | - | - | 3,070 |
| Rolling Programmes: | | | | | |
| Disabled Facilities Grant [ASC] | 450 | 450 | 450 | 450 | 1,800 |
| Planned Maintenance/DDA Programme [ENV] | 2,775 | 1,275 | 1,500 | 2,500 | 8,050 |
| Footways and Carriageways [ENV] | 2,030 | 2,030 | 2,030 | 2,030 | 8,120 |
| Controlled Parking Zones [ENV] | 275 | 275 | 275 | 275 | 1,100 |
| Column Replacement [ENV] | 269 | 269 | 269 | 269 | 1,076 |
| Parks Programme [ENV] | 835 | 500 | 500 | 500 | 2,335 |
| Total Mainstream Programmes | 15,586 | 6,124 | 6,024 | 6,024 | 33,758 |
| Financing | | | | | |
| Capital Receipts | 14,790 | 3,840 | 3,840 | 3,840 | 26,310 |
| General Fund Revenue Account | 544 | 544 | 544 | 544 | 2,176 |
| Increase/(Decrease) in Internal Borrowing | 252 | 1,740 | 1,640 | 1,640 | 5,272 |
| Total Financing | 15,586 | 6,124 | 6,024 | 6,024 | 33,758 |

5.3 The General Fund mainstream capital programme will, in the first instance, continue to be primarily funded from capital receipts. A summary of forecast General Fund capital receipts is included in Appendix 2. The actual level, and timing, of sales is subject to certain risks – most notably a dependence on the wider property market, appropriate consultation and planning considerations. Sales are also at risk of slipping or not being achieved. An additional risk is that significant cost of disposals of assets may be incurred, which can be difficult to predict in some cases. Where capital receipts are not available, the mainstream programme will be funded from temporary increases in internal borrowing.

6. GENERAL FUND CAPITAL FINANCE REQUIREMENT (CFR)

6.1 General Fund debt is measured by the Capital Finance Requirement (CFR). The Council is required to make an annual provision from revenue, known as the Minimum Revenue Provision (MRP), which set-asides resource to repay debt and in so doing reduces the CFR. The CFR and MRP are explained in more detail in Appendix 3 and the Council’s 2017/18 MRP policy is set-out in Appendix 4. The current forecast for the General Fund CFR is shown in Table 4 below.

6.2 The General Fund CFR is stated with and without schools’ windows in the table below. This is because the Dedicated Schools Grant (DSG) will compensate the Council for any cost of borrowing associated with the Schools’ Windows programme. The forecast General Fund

CFR excluding school windows at the end of 2017/18 is £45.59m. The CFR with the DSG-funded Schools Windows will be £58.56m.

Table 4 - Forecast General Fund Capital Financing Requirement (CFR)

| General Fund CFR Forecast | 2017/18 £m | 2018/19 £m | 2019/20 £m | 2020/21 £m |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Closing CFR (Including DSG-funded Schools Windows borrowing) | 58.56 | 66.52 | 67.23 | 67.91 |
| Closing CFR (Excluding DSG-funded Schools Windows borrowing) | 45.59 | 47.24 | 48.71 | 50.13 |

7. THE HOUSING CAPITAL PROGRAMME

- 7.1 The Housing Capital Programme is based on the Financial Plan for Council Homes which is being submitted to Cabinet for approval in February 2017. It includes £124m over four years for major works to be carried out on existing properties. It also includes approved plans to deliver new affordable homes as well as the costs relating to Earls Court.
- 7.2 The capital funding requirement for Council homes is derived from the current Housing Stock Condition Survey. As a result of the Government's 1% reduction to rents each year for the next four years, as set out in last year's report, we have planned to do some work slightly later than we would ideally like to. This is to ensure we stay within our debt cap. However, in the programme set out here, we have managed to pull forward £12m worth of this work.
- 7.3 The programme is primarily funded by Internal Borrowing, Revenue Contributions appropriated to the Major Repairs Reserve and capital receipts from both Right-to-Buy and sales of surplus non-dwelling sites. The overall Housing Programme expenditure and resource forecast is summarised in Table 5, below. The detailed programme is included at Appendix 1.

Table 5 – Housing Expenditure and Resource Forecast 2017-21

Housing Programme - Resource Summary

Indicative Budgets

| Approved Expenditure |
|---|
| Decent Neighbourhood Schemes |
| HRA Debt Repayment |
| HRA Schemes |
| Total Housing Programme - Approved Expenditure |
| <i>Adjustment for deferred costs</i> |
| Total Expenditure after deferred costs |

| 2017/18 Budget £'000 | 2018/19 Budget £'000 | 2019/20 Budget £'000 | 2020/21 Budget £'000 |
|----------------------------|----------------------------|----------------------------|----------------------------|
| 21,061 | 18,129 | 10,423 | 13,672 |
| - | - | - | - |
| 33,523 | 29,634 | 28,826 | 32,475 |
| 54,584 | 47,763 | 39,249 | 46,147 |
| (1,406) | (4,530) | (2,761) | (4,359) |
| 53,178 | 43,233 | 36,488 | 41,788 |

| Available and Approved Resource |
|--|
| Capital Receipts - Unrestricted |
| Capital Receipts - RTB (141) |
| Capital Receipts - Sale of new build homes |
| Earls Court Receipts recognisable |
| Housing Revenue Account (revenue funding) |
| Major Repairs Reserve (MRR) |
| Contributions Developers (S106) |
| Repayment of NHHT loan |
| Contributions from leaseholders |
| Internal Borrowing |
| Total Funding |

| | | | |
|---------------|---------------|---------------|---------------|
| 8,455 | 372 | 9,115 | 5,448 |
| 2,608 | - | - | - |
| - | - | - | - |
| - | 16,581 | 4,460 | 12,384 |
| 2,464 | 6,028 | - | 1,313 |
| 18,174 | 17,404 | 19,794 | 19,794 |
| 8,171 | - | - | - |
| 270 | - | 270 | - |
| 2,849 | 2,849 | 2,849 | 2,849 |
| 10,187 | - | - | - |
| 53,178 | 43,233 | 36,488 | 41,788 |

Housing Capital Resource Balances

Indicative Budgets

| Usable Capital Receipts |
|----------------------------------|
| Capital Receipts B/f |
| Generated in year |
| Used in Year |
| Capital Receipts C/f |
| <i>Of Which '141' Restricted</i> |

| 2017/18 Budget £'000 | 2018/19 Budget £'000 | 2019/20 Budget £'000 | 2020/21 Budget £'000 |
|----------------------------|----------------------------|----------------------------|----------------------------|
| 35,366 | 31,743 | 38,957 | 37,574 |
| 7,710 | 24,167 | 12,462 | 33,622 |
| (11,333) | (16,953) | (13,845) | (17,832) |
| 31,743 | 38,957 | 37,574 | 53,364 |
| 31,742 | 33,867 | 36,050 | 38,233 |

| |
|----------------------------------|
| <i>Associated deferred costs</i> |
|----------------------------------|

| | | | |
|-----|-----|-----|-----|
| 480 | 480 | 480 | 480 |
|-----|-----|-----|-----|

| Deferred Capital Receipts |
|----------------------------------|
| Balance B/f |
| Receipts in Year |
| Recognition Profile |
| Balance C/f |

| | | | |
|---------------|---------------|---------------|---------------|
| 44,800 | 59,700 | 58,019 | 68,459 |
| 14,900 | 14,900 | 14,900 | |
| | (16,581) | (4,460) | (25,991) |
| 59,700 | 58,019 | 68,459 | 42,468 |

| |
|----------------------------------|
| <i>Associated deferred costs</i> |
|----------------------------------|

| | | | |
|-------|--------|--------|--------|
| 6,790 | 11,218 | 13,917 | 18,179 |
|-------|--------|--------|--------|

***Under the 1-4-1 scheme, Right to Buy (RTB) receipts can be retained by the authority on the proviso that they are recycled into the provision of a replacement dwelling. Accordingly, these receipts must be ring-fenced until they can be matched to qualifying expenditure.*

- 7.4 For the period 2017-21 the Housing programme will be borrowing against internal resources (as shown against 'internal borrowing' in Table 5). This is principally achieved through the use of cash associated with deferred capital receipts from land sales (capital receipts received in advance of the transfer of the land title). Use of this money is classed as borrowing as, although cash is received from the purchaser, the receipt is only deemed usable for funding purposes as land transfers to the purchaser.

This does not prevent the Council from spending the cash it receives. This borrowing unwinds when the receipt becomes usable (i.e. when land transfers). It should therefore be noted that the 'Earls Court Receipts recognisable' line in the Resources summary of Table 5 (above) represents timing of the transition of Earls Court deferred capital receipts from internal borrowing to usable capital receipts. It does not represent additional resource becoming available to fund capital spend. The total available to the HRA for the purposes of internal borrowing is shown in Table 6.

7.5 The forecast Housing Capital Finance Requirement (HRA CFR) is shown in Table 6, below.

Table 6 – Housing CFR Forecast 2017-21

| HRA CFR Forecast | 2017/18 £m | 2018/19 £m | 2019/20 £m | 2020/21 £m |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Closing Forecast HRA CFR (excluding deferred costs of disposal) | 213.47 | 213.47 | 213.47 | 213.47 |
| Deferred Costs of Disposal | 7.27 | 11.70 | 14.40 | 18.66 |
| Closing Forecast HRA CFR (including deferred costs of disposal) | 220.74 | 225.17 | 227.86 | 232.13 |

7.6 The HRA CFR is required to remain within a 'Debt Cap' which has been individually set for all housing authorities by the Department for Communities and Local Government. This cap was introduced as part of the transition to HRA self-financing. The Council's debt cap is currently set at £254.617m.

8. MAJOR PROJECTS

8.1 The Council is currently progressing a number of major projects that are likely to impact on the capital programme over the next four 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.

8.2 King Street Regeneration

The Council continues to work with its development partner, King Street Developments (Hammersmith) Ltd (KSD), a joint venture between Helical Bar plc and Grainger plc, to regenerate and redevelop area at the west end of King Street, around Hammersmith Town Hall. KSD have now acquired the former Cineworld cinema site where they have commenced demolition works.

8.3 Earl's Court

The Council entered into a Conditional Land Sale agreement, (CLSA) on 23rd January 2013, with the developer Capital & Counties Properties Plc (CapCo), to include Council owned land including the West Kensington and Gibbs Green Estates. Full details can be found in the 3 September 2012 Cabinet Report. The trigger notice for the CLSA was

served in November 2013 however, the administration continuous to work for a better deal for local residents.

8.4 Housing Development Programme

On 6th July 2015 Cabinet approved Phase 1 of the Housing Development Programme, to deliver 31 units of residential accommodation over 4 sites, financed by £10.8m Right-to-Buy and Section 106 receipts. The Phase 1 tendering process has been re-run as the originally selected bidder failed to meet contract performance standards. This has resulted in slippage of development expenditure from 2016-17 into 2017-18.

Feasibility studies for Phase 2 are ongoing, but as the Housing Revenue Account borrowing headroom is forecast to be fully utilised without consideration of further direct development, Phase 2, Phase 3 (for which feasibility work has recently begun) and beyond will need to compete with other finance intensive schemes (such as the redevelopment of Edith Summerskill House) for Section 106 resources.

8.5 Schools' Capital Programme

The Council continues to implement its Schools Organisation Strategy with the School's Capital programme expected to exceed £19m in 2017/18. The strategy continues to focus on expanding school places in light of increasing demand.

8.6 Old Oak and Park Royal Opportunity Area

As part of developing the business case for a High Speed 2 / Crossrail interchange at Old Oak Common the London Boroughs of Brent, Ealing and Hammersmith & Fulham and the GLA published a joint Vision for the Old Oak area to encourage appropriate development and to maximise regeneration benefits in the area. Since then the Old Oak and Park Royal Mayoral Development Corporation (OPDC) was established in April 2015 and is now the planning authority for the Old Oak and Park Royal Opportunity Area. The boundary of this area can be viewed on the OPDC's website at: https://www.london.gov.uk/sites/default/files/gla_migrate_files_destination/OPDC%20boundary%20-%2001_0.pdf

The council remains responsible for all other services such as waste collection, highways enforcement, car parking, parks management and maintenance etc. within the OPDC boundary.

8.7 The Hammersmith 'Flyunder'

Following on from the Council's work in 2013/14, Transport for London (TfL) have undertaken further feasibility work on the flyunder and other road tunnels in London.

Detailed business cases have been prepared and submitted to the Treasury and National Infrastructure Commission which identified a higher capital cost and a considerable funding shortfall. The Council is developing a Supplementary Planning Document (SPD) with the Hammersmith Residents Working party in order to establish a planning framework that would hopefully bring the Flyunder forward, along with significant improvements to the built environment in the town centre.

8.8 Shepherd's Bush Market

An appeal by the traders' association against the Shepherds Bush Market CPO was successful and the CPO was subsequently quashed. U+I have taken over from previous developers Orion. U+I have advised the Council that they will not be pursuing a new CPO or the current planning permission for the regeneration of the market and adjoining land. They will also not be pursuing the option agreement for the purchase of the council owned land (former Pennard Road laundry site). U+I are instead engaging with the Council and markets traders in improvements to the existing market and propose to seek a license and planning permission from the Council for use of the Council's land for market and other commercial, community and leisure users.

8.9 Hammersmith Bridge

The Council, in partnership with Transport for London (TfL), is currently looking at options to strengthen Hammersmith Bridge to allow double decker buses to use the bridge. The Council is undertaking an initial feasibility exercise with any final decision subject to a further Cabinet Decision and agreement with TfL. It is anticipated that any eventual project will be funded by TfL.

8.10 Community Infrastructure Levy (CIL)

The Council has adopted its own CIL, which took effect on the 1st September 2015. This is a levy that local authorities can choose to charge on new developments in their area and in part replaces the use of Section 106 Agreements to support the provision of infrastructure. The CIL money collected must be used in enabling development by funding, operating and maintaining infrastructure.

To date the Council has received £494,487.50 of Borough CIL, and it is projected that we will receive £800,000 in the next financial year.

The Council is also obliged to use 15% of the CIL funds to deliver projects agreed with community. Members have agreed to trial using Spacehive to manage the expenditure of these funds. The Council is also able to use up to 5% of the funds to pay for the administration of CIL.

8.11 Flexible Use of Capital Receipts

For the period 1 April 2016 to 31 March 2020, the Government has granted new powers to local authorities whereby capital receipts can be spent more flexibly. Previously,

capital receipts could only be spent on a narrow range of items such as capital expenditure or the repayment of debt. This flexibility enables local authorities to also apply capital receipts to the costs of service reform. This has been broadly defined, however the Government have specifically cited '*projects which are forecast to generate ongoing savings to an authority's, or several authorities', and/or to another public sector body's net service expenditure*'. This flexibility will only apply to capital receipts generated in the flexibility period (1 April 2016 to 31 March 2020).

9. EQUALITY IMPLICATIONS

- 9.1 The private sector disabled facilities scheme which comprises a Council funded contribution of £450K is unchanged from previous years and is forecast to remain unchanged in future years. This funding helps to facilitate disabled people's participation in public life. In addition to Council funding, a grant allocation is expected from government in support of this scheme for 2017/18.
- 9.2 It should be noted that there are some major projects, for example those discussed in section 8, which are subject to other decision making processes where due regard to the PSED (public sector equality duty) has been, and continues to be given (because it is a continuing duty) in order to determine the relevance to equality groups and any mitigating measures that are possible. This does not seek to change those decisions.

10. LEGAL IMPLICATIONS

- 10.1 There are no direct legal implications in relation to this report.
- 10.2 Implications verified/completed by: David Walker, Principal Solicitor, Commercial and Corporate Property 020 7361 2211.

11. FINANCIAL AND RESOURCES IMPLICATIONS

- 11.1 This report is of a wholly financial nature and financial and resource implications are considered throughout, however the following supplementary comments should also be noted:
- 11.2 The Council's mainstream capital programme is 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 four years. Amendments will be made in line with Member approval.
- 11.3 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 5. The indicator used to reflect the underlying need of an authority to borrow for a capital purpose is the Capital Financing Requirement (CFR).
- 11.4 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 4 sets out the LBHF MRP Statement for 2017/18.

- 11.5 With regard to all major capital schemes and disposals, the council will need to give careful consideration to its VAT partial exemption threshold. Ordinarily, entities cannot reclaim VAT incurred in the provision of VAT exempt activities, however special provision for Local Authorities means that Council can reclaim such costs, providing these do not exceed 5% of the Council's overall VAT liability in any one year. If this threshold is breached without HMRC mitigation, then all VAT incurred in support of exempt activities, in that year, can no longer be reclaimed from HM Revenue and Customs (HMRC) and becomes payable by the Council. This would represent a cost of approximately £2m to £3m per year of breach.

Capital transactions represent a significant portion of the Council's VAT-exempt activity and accordingly pose the biggest risk to the partial exemption threshold. The Council monitors the partial exemption position closely; however unanticipated receipts, expense or slippages can frustrate this process. The Cabinet has adopted the following VAT policy to aid the management of the Partial Exemption position:

- Projects should be 'opted-to-tax' where this option is available and is of no financial disadvantage to the Council.
- If an option-to tax is unavailable it is advised that any avoidable, new projects incurring exempt VAT are deferred for the present time.
- In addition there is only limited room in the future years partial exemption forecasts. Therefore, new or re-profiled projects incurring exempt VAT will need to be agreed with the Corporate VAT team.
- In all cases the VAT team should be consulted in advance in order that the forecasts can be updated and re-checked against limits.

- 11.6 Implications verified/completed by: Christopher Harris, Head of Corporate Accountancy and Capital, telephone 0208 753 6440.

12. RISK MANAGEMENT

- 12.1 The report content presents a balanced and measured profile of the main aspects, risks and issues relating to the Capital Programme and its deliverables. The exposure to property market conditions, consultation requirements, potential delays due to legal challenge, gaining planning consent, protracted negotiations or exchange of contracts with potential purchasers are known risks and these are outlined in the report. Each may affect the likelihood or timeliness of meeting projected receipts. Mitigation is undertaken on a case by case basis and it is the responsibility of departments to capture risks that may affect the successful delivery of capital projects contained in their programme in their departmental registers. A number of significant opportunity risks to regenerate areas of the borough have previously been considered on the Councils Shared Services risk and assurance register which has been reviewed by the Strategic Leadership Team. These are covered in Section 8 of the report. Exposure to risks such as the potential for Fraud and Bribery in relation to its property and asset dealings are covered through the

councils existing Anti-Fraud and Bribery policies. The service maintains a register of key risks, where there may become significant they may be escalated onto the Shared Services risk register.

12.2 Implications verified/completed by: Michael Sloniowski, Shared Services Risk Manager, telephone 0208 753 2587.

13. COMMERCIAL IMPLICATIONS

13.1 There are no direct procurement implications in relation to this report. Advice in relation to procurement and commercial considerations will be given as and when projects start.

13.2 Implications verified/completed by: Alan Parry, Interim Head of Procurement (Job-share). Telephone 0208 753 2581

14. IMPLICATIONS FOR BUSINESS

14.1 The Council's Capital Programme represents significant expenditure within the Borough and consequently, where supplies are sourced locally, may impact either positively or negatively on local contractors and sub-contractors. Where capital expenditure increases, or is brought forward, this may have a beneficial impact on local businesses; conversely, where expenditure decreases, or is slipped, there may be an adverse impact on local businesses.

14.2 Implications completed by: Antonia Hollingsworth, Principal Business Investment Officer, Planning and Growth Dept. Tel: 020 8753 1698

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

None.

LIST OF APPENDICES:

Capital Budget Monitoring and Financing Information:

Appendix 1 - Council Capital Programme by Service Area

Appendix 2 - General Fund Anticipated Capital Receipts

Appendix 3 - The Capital Financing Requirement (CFR)

Appendix 4 - Minimum Revenue Provision (MRP) Statement 2017/18

Appendix 5 - CIPFA Prudential Indicators 2017/18

APPENDIX 1 – Detailed Analysis by Service

Children's Services

Indicative Budgets

| | 2017/18 Budget £'000 | 2018/19 Budget £'000 | 2019/20 Budget £'000 | 2020/21 Budget £'000 | Total Budget (All years) £'000 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------------------|
| Scheme Expenditure Summary | | | | | |
| Schools Organisational Strategy | 19,074 | 501 | - | - | 19,575 |
| Schools Window Replacement Project | 9,184 | 6,833 | - | - | 16,017 |
| Total Expenditure | 28,258 | 7,334 | - | - | 35,592 |
| Capital Financing Summary | | | | | |
| Specific/External or Other Financing | | | | | |
| Capital Grants from Central Government | 7,518 | - | - | - | 7,518 |
| Grants and Contributions from Private Developers (includes S106) | 10,749 | 501 | - | - | 11,250 |
| Sub-total - Specific or Other Financing | 18,267 | 501 | - | - | 18,768 |
| Mainstream Financing (Internal Council Resource) | | | | | |
| Capital Receipts | 807 | - | - | - | 807 |
| Sub-total - Mainstream Funding | 807 | - | - | - | 807 |
| Borrowing | 9,184 | 6,833 | - | - | 16,017 |
| Total Capital Financing | 28,258 | 7,334 | - | - | 35,592 |

Adult Social Care Services

Indicative Budgets

| | 2017/18 Budget £'000 | 2018/19 Budget £'000 | 2019/20 Budget £'000 | 2020/21 Budget £'000 | Total Budget (All years) £'000 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------------------|
| Scheme Expenditure Summary | | | | | |
| Extra Care New Build project (Adults' Personal Social Services Grant) | 20 | - | 937 | - | 957 |
| Community Capacity Grant | 95 | - | - | - | 95 |
| Transforming Care (Winterbourne Grant) | 300 | - | - | - | 300 |
| Disabled Facilities Grant | 450 | 450 | 450 | 450 | 1,800 |
| Total Expenditure | 865 | 450 | 1,387 | 450 | 3,152 |
| Capital Financing Summary | | | | | |
| Specific/External or Other Financing | | | | | |
| Capital Grants from Central Government | 115 | - | 937 | - | 1,052 |
| Capital Grants/Contributions from Non-departmental public bodies | 300 | - | - | - | 300 |
| Sub-total - Specific or Other Financing | 415 | - | 937 | - | 1,352 |
| Mainstream Financing (Internal Council Resource) | | | | | |
| Capital Receipts | 450 | 450 | 450 | 450 | 1,800 |
| Sub-total - Mainstream Funding | 450 | 450 | 450 | 450 | 1,800 |
| Borrowing | - | - | - | - | - |
| Total Capital Financing | 865 | 450 | 1,387 | 450 | 3,152 |

APPENDIX 1 – Detailed Analysis by Service /cont.

| Environmental Services | Indicative Budgets | | | | |
|---|---------------------------|-----------------------|-----------------------|-----------------------|---------------------------------|
| | 2017/18 Budget | 2018/19 Budget | 2019/20 Budget | 2020/21 Budget | Total Budget (All years) |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Scheme Expenditure Summary | | | | | |
| Planned Maintenance/DDA Programme | 2,775 | 1,275 | 1,500 | 2,500 | 8,050 |
| King Street -Town Hall Redevelopment | 5,075 | 1,325 | 1,000 | - | 7,400 |
| Footways and Carriageways | 2,030 | 2,030 | 2,030 | 2,030 | 8,120 |
| Transport For London Schemes | 2,157 | 2,157 | 2,157 | 2,157 | 8,628 |
| Controlled Parking Zones | 275 | 275 | 275 | 275 | 1,100 |
| Column Replacement | 269 | 269 | 269 | 269 | 1,076 |
| Carnwath Road | 3,070 | - | - | - | 3,070 |
| Parks Expenditure | 835 | 500 | 500 | 500 | 2,335 |
| Total Expenditure | 16,486 | 7,831 | 7,731 | 7,731 | 39,779 |
| Capital Financing Summary | | | | | |
| Specific/External or Other Financing | | | | | |
| Capital Grants and Contributions from GLA Bodies | 2,157 | 2,157 | 2,157 | 2,157 | 8,628 |
| Sub-total - Specific or Other Financing | 2,157 | 2,157 | 2,157 | 2,157 | 8,628 |
| Mainstream Financing (Internal Council Resource) | | | | | |
| Capital Receipts | 13,533 | 3,390 | 3,390 | 3,390 | 23,703 |
| General Fund Revenue Account (revenue funding) | 544 | 544 | 544 | 544 | 2,176 |
| Sub-total - Mainstream Funding | 14,077 | 3,934 | 3,934 | 3,934 | 25,879 |
| Borrowing | 252 | 1,740 | 1,640 | 1,640 | 5,272 |
| Total Capital Financing | 16,486 | 7,831 | 7,731 | 7,731 | 39,779 |

APPENDIX 1 – Detailed Analysis by Service /cont.

Housing Capital Programme

Indicative Budgets

| 2017/18 Budget | 2018/19 Budget | 2019/20 Budget | 2020/21 Budget | Total Budget (All years) |
|----------------|----------------|----------------|----------------|--------------------------|
| £'000 | £'000 | £'000 | £'000 | £'000 |

Scheme Expenditure Summary

HRA Schemes:

| | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|----------------|
| Supply Initiatives (Major Voids) | 1,100 | - | - | - | 1,100 |
| Energy Schemes | 3,177 | 2,425 | 1,850 | 1,725 | 9,177 |
| Lift Schemes | 3,600 | 3,750 | 3,750 | 1,150 | 12,250 |
| Internal Modernisation | 250 | 250 | 500 | 1,750 | 2,750 |
| Major Refurbishments | 16,079 | 15,607 | 14,616 | 19,280 | 65,582 |
| Planned Maintenance Framework | 250 | - | - | - | 250 |
| Minor Programmes | 8,017 | 6,552 | 7,110 | 7,570 | 29,249 |
| ASC/ELRS Managed | 1,050 | 1,050 | 1,000 | 1,000 | 4,100 |
| Subtotal HRA | 33,523 | 29,634 | 28,826 | 32,475 | 124,458 |

Decent Neighbourhood Schemes:

| | | | | | |
|---------------------------------------|---------------|---------------|---------------|---------------|----------------|
| Earls Court Buy Back Costs | 7,005 | 13,084 | 7,662 | 9,313 | 37,064 |
| Earls Court Project Team Costs | 1,406 | 4,530 | 2,761 | 4,359 | 13,056 |
| Housing Development Project | 9,203 | 515 | - | - | 9,718 |
| Other DNP projects | 3,447 | - | - | - | 3,447 |
| Subtotal Decent Neighbourhoods | 21,061 | 18,129 | 10,423 | 13,672 | 63,285 |
| Total Expenditure | 54,584 | 47,763 | 39,249 | 46,147 | 187,743 |

Adjustment for deferred costs

| | | | | |
|---------|---------|---------|---------|----------|
| (1,406) | (4,530) | (2,761) | (4,359) | (13,056) |
|---------|---------|---------|---------|----------|

Total Net Expenditure

| | | | | |
|--------|--------|--------|--------|---------|
| 53,178 | 43,233 | 36,488 | 41,788 | 174,687 |
|--------|--------|--------|--------|---------|

Capital Financing Summary

Specific/External or Other Financing

| | | | | | |
|--|---------------|--------------|--------------|--------------|---------------|
| Contributions from leaseholders | 2,849 | 2,849 | 2,849 | 2,849 | 11,396 |
| Grants and Contributions from Private Developers (includes S106) | 8,171 | - | - | - | 8,171 |
| Capital Grants/Contributions from Non-departmental public bodies | 270 | - | 270 | - | 540 |
| Sub-total - Specific or Other Financing | 11,290 | 2,849 | 3,119 | 2,849 | 20,107 |

Mainstream Financing (Internal Council Resource)

| | | | | | |
|---|---------------|---------------|---------------|---------------|----------------|
| Capital Receipts | 11,063 | 16,952 | 13,575 | 17,832 | 59,422 |
| Housing Revenue Account (revenue funding) | 2,464 | 6,028 | - | 1,313 | 9,805 |
| Major Repairs Reserve (MRR) / Major Repairs | 18,174 | 17,404 | 19,794 | 19,794 | 75,166 |
| Sub-total - Mainstream Funding | 31,701 | 40,384 | 33,369 | 38,939 | 144,393 |

Borrowing (Internal Borrowing)

| | | | | |
|--------|---|---|---|--------|
| 10,187 | - | - | - | 10,187 |
|--------|---|---|---|--------|

Total Capital Financing

| | | | | |
|--------|--------|--------|--------|---------|
| 53,178 | 43,233 | 36,488 | 41,788 | 174,687 |
|--------|--------|--------|--------|---------|

APPENDIX 2 – Anticipated General Fund Capital Receipts

| Year/Property | Forecast Receipts £'000s |
|------------------------|-------------------------------------|
| 2017/18 | |
| Total 2017/18 | 14,790 |
| | |
| 2018/19 | |
| Total 2018/19 | 3,840 |
| | |
| 2019/20 | |
| Total 2019/20 | 3,840 |
| | |
| 2020/21 | |
| Total 2020/21 | 3,840 |
| Total All Years | 26,310 |

APPENDIX 3 - THE CAPITAL FINANCING REQUIREMENT (CFR), MINIMUM REVENUE PROVISION (MRP) AND POOLING

The Capital Financing Requirement (CFR)

The CFR measures an authority's underlying need to borrow for a capital purpose. It is considered by the Chartered Institute of Public Finance Accountancy (CIPFA) as the best measure of Council debt as it reflects both external and internal borrowing.

It was introduced by the Government in 2004 and 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. **The CFR should therefore be thought of as the total of internal and external borrowing.**

The CFR presented in Table 4 excludes the CFR associated with Finance Leases and PFIs as the financing costs of these elements are fully funded through revenue budgets.

The Minimum Revenue Provision (MRP)

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). The MRP will, over time, reduce the CFR. There are a number of options for selecting MRP, although traditionally this has been 4% of the CFR.

The MRP formula contains a 'floor' - known as 'Adjustment A' - which has been individually fixed for all authorities. When the CFR drops below this level, MRP is no longer payable. For Hammersmith and Fulham the floor has been set at £43.2m. In short, there is no revenue incentive to reduce the CFR below this level.

In addition to MRP, authorities are able to make voluntary provisions to reduce the CFR. These provisions can be made from capital or revenue resources. Voluntary reduction of the CFR delivers a benefit to revenue in the subsequent year as it reduces the mandatory MRP charge.

Pooling and Types of Receipt

The Council is required to hand-over a proportion of housing-related capital receipts to the Government.

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.

A change in regulations now enables Council's to retain an RTB receipt where it is recycled into new social or affordable housing (known as the 1-4-1 scheme), once certain baselines have been met.

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 do not need to be pooled but must be used for housing business purposes.

A recent change in regulations now also allows Councils to retain non-RTB receipts if they are directed to the reduction of Housing debt.

APPENDIX 4 - MINIMUM REVENUE PROVISION (MRP) STATEMENT 2017/18

1. This statement covers the minimum revenue provision (MRP) that Hammersmith and Fulham Council will set-aside from revenue to reduce borrowing and credit liabilities arising from capital expenditure.
2. Regulations 27 and 28 in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146, as amended] require local authorities to make a prudent amount of minimum revenue provision (MRP). The Secretary of State (Department for Communities and Local Government) issued statutory guidance on determining the “prudent” level of MRP, to which this Council is required to have regard, in February 2012.
3. No MRP is required in respect of the Housing Revenue Account (HRA).

Annual MRP Statement – frequency of update and approval

4. The Secretary of State recommends that before the start of each financial year, H & F prepares a statement of its policy on making MRP in respect of that financial year and submits it to the full council. The statement should indicate how it is proposed to discharge the duty to make prudent MRP in the financial year. If it is ever proposed to vary the terms of the original statement during the year, a revised statement should be put to the council at that time.

Meaning of “Prudent Provision”

5. The broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

Supported Capital Expenditure or Capital Expenditure incurred before 1 April 2008:

6. For capital expenditure incurred before 1 April 2008, the policy is based on Capital Financing Requirement method (Option 2¹) – this is a continuation of current practice.

From 1 April 2008 for all unsupported borrowing (which does not form part of Supported Capital Expenditure):

7. Where capital expenditure is incurred from 1 April 2008 and on an asset financed wholly or partly by self-funded borrowing, the MRP is to be made in instalments over the life of the asset in accordance with Option 3 Asset Life Method – this method spreads the cost over the estimated life of an asset. Under this method LBHF may in any year make additional voluntary revenue provision, in which case they may make an appropriate reduction in later years’ levels of MRP.

¹ Options as given in the CLG statutory guidance

8. The guidance states for all capitalised expenditure incurred on or after 1 April 2008, which is (a) financed by borrowing or credit arrangements; and (b) treated as capital expenditure by virtue of either a direction under section 16(2)(b) of the 2003 Act or regulation 25(1) of the 2003 Regulations, the authority should make MRP in accordance with Option 3 Asset Life Method.
9. Asset life for MRP purposes shall be determined in the year that MRP commences and not be subsequently revised by the Strategic Finance Director.
10. The determination as to which scheme is funded from borrowing and which from other sources shall be made by the Strategic Finance Director. Where an asset is only temporarily funded from borrowing in any one financial year and it is intended that its funding be replaced with other sources by the following year, no MRP shall apply.
11. MRP commencement: When borrowing to provide an asset, the authority may treat the asset life as commencing in the year in which the asset first becomes operational. H&F's policy is to postpone beginning to make MRP until the financial year following the one in which the asset becomes operational. "Operational" here has its standard accounting definition. Investment properties should be regarded as becoming operational when they begin to generate revenues.
12. For any deferred costs of disposal debited to the Capital Adjustment Account, no MRP shall apply.
13. Capital Financing Requirement: Where the CFR was nil or negative on the last day of the preceding financial year, LBHF need not make any MRP in the current financial year.
14. Finance leases and PFI: In the case of finance leases and on-balance sheet PFI contracts, the MRP requirement would be regarded as met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability. Where a lease (or part of a lease) or PFI contract is brought onto the balance sheet, having previously been accounted for off-balance sheet, the MRP requirement would be regarded as having been met by the inclusion in the charge, for the year in which the restatement occurs, of an amount equal to the write-down for that year plus retrospective writing down of the balance sheet liability that arises from the restatement.
15. Housing assets: the duty to make MRP does not extend to cover borrowing or credit arrangements used to finance capital expenditure on housing assets.
16. The Strategic Finance Director is responsible for implementing the Annual Minimum Revenue Provision Statement and has managerial, operational and financial discretion necessary to ensure that MRP is calculated in accordance with regulatory and financial requirements and resolve any practical interpretation issues. The Strategic Finance Director may also make additional revenue provisions, over and above those set out in the statement, or set aside capital receipts to reduce debt liabilities should it be prudent for financial management of the HRA or the General Fund. In addition, the Strategic Finance Director, in consultation with the Cabinet Member for Finance, may defer or reduce MRP

charges while continuing to ensure a prudent provision is made over the medium term.

APPENDIX 5 - PRUDENTIAL INDICATORS

CAPITAL EXPENDITURE

Estimate of total capital expenditure to be incurred in the current financial year and the forthcoming financial years built upon the assumed level of resources is as follows:

| | Actual 2015/16 £'000 | Forecast 2016/17 £'000 | Estimate 2017/18 £'000 | Estimate 2018/19 £'000 | Estimate 2019/20 £'000 |
|--------------|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| General Fund | 30,163 | 55,051 | 45,609 | 15,615 | 9,118 |
| Housing | 65,617 | 59,058 | 53,178 | 43,233 | 36,488 |
| TOTAL | 95,780 | 114,109 | 98,787 | 58,848 | 45,606 |

CAPITAL FINANCING REQUIREMENT (CFR)

The estimate of capital financing requirement at the end of each year will relate to all capital expenditure – i.e. it includes relevant capital expenditure incurred in previous years. The capital financing requirement will reflect the authority's underlying need to finance capital expenditure by borrowing or other long-term liability arrangements.

In order to make these estimates, all of the financing options available are considered and estimated. The estimates will not commit the local authority to particular methods of financing. The Strategic Finance Director will determine the actual financing of capital expenditure incurred once a year, after the end of the financial year.

| | Actual 2015/16 £'000 | Forecast 2016/17 £'000 | Estimate 2017/18 £'000 | Estimate 2018/19 £'000 | Estimate 2019/20 £'000 |
|--|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| General Fund | 44,180 | 45,425 | 45,587 | 47,231 | 48,709 |
| General Fund (DSG Funded School Windows) | 1,116 | 3,945 | 12,972 | 19,285 | 18,514 |
| Housing Revenue Account | 210,132 | 209,175 | 220,737 | 225,165 | 227,864 |
| TOTAL | 255,428 | 258,545 | 279,296 | 291,681 | 295,087 |
| Other Items – Leases etc* | 12,148 | 12,000 | 11,800 | 11,600 | 11,400 |
| TOTAL (inc. Leases etc.) | 267,576 | 270,545 | 291,096 | 303,281 | 306,487 |

The GF CFR associated with the Schools' Windows Programme is shown separately because the Dedicated Schools Grant (DSG) will meet the borrowing costs associated with this programme. Other Items* includes the technical GF CFR associated with finance leases and PFI schemes which count as capital items however are fully funded through revenue budgets.

EXTERNAL DEBT AND THE CAPITAL FINANCING REQUIREMENT

The Prudential Code stipulates that, over the medium term, Gross Debt should not generally exceed the Capital Financing Requirement. This provides assurance that borrowing will only be incurred for capital purposes. This is demonstrated as follows:

| | Actual 2015/16 £'000 | Forecast 2016/17 £'000 | Estimate 2017/18 £'000 | Estimate 2018/19 £'000 | Estimate 2019/20 £'000 |
|-----------|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Borrowing | 231,897 | 224,823 | 217,405 | 212,841 | 203,142 |
| CFR* | 255,428 | 258,545 | 279,296 | 291,681 | 295,087 |

*CFR used for comparison excludes Lease items etc. as these are fully funded through revenue budgets

RATIO OF FINANCING COSTS TO NET REVENUE STREAM

The Council has estimated the ratio of financing costs to net revenue stream. This prudential indicator is expressed in the following manner: Estimate of capital financing costs ÷ estimate of net revenue stream* x 100% for years 1, 2 and 3.

| | Actual 2015/16 £'000 | Forecast 2016/17 £'000 | Estimate 2017/18 £'000 | Estimate 2018/19 £'000 | Estimate 2019/20 £'000 |
|-------------------------|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| General Fund | 1.4% | 1.3% | 1.3% | 1.3% | 1.3% |
| Housing Revenue Account | 12.5% | 12.5% | 12.2% | 11.3% | 10.8% |

*For the General Fund this is deemed to be the Net Budget Requirement; for the HRA this is deemed to be forecast gross income

INCREMENTAL IMPACT OF CAPITAL INVESTMENT DECISIONS ON COUNCIL TAX AND HRA RENTS


This indicator is represented as: The annual increase or decrease in the costs to service capital debt (internal and external charges) ÷ Taxbase (number of dwellings). This will not manifest itself as an increase or decrease in the Council Tax *per se*, but demonstrates the underlying impact of capital spending decisions.

| | Estimate 2017/18 £ | Estimate 2018/19 £ | Estimate 2019/20 £ |
|-----------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Council Tax Implication (£) | -1.09 | -0.22 | 0.11 |

The impact on the Housing Revenue Account Rents is assessed as nil. It is anticipated that all the new HRA investment will be funded without the need for external borrowing. In addition, the recent Government ruling to reduce HRA Rents effectively prevents rents from increasing.

BORROWING – AUTHORISED LIMIT & OPERATIONAL BOUNDARY

The prudential indicators concerning the authorised limit and operational boundary for borrowing, and other treasury management activities, are set out in the Treasury Management Strategy report (presented separately from this report).

| | | |
|--|--|---|
| <p>London Borough of Hammersmith & Fulham</p> <p>CABINET</p> <p>6 February 2017</p> | |  |
| <p>CAPITAL PROGRAMME MONITOR & BUDGET VARIATIONS, 2016/17 (THIRD QUARTER)</p> | | |
| <p>Report of the Cabinet Member for Finance – Councillor Max Schmid</p> | | |
| <p>Open Report</p> | | |
| <p>Classification: FOR DECISION Key Decision: Yes</p> | | |
| <p>Consultation: Service Finance Teams</p> | | |
| <p>Wards Affected: ALL</p> | | |
| <p>Accountable Director: Hitesh Jolapara, Strategic Finance Director</p> | | |
| <p>Report Author: Christopher Harris, Head of Corporate Accountancy and Capital</p> | | <p>Contact Details: Tel: 0208 753 6440 Email: christopher.harris@lbhf.gov.uk</p> |

1. EXECUTIVE SUMMARY

- 1.1. This report provides a financial update on the Council's Capital Programme and seeks approval for budget variations as at the end of the third quarter, 2016/17 amounting to a net decrease of **£9.8m**. This decrease is primarily associated with slippages to future years.

2. RECOMMENDATIONS

- 2.1. To approve proposed technical budget variations to the capital programme totalling **£9.8m** (summarised in Table 1 and detailed in Appendix 2).
- 2.2. Note that the Capital Financing Requirement forecast continues to be heavily dependent on the realisation of a small number of high-value capital receipts. If one or a number of the receipts were not realised in 2016/17 this would significantly affect the CFR forecast.

3. REASONS FOR DECISION

- 3.1. This report seeks revisions to the Capital Programme which require the approval of Cabinet in accordance with the Council's financial regulations.

4. CAPITAL PROGRAMME 2016-17 –Q3 VARIATIONS

4.1. The Council's capital programme as at the end of the third quarter 2016/17 – including proposed variations - is summarised in Table 1 below. A full analysis of elements of the programme funded from internal Council resource is included in section 6.

Table 1 – LBHF Capital Programme 2016-20 with proposed 2016/17 Q3 Variations

| | Proposed Variations: Q2 Budget to Q3 | | | | | Indicative Future Years Analysis | | | | | |
|---|--------------------------------------|--|-----------------------------|-----------------|-----------------------------|-----------------------------------|---------------|---------------|---------------|---------------|--------------------------------|
| | 2016/17 Revised Budget (Q2) £'000 | Slippages from/(to) future years £'000 | Addition/ (Reduction) £'000 | Transfers £'000 | Total Variations (Q3) £'000 | Revised Budget 2016/17 (Q3) £'000 | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | Total Budget (All years) £'000 |
| CAPITAL EXPENDITURE | | | | | | | | | | | |
| Children's Services | 31,307 | (4,504) | - | - | (4,504) | 26,803 | 28,258 | 7,334 | - | - | 62,395 |
| Adult Social Care | 2,512 | (300) | - | - | (300) | 2,212 | 865 | 450 | 1,387 | 450 | 5,364 |
| Environmental Services | 27,347 | (5,205) | 3,609 | - | (1,596) | 25,751 | 16,486 | 7,831 | 7,731 | 7,731 | 65,530 |
| Finance & Corporate Services | 436 | - | (436) | - | (436) | - | - | - | - | - | - |
| Libraries | 285 | - | - | - | - | 285 | - | - | - | - | 285 |
| Sub-total (Non-Housing) | 61,887 | (10,009) | 3,173 | - | (6,836) | 55,051 | 45,609 | 15,615 | 9,118 | 8,181 | 133,574 |
| HRA Programme | 50,224 | (3,524) | - | - | (3,524) | 46,700 | 33,523 | 29,634 | 28,826 | 32,475 | 171,158 |
| Decent Neighbourhoods Programme | 11,847 | 591 | (80) | - | 511 | 12,358 | 19,655 | 13,599 | 7,662 | 9,313 | 62,587 |
| Sub-total (Housing) | 62,071 | (2,933) | (80) | - | (3,013) | 59,058 | 53,178 | 43,233 | 36,488 | 41,788 | 233,745 |
| Total Expenditure | 123,958 | (12,942) | 3,093 | - | (9,849) | 114,109 | 98,787 | 58,848 | 45,606 | 49,969 | 367,319 |
| CAPITAL FINANCING | | | | | | | | | | | |
| Specific/External Financing: | | | | | | | | | | | |
| Government/Public Body Grants | 28,496 | (2,850) | 185 | - | (2,665) | 25,831 | 10,360 | 2,157 | 3,364 | 2,157 | 43,869 |
| Developers Contributions (S106) | 9,887 | 186 | (226) | 500 | 460 | 10,347 | 18,920 | 501 | - | - | 29,768 |
| Leaseholder Contributions (Housing) | 9,786 | - | - | - | - | 9,786 | 2,849 | 2,849 | 2,849 | 2,849 | 21,182 |
| Sub-total - Specific Financing | 48,169 | (2,664) | (41) | 500 | (2,205) | 45,964 | 32,129 | 5,507 | 6,213 | 5,006 | 94,819 |
| Mainstream Financing (Internal): | | | | | | | | | | | |
| Capital Receipts - General Fund | 10,323 | (2,477) | (40) | - | (2,517) | 7,806 | 14,790 | 3,840 | 3,840 | 3,840 | 34,116 |
| Capital Receipts - Housing* | 30,269 | (3,119) | 82 | - | (3,037) | 27,232 | 11,063 | 16,952 | 13,575 | 17,832 | 86,654 |
| Revenue funding - General Fund | 3,995 | - | - | - | - | 3,995 | 544 | 544 | 544 | 544 | 6,171 |
| Revenue Funding - HRA | 3,048 | - | - | - | - | 3,048 | 2,464 | 6,028 | - | 1,313 | 12,853 |
| Major Repairs Reserve (MRR) [Housing] | 18,109 | - | - | - | - | 18,109 | 18,174 | 17,404 | 19,794 | 19,794 | 93,275 |
| Earmarked Reserves (Revenue) | 550 | - | 3,254 | - | 3,254 | 3,804 | - | - | - | - | 3,804 |
| Sub-total - Mainstream Funding | 66,294 | (5,596) | 3,296 | - | (2,300) | 63,994 | 47,035 | 44,768 | 37,753 | 43,323 | 236,873 |
| Internal Borrowing | 8,995 | (4,682) | (162) | - | (4,844) | 4,151 | 19,623 | 8,573 | 1,640 | 1,640 | 35,627 |
| Funding to be identified/agreed | 500 | - | - | (500) | (500) | - | - | - | - | - | - |
| Total Capital Financing | 123,958 | (12,942) | 3,093 | - | (9,849) | 114,109 | 98,787 | 58,848 | 45,606 | 49,969 | 367,319 |

*Capital Receipts include use of brought forward Housing receipts

4.2. A net variation to the 2016/17 programme of **£(9.8)m** is proposed, decreasing total budgeted expenditure from £123.9m to £114.1m. Of the proposed net variation, there is a reduction of £(12.9)m relating to slippages to future financial years. This is netted against a £3.1m increase that relates primarily to growth in the programme where external funding sources have now been confirmed, associated forecast funding has increased or to where cabinet decisions of a capital nature have already been taken. A detailed analysis of proposed variations for approval is included at Appendix 2.

4.3. The capital programme presented here is based on approved projects and known funding allocations. The programme will be updated as pipeline schemes are confirmed or otherwise; and future years remain subject to approval in future capital programmes. Departments such as Children's Services, whose capital programme has traditionally depended on external specific grants, will be updated as and when future grants are confirmed.

5. CAPITAL FINANCE REQUIREMENT (CAPITAL DEBT)

5.1. The Capital Finance Requirement (CFR) measures the Council's long-term indebtedness. The current forecast for the General Fund Headline¹ CFR is shown in Table 2 below. The current HRA CFR forecast is shown in Table 3.

Table 2 – General Fund CFR at Q3 2016-17 (including future years forecast)

| General Fund CFR Forecast | 2016/17 £m | 2017/18 £m | 2018/19 £m | 2019/20 £m | 2020/21 £m |
|--|---------------|---------------|---------------|---------------|---------------|
| Closing CFR (Including DSG-funded Schools Windows borrowing) | 49.37 | 58.55 | 66.51 | 67.22 | 67.90 |
| Closing CFR (Excluding DSG-funded Schools Windows borrowing) | 45.42 | 45.59 | 47.23 | 48.71 | 50.13 |

Table 3 – HRA CFR at Q3 2016-17 (including future years forecast)

| HRA CFR Forecast | 2016/17 £m | 2017/18 £m | 2018/19 £m | 2019/20 £m | 2020/21 £m |
|---|---------------|---------------|---------------|---------------|---------------|
| Closing Forecast HRA CFR (excluding deferred costs of disposal) | 203.28 | 213.47 | 213.47 | 213.47 | 213.47 |
| Deferred Costs of Disposal | 5.90 | 7.27 | 11.70 | 14.40 | 18.66 |
| Closing Forecast HRA CFR (including deferred costs of disposal) | 209.18 | 220.74 | 225.17 | 227.86 | 232.13 |

5.2. The General Fund CFR forecast is heavily dependent on the timing and certainty of capital receipts forecasts. Where receipts are not available to fund mainstream expenditure, and no other sources of funding can be found, internal borrowing will increase. This will increase the CFR. The General Fund CFR is also sensitive to any transfer of assets between the HRA and the General Fund (a process known as 'appropriation'). Where assets transfer from the HRA to the General Fund, the GF CFR increases by the market value of assets being transferred.

6. GENERAL FUND – MAINSTREAM PROGRAMME AND CAPITAL RECEIPTS

6.1. The General Fund mainstream programme cuts across the departmental programmes and represents schemes which are funded from internal Council resource – primarily capital receipts. The mainstream programme is summarised in Table 4 below.

¹ Excludes items such as finance leases and PFIs, the MRP cost of which is funded through revenue budgets.

Table 4 – General Fund Mainstream Programme 2016-20 with proposed 2016/17 Q3 Variations

| | 2016/17 Revised Budget | Variations (Q3) | 2016/17 Budget (Q3) | Indicative Budget 2017/18 | Indicative Budget 2018/19 | Indicative Budget 2019/20 | Indicative Budget 2020/21 | Total Budget (All years) |
|--|------------------------------|--------------------|---------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|--------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Approved Expenditure | | | | | | | | |
| Ad Hoc Schemes: | | | | | | | | |
| Schools Organisation Strategy [CHS] (mainstream element) | 2,423 | - | 2,423 | 807 | - | - | - | 3,230 |
| Hammersmith Town Hall Refurbishment (Mainstream Element/CPMP) [ENV] | 2,850 | (1,500) | 1,350 | 5,075 | 1,325 | 1,000 | - | 8,750 |
| Other Capital Schemes [ENV] | 3,357 | 3,010 | 6,367 | - | - | - | - | 6,367 |
| Carnwath Road [ENV] | 1,870 | (1,870) | - | 3,070 | - | - | - | 3,070 |
| Rolling Programmes: | | | | | | | | |
| Disabled Facilities Grant [ASC] | 533 | - | 533 | 450 | 450 | 450 | 450 | 2,333 |
| Planned Maintenance/DDA Programme [ENV] | 3,469 | (1,296) | 2,173 | 2,775 | 1,275 | 1,500 | 2,500 | 10,223 |
| Footways and Carriageways [ENV] | 2,395 | - | 2,395 | 2,030 | 2,030 | 2,030 | 2,030 | 10,515 |
| Controlled Parking Zones [ENV] | 333 | - | 333 | 275 | 275 | 275 | 275 | 1,433 |
| Column Replacement [ENV] | 305 | - | 305 | 269 | 269 | 269 | 269 | 1,381 |
| Parks Programme [ENV] | 1,346 | (335) | 1,011 | 835 | 500 | 500 | 500 | 3,346 |
| Total Mainstream Programmes | 18,881 | (1,991) | 16,890 | 15,586 | 6,124 | 6,024 | 6,024 | 50,648 |
| Financing | | | | | | | | |
| Capital Receipts | 10,323 | (2,517) | 7,806 | 14,790 | 3,840 | 3,840 | 3,840 | 34,116 |
| General Fund Revenue Account | 4,545 | 3,254 | 7,799 | 544 | 544 | 544 | 544 | 9,975 |
| Increase/(Decrease) in Internal Borrowing | 4,013 | (2,728) | 1,285 | 252 | 1,740 | 1,640 | 1,640 | 6,557 |
| Total Financing | 18,881 | (1,991) | 16,890 | 15,586 | 6,124 | 6,024 | 6,024 | 50,648 |

6.2. Forecast General Fund Capital receipts for 2016-17 are currently £4.96m. A summary of expected receipts is included in Appendix 3 and their application to capital funding/debt reduction is presented in Table 5 below.

Table 5 – General Fund Mainstream Programme – Resource Forecast

| Mainstream Forecast Resource Tracker | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|----------|----------|----------|----------|----------|
| Capital Receipts B/fwd | 2,844 | - | - | - | - |
| Capital Receipts generated in year | 4,962 | 14,790 | 3,840 | 3,840 | 3,840 |
| Capital Receipts used in year - Capital Expenditure | (7,806) | (14,790) | (3,840) | (3,840) | (3,840) |
| Capital Receipts used in year - repayment of internal borrowing | - | - | - | - | - |
| Capital Receipts C/fwd | - | - | - | - | - |

6.3. As at the end of the second quarter of 2016/17, £1m of deferred disposal costs have been accrued in respect of anticipated General Fund disposals. These costs are netted against the receipt when received (subject to certain restrictions). In the event that a sale does not proceed these costs must be written back to revenue. A summary of the deferred costs is included in Appendix 3.

7. HOUSING CAPITAL PROGRAMME

7.1. The expenditure and resource analysis for 2016-17 of the Housing Programme is summarised in Table 6 below:

Table 6 – Housing Capital Programme 2016-20 with proposed 2016/17 Q3 Variations

| | 2016/17 Revised Budget (Q2) £'000 | Total Variations (Q3) £'000 | 2016/17 Budget (Q3) £'000 | Indicative 2017/18 Budget £'000 | Indicative 2018/19 Budget £'000 | Indicative 2019/20 Budget £'000 | Indicative 2020/21 Budget £'000 |
|---|---|--------------------------------------|------------------------------------|--|--|--|--|
| Approved Expenditure | | | | | | | |
| Decent Neighbourhood Schemes | 12,492 | 488 | 12,980 | 21,061 | 18,129 | 10,423 | 13,672 |
| HRA Debt Repayment | 1,563 | - | 1,563 | - | - | - | - |
| HRA Schemes | 48,661 | (3,524) | 45,137 | 33,523 | 29,634 | 28,826 | 32,475 |
| Total Housing Programme - Approved Expenditure | 62,716 | (3,036) | 59,680 | 54,584 | 47,763 | 39,249 | 46,147 |
| <i>Adjustment for deferred costs</i> | <i>(645)</i> | <i>23</i> | <i>(622)</i> | <i>(1,406)</i> | <i>(4,530)</i> | <i>(2,761)</i> | <i>(4,359)</i> |
| Total Expenditure after deferred costs | 62,071 | (3,013) | 59,058 | 53,178 | 43,233 | 36,488 | 41,788 |
| Available and Approved Resource | | | | | | | |
| Capital Receipts - Unrestricted | 29,461 | (3,117) | 26,344 | 8,455 | 372 | 9,115 | 5,448 |
| Capital Receipts - RTB (141) | 299 | 80 | 379 | 2,608 | - | - | - |
| Capital Receipts - Sale of new build homes | 510 | - | 510 | - | - | - | - |
| Earls Court Receipts recognisable | - | - | - | - | 16,581 | 4,460 | 12,384 |
| Housing Revenue Account (revenue funding) | 3,048 | - | 3,048 | 2,464 | 6,028 | - | 1,313 |
| Major Repairs Reserve (MRR) | 18,109 | - | 18,109 | 18,174 | 17,404 | 19,794 | 19,794 |
| Contributions Developers (S106) | 697 | 186 | 883 | 8,171 | - | - | - |
| Repayment of NHHT loan | - | - | - | 270 | - | 270 | - |
| Contributions from leaseholders | 9,786 | - | 9,786 | 2,849 | 2,849 | 2,849 | 2,849 |
| Internal Borrowing | 162 | (162) | - | 10,187 | - | - | - |
| Total Funding | 62,071 | (3,013) | 59,058 | 53,178 | 43,233 | 36,488 | 41,788 |

7.2. The Decent Neighbourhoods Fund contains the Council's Housing Capital Receipts which in accordance with the change in capital regulations, effective from 1 April 2013 must be used for Housing or Regeneration purposes and shows how the Council plans to reinvest those receipts in Housing and Regeneration.

8. EQUALITY IMPLICATIONS

8.1. There are no direct equalities implications in relation to this report. This paper is concerned entirely with financial management issues and as such is not impacting directly on any protected group.

9. LEGAL IMPLICATIONS

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

9.2. Implications verified/completed by: David Walker, Principal Solicitor, Commercial and Corporate Property, 020 7361 2211.

10. FINANCIAL IMPLICATIONS

10.1. This report is wholly of a finance nature.

11. IMPLICATIONS FOR BUSINESS

11.1. The Council's Capital Programme represents significant expenditure within the Borough and consequently, where supplies are sourced locally, may impact either positively or negatively on local contractors and sub-contractors. Where capital expenditure increases, or is brought forward, this may have a beneficial impact on local businesses; conversely, where expenditure decreases, or is slipped, there may be an adverse impact on local businesses.

11.2. Implications completed by: Antonia Hollingsworth, Principal Business Investment Officer, Planning and Growth Dept. Tel: 020 8753 1698

12. RISK MANAGEMENT

12.1. Large scale capital projects can operate in environments which are complex, turbulent and continually evolving. Effective risk identification and control within such a dynamic environment is more than just populating a project risk register or appointing a project risk officer. Amplifying the known risks so that they are not hidden or ignored, demystifying the complex risks into their more manageable sum of parts and anticipating the slow emerging risks which have the ability to escalate rapidly are all necessary components of good capital programme risk management.

12.2. Major capital projects can significantly enhance value based on how well they are executed. Considering their high impact nature, the levels of oversight, governance, risk management and assurance need to be in place. For this the standards for the Council are set out in the financial regulations and scheme of delegation along with the key controls. A clearly defined enterprise wide risk management framework is now established across Shared Services which considers all relevant risk classes and provides a common definition and approach to risk management. This will ensure that a common language and understanding is secured. Capital projects form part of the strategic risks and monitoring of the programme is noted as a key mitigating action.

12.3. Implications completed by: Michael Sloniowski, Shared Services Risk Manager ext. 2587

13. PROCUREMENT AND IT STRATEGY IMPLICATIONS

13.1. There are no immediate procurement implications arising from this report. The corporate Procurement team will advise and support service departments on their major capital procurements as and when such support is required, including consideration of whether and how any social value, local economic and community benefits might be obtained from these.

13.2. Implications verified/completed by: Alan Parry, Interim Head of Procurement (Job-Share) - 020 7361 2581.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

| No. | Description of Background Papers | Name/Ext of holder of file/copy | Department/ Location |
|------------|---|--|---|
| 1. | Capital Programme 2016-20 (Published Feb 2016) | Christopher Harris tel. 6440 | Finance Dept., Room10, Hammersmith Town Hall |

LIST OF APPENDICES:

Appendix 1 – Detailed Capital Budgets, Spend and Variation analysis by Service

Appendix 2 – Analysis of Budget Variations

Appendix 3 – Capital Receipts Forecast

Appendix 4 – Capital Finance Requirement

Appendix 1 – Detailed Capital Budget, Spend and Variation Analysis by Service

Children's Services

| | Current Year Programme | | | | | | Indicative Future Years Analysis | | | | |
|--|--------------------------------------|---|---------------------------------|--------------------|------------------------------------|--------------------------------------|----------------------------------|-------------------------|-------------------------|-------------------------|-----------------------------------|
| | Analysis of Movements (Q2 to Q3) | | | | | Revised Budget 2016/17 (Q3) £'000 | 2017/18 Budget £'000 | 2018/19 Budget £'000 | 2019/20 Budget £'000 | 2020/21 Budget £'000 | Total Budget (All years) £'000 |
| | 2016/17 Revised Budget (Q2) £'000 | Slippages from/(to) future years £'000 | Additions/(Reductions) £'000 | Transfers £'000 | Total Transfers/Virements £'000 | | | | | | |
| Scheme Expenditure Summary | | | | | | | | | | | |
| Lyric Theatre Development | 2,145 | - | - | - | - | 2,145 | - | - | - | - | 2,145 |
| Schools Organisational Strategy | 23,307 | (2,550) | - | - | (2,550) | 20,757 | 19,074 | 501 | - | - | 40,332 |
| Schools Window Replacement Project | 4,820 | (1,954) | - | - | (1,954) | 2,866 | 9,184 | 6,833 | - | - | 18,883 |
| Other Capital Schemes | 1,035 | - | - | - | - | 1,035 | - | - | - | - | 1,035 |
| Total Expenditure | 31,307 | (4,504) | - | - | (4,504) | 26,803 | 28,258 | 7,334 | - | - | 62,395 |
| Capital Financing Summary | | | | | | | | | | | |
| Specific/External or Other Financing | | | | | | | | | | | |
| Capital Grants from Central Government | 22,427 | (2,550) | - | - | (2,550) | 19,877 | 7,518 | - | - | - | 27,395 |
| Grants and Contributions from Private Developers (includes S106) | - | - | - | 500 | 500 | 500 | 10,749 | 501 | - | - | 11,750 |
| Capital Grants/Contributions from Non-departmental public bodies | 1,137 | - | - | - | - | 1,137 | - | - | - | - | 1,137 |
| Capital Grants and Contributions from GLA Bodies | - | - | - | - | - | - | - | - | - | - | - |
| Sub-total - Specific or Other Financing | 23,564 | (2,550) | - | 500 | (2,050) | 21,514 | 18,267 | 501 | - | - | 40,282 |
| Mainstream Financing (Internal Council Resource) | | | | | | | | | | | |
| Capital Receipts | 2,193 | - | - | - | - | 2,193 | 807 | - | - | - | 3,000 |
| General Fund Revenue Account (revenue funding) | 230 | - | - | - | - | 230 | - | - | - | - | 230 |
| Use of Reserves | - | - | - | - | - | - | - | - | - | - | - |
| Sub-total - Mainstream Funding | 2,423 | - | - | - | - | 2,423 | 807 | - | - | - | 3,230 |
| Borrowing | 4,820 | (1,954) | - | - | (1,954) | 2,866 | 9,184 | 6,833 | - | - | 18,883 |
| Funding to be identified/agreed | 500 | - | - | (500) | (500) | - | - | - | - | - | - |
| Total Capital Financing | 31,307 | (4,504) | - | - | (4,504) | 26,803 | 28,258 | 7,334 | - | - | 62,395 |

Adult Social Care Services

Current Year Programme

Indicative Future Years Analysis

Analysis of Movements (Q2 to Q3)

| | 2016/17 Revised Budget (Q2) | Slippages from/(to) future years | Additions/ (Reductions) | Transfers | Total Transfers/ Virements | Revised Budget 2016/17 (Q3) | 2017/18 Budget | 2018/19 Budget | 2019/20 Budget | 2020/21 Budget | Total Budget (All years) |
|---|-----------------------------|----------------------------------|-------------------------|-----------|----------------------------|-----------------------------|----------------|----------------|----------------|----------------|--------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Scheme Expenditure Summary | | | | | | | | | | | |
| Extra Care New Build project (Adults' Personal Social Services Grant) | - | - | - | - | - | - | 20 | - | 937 | - | 957 |
| Community Capacity Grant | 149 | - | - | - | - | 149 | 95 | - | - | - | 244 |
| Transforming Care (Winterbourne Grant) | 300 | (300) | - | - | (300) | - | 300 | - | - | - | 300 |
| Social Care Capital Grant | 1,022 | - | - | - | - | 1,022 | - | - | - | - | 1,022 |
| Disabled Facilities Grant | 1,041 | - | - | - | - | 1,041 | 450 | 450 | 450 | 450 | 2,841 |
| Total Expenditure | 2,512 | (300) | - | - | (300) | 2,212 | 865 | 450 | 1,387 | 450 | 5,364 |
| Capital Financing Summary | | | | | | | | | | | |
| Specific/External or Other Financing | | | | | | | | | | | |
| Capital Grants from Central Government | 1,679 | - | - | - | - | 1,679 | 115 | - | 937 | - | 2,731 |
| Capital Grants/Contributions from Non-departmental public bodies | 300 | (300) | - | - | (300) | - | 300 | - | - | - | 300 |
| Sub-total - Specific or Other Financing | 1,979 | (300) | - | - | (300) | 1,679 | 415 | - | 937 | - | 3,031 |
| Mainstream Financing (Internal Council Resource) | | | | | | | | | | | |
| Capital Receipts | 533 | - | - | - | - | 533 | 450 | 450 | 450 | 450 | 2,333 |
| General Fund Revenue Account (revenue funding) | - | - | - | - | - | - | - | - | - | - | - |
| Use of Reserves | - | - | - | - | - | - | - | - | - | - | - |
| Sub-total - Mainstream Funding | 533 | - | - | - | - | 533 | 450 | 450 | 450 | 450 | 2,333 |
| Borrowing | - | - | - | - | - | - | - | - | - | - | - |
| Total Capital Financing | 2,512 | (300) | - | - | (300) | 2,212 | 865 | 450 | 1,387 | 450 | 5,364 |

Environmental Services

Current Year Programme

Indicative Future Years Analysis

Scheme Expenditure Summary

| | Analysis of Movements (Q2 to Q3) | | | | | Revised Budget 2016/17 (Q3) £'000 |
|--|--------------------------------------|---|---------------------------------|--------------------|------------------------------------|--------------------------------------|
| | 2016/17 Revised Budget (Q2) £'000 | Slippages from/(to) future years £'000 | Additions/(Reductions) £'000 | Transfers £'000 | Total Transfers/Virements £'000 | |
| | Planned Maintenance/DDA Programme | 3,469 | (1,500) | 204 | - | |
| King Street-Town Hall Redevelopment | 7,100 | (1,500) | - | - | (1,500) | 5,600 |
| Footways and Carriageways | 2,395 | - | - | - | - | 2,395 |
| Transport For London Schemes | 3,143 | - | 185 | - | 185 | 3,328 |
| Controlled Parking Zones | 332 | - | - | - | - | 332 |
| Column Replacement | 305 | - | - | - | - | 305 |
| Carnwath Road | 1,870 | (1,870) | - | - | (1,870) | - |
| Fulham Cemetery (Porta Cabin Facility) | - | - | - | - | - | - |
| Hammersmith Bridge Strengthening | 170 | - | - | - | - | 170 |
| Other Capital Schemes | 5,599 | - | 3,220 | - | 3,220 | 8,819 |
| Parks Expenditure | 1,426 | (335) | - | - | (335) | 1,091 |
| Phoenix Centre Capital Improvements | 350 | - | - | - | - | 350 |
| Shepherds Bush Common Improvements | 586 | - | - | - | - | 586 |
| Recycling | 19 | - | - | - | - | 19 |
| CCTV | 443 | - | - | - | - | 443 |
| Linford Christie Stadium Refurbishment | 140 | - | - | - | - | 140 |
| Total Expenditure | 27,347 | (5,205) | 3,609 | - | (1,596) | 25,751 |

Capital Financing Summary

| Specific/External or Other Financing | | | | | | |
|--|---------------|----------------|--------------|----------|----------------|---------------|
| Capital Grants from Central Government | - | - | - | - | - | - |
| Grants and Contributions from Private Developers (includes S106) | 8,469 | - | 210 | - | 210 | 8,679 |
| Capital Grants/Contributions from Non-departmental public bodies | - | - | - | - | - | - |
| Capital Grants and Contributions from GLA Bodies | 2,953 | - | 185 | - | 185 | 3,138 |
| Sub-total - Specific or Other Financing | 11,422 | - | 395 | - | 395 | 11,817 |
| Mainstream Financing (Internal Council Resource) | | | | | | |
| Capital Receipts | 7,597 | (2,477) | (40) | - | (2,517) | 5,080 |
| General Fund Revenue Account (revenue funding) | 3,765 | - | - | - | - | 3,765 |
| Use of Reserves | 550 | - | 3,254 | - | 3,254 | 3,804 |
| Sub-total - Mainstream Funding | 11,912 | (2,477) | 3,214 | - | 737 | 12,649 |
| Borrowing | 4,013 | (2,728) | - | - | (2,728) | 1,285 |
| Total Capital Financing | 27,347 | (5,205) | 3,609 | - | (1,596) | 25,751 |

| 2017/18 Budget £'000 | 2018/19 Budget £'000 | 2019/20 Budget £'000 | 2020/21 Budget £'000 | Total Budget (All years) £'000 |
|--|-------------------------|-------------------------|-------------------------|-----------------------------------|
| 2,775 | 1,275 | 1,500 | 2,500 | 10,223 |
| 5,075 | 1,325 | 1,000 | - | 13,000 |
| 2,030 | 2,030 | 2,030 | 2,030 | 10,515 |
| 2,157 | 2,157 | 2,157 | 2,157 | 11,956 |
| 275 | 275 | 275 | 275 | 1,432 |
| 269 | 269 | 269 | 269 | 1,381 |
| 3,070 | - | - | - | 3,070 |
| - | - | - | - | - |
| - | - | - | - | 170 |
| - | - | - | - | 8,819 |
| 835 | 500 | 500 | 500 | 3,426 |
| - | - | - | - | 350 |
| - | - | - | - | 586 |
| - | - | - | - | 19 |
| - | - | - | - | 443 |
| - | - | - | - | 140 |
| 16,486 | 7,831 | 7,731 | 7,731 | 65,530 |
| Specific/External or Other Financing | | | | |
| - | - | - | - | - |
| - | - | - | - | 8,679 |
| - | - | - | - | - |
| 2,157 | 2,157 | 2,157 | 2,157 | 11,766 |
| 2,157 | 2,157 | 2,157 | 2,157 | 20,445 |
| Mainstream Financing (Internal Council Resource) | | | | |
| 13,533 | 3,390 | 3,390 | 3,390 | 28,783 |
| 544 | 544 | 544 | 544 | 5,941 |
| - | - | - | - | 3,804 |
| 14,077 | 3,934 | 3,934 | 3,934 | 38,528 |
| 252 | 1,740 | 1,640 | 1,640 | 6,557 |
| 16,486 | 7,831 | 7,731 | 7,731 | 65,530 |

Finance & Corporate Governance

Current Year Programme

Indicative Future Years Analysis

Analysis of Movements (Q2 to Q3)

| | 2016/17 Revised Budget (Q2) £'000 | Slippages from/(to) future years £'000 | Additions/ (Reductions) £'000 | Transfers £'000 | Total Transfers/ Virements £'000 | Revised Budget 2016/17 (Q3) £'000 | 2017/18 Budget £'000 | 2018/19 Budget £'000 | 2019/20 Budget £'000 | 2020/21 Budget £'000 | Total Budget (All years) £'000 |
|---|-----------------------------------|--|-------------------------------|-----------------|----------------------------------|-----------------------------------|----------------------|----------------------|----------------------|----------------------|--------------------------------|
| Scheme Expenditure Summary | | | | | | | | | | | |
| Relocation of HAFAD to Edward Woods Community Centre and Related Refurbishment Requirements | 436 | - | (436) | - | (436) | - | - | - | - | - | - |
| Total Expenditure | 436 | - | (436) | - | (436) | - | - | - | - | - | - |
| Capital Financing Summary | | | | | | | | | | | |
| Specific/External or Other Financing | | | | | | | | | | | |
| Capital Grants from Central Government | - | - | - | - | - | - | - | - | - | - | - |
| Grants and Contributions from Private Developers (includes S106) | 436 | - | (436) | - | (436) | - | - | - | - | - | - |
| Capital Grants/Contributions from Non-departmental public bodies | - | - | - | - | - | - | - | - | - | - | - |
| Capital Grants and Contributions from GLA Bodies | - | - | - | - | - | - | - | - | - | - | - |
| Sub-total - Specific or Other Financing | 436 | - | (436) | - | (436) | - | - | - | - | - | - |
| Mainstream Financing (Internal Council Resource) | | | | | | | | | | | |
| Capital Receipts | - | - | - | - | - | - | - | - | - | - | - |
| General Fund Revenue Account (revenue funding) | - | - | - | - | - | - | - | - | - | - | - |
| Use of Reserves | - | - | - | - | - | - | - | - | - | - | - |
| Sub-total - Mainstream Funding | - | - | - | - | - | - | - | - | - | - | - |
| Borrowing | - | - | - | - | - | - | - | - | - | - | - |
| Total Capital Financing | 436 | - | (436) | - | (436) | - | - | - | - | - | - |

Libraries Services

Current Year Programme

Indicative Future Years Analysis

Analysis of Movements (Q2 to Q3)

| | 2016/17 Revised Budget (Q2) | Slippages from/(to) future years | Additions/ (Reductions) | Transfers | Total Transfers/ Virements | Revised Budget 2016/17 (Q3) | 2017/18 Budget | 2018/19 Budget | 2019/20 Budget | 2020/21 Budget | Total Budget (All years) |
|--|-----------------------------|----------------------------------|-------------------------|-----------|----------------------------|-----------------------------|----------------|----------------|----------------|----------------|--------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Scheme Expenditure Summary | | | | | | | | | | | |
| Hammersmith Library Refurbishment Project | 285 | - | - | - | - | 285 | - | - | - | - | 285 |
| Total Expenditure | 285 | - | - | - | - | 285 | - | - | - | - | 285 |
| Capital Financing Summary | | | | | | | | | | | |
| Specific/External or Other Financing | | | | | | | | | | | |
| Capital Grants from Central Government | - | - | - | - | - | - | - | - | - | - | - |
| Grants and Contributions from Private Developers (includes S106) | 285 | - | - | - | - | 285 | - | - | - | - | 285 |
| Capital Grants/Contributions from Non-departmental public bodies | - | - | - | - | - | - | - | - | - | - | - |
| Capital Grants and Contributions from GLA Bodies | - | - | - | - | - | - | - | - | - | - | - |
| Sub-total - Specific or Other Financing | 285 | - | - | - | - | 285 | - | - | - | - | 285 |
| Mainstream Financing (Internal Council Resource) | | | | | | | | | | | |
| Capital Receipts | - | - | - | - | - | - | - | - | - | - | - |
| General Fund Revenue Account (revenue funding) | - | - | - | - | - | - | - | - | - | - | - |
| Use of Reserves | - | - | - | - | - | - | - | - | - | - | - |
| Sub-total - Mainstream Funding | - | - | - | - | - | - | - | - | - | - | - |
| Borrowing | - | - | - | - | - | - | - | - | - | - | - |
| Total Capital Financing | 285 | - | - | - | - | 285 | - | - | - | - | 285 |

Housing Capital Programme

Current Year Programme

Indicative Future Years Analysis

Scheme Expenditure Summary

HRA Schemes:

| | Analysis of Movements (Q2 to Q3) | | | | | Revised Budget 2016/17 (Q3) £'000 | Indicative Future Years Analysis | | | | Total Budget (All years) £'000 |
|----------------------------------|--------------------------------------|---|---------------------------------|--------------------|------------------------------------|--------------------------------------|----------------------------------|-------------------------|-------------------------|-------------------------|-----------------------------------|
| | 2016/17 Revised Budget (Q2) £'000 | Slippages from/(to) future years £'000 | Additions/(Reductions) £'000 | Transfers £'000 | Total Transfers/Virements £'000 | | 2017/18 Budget £'000 | 2018/19 Budget £'000 | 2019/20 Budget £'000 | 2020/21 Budget £'000 | |
| Supply Initiatives (Major Voids) | 1,653 | (600) | - | - | (600) | 1,053 | 1,100 | - | - | - | 2,153 |
| Energy Schemes | 2,235 | (250) | - | - | (250) | 1,985 | 3,177 | 2,425 | 1,850 | 1,725 | 11,162 |
| Lift Schemes | 5,283 | 300 | - | - | 300 | 5,583 | 3,600 | 3,750 | 3,750 | 1,150 | 17,833 |
| Internal Modernisation | 1,000 | - | - | 2 | 2 | 1,002 | 250 | 250 | 500 | 1,750 | 3,752 |
| Major Refurbishments | 21,335 | (2,002) | - | 111 | (1,891) | 19,444 | 16,079 | 15,607 | 14,616 | 19,280 | 85,026 |
| Planned Maintenance Framework | 6,114 | - | - | - | - | 6,114 | 250 | - | - | - | 6,364 |
| Minor Programmes | 9,732 | (972) | - | (113) | (1,085) | 8,647 | 8,017 | 6,552 | 7,110 | 7,570 | 37,896 |
| ASC/ELRS Managed | 1,309 | - | - | - | - | 1,309 | 1,050 | 1,050 | 1,000 | 1,000 | 5,409 |
| HRA Debt Repayment | 1,563 | - | - | - | - | 1,563 | - | - | - | - | 1,563 |
| Subtotal HRA | 50,224 | (3,524) | - | - | (3,524) | 46,700 | 33,523 | 29,634 | 28,826 | 32,475 | 171,158 |

Decent Neighbourhood Schemes:

| | | | | | | | | | | | |
|---------------------------------------|---------------|----------------|--------------|----------|----------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Earls Court Buy Back Costs | 8,482 | - | (80) | - | (80) | 8,402 | 7,005 | 13,084 | 7,662 | 9,313 | 45,466 |
| Earls Court Project Team Costs | 645 | - | (23) | - | (23) | 622 | 1,406 | 4,530 | 2,761 | 4,359 | 13,678 |
| Housing Development Project | 1,114 | 312 | - | - | 312 | 1,426 | 9,203 | 515 | - | - | 11,144 |
| Other DNP projects | 2,251 | 279 | - | - | 279 | 2,530 | 3,447 | - | - | - | 5,977 |
| Subtotal Decent Neighbourhoods | 12,492 | 591 | (103) | - | 488 | 12,980 | 21,061 | 18,129 | 10,423 | 13,672 | 76,265 |
| Total Expenditure | 62,716 | (2,933) | (103) | - | (3,036) | 59,680 | 54,584 | 47,763 | 39,249 | 46,147 | 247,423 |
| Adjustment for deferred costs | (645) | - | 23 | - | 23 | (622) | (1,406) | (4,530) | (2,761) | (4,359) | (13,678) |
| Total Net Expenditure | 62,071 | (2,933) | (80) | - | (3,013) | 59,058 | 53,178 | 43,233 | 36,488 | 41,788 | 233,745 |

Capital Financing Summary

Specific/External or Other Financing

| | | | | | | | | | | | |
|--|---------------|------------|----------|----------|------------|---------------|---------------|--------------|--------------|--------------|---------------|
| Contributions from leaseholders | 9,786 | - | - | - | - | 9,786 | 2,849 | 2,849 | 2,849 | 2,849 | 21,182 |
| Grants and Contributions from Private Developers (includes S106) | 697 | 186 | - | - | 186 | 883 | 8,171 | - | - | - | 9,054 |
| Capital Grants/Contributions from Non-departmental public bodies | - | - | - | - | - | - | 270 | - | 270 | - | 540 |
| Sub-total - Specific or Other Financing | 10,483 | 186 | - | - | 186 | 10,669 | 11,290 | 2,849 | 3,119 | 2,849 | 30,776 |

Mainstream Financing (Internal Council Resource)

| | | | | | | | | | | | |
|---|---------------|----------------|-----------|----------|----------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Capital Receipts | 30,269 | (3,119) | 82 | - | (3,037) | 27,232 | 11,063 | 16,952 | 13,575 | 17,832 | 86,654 |
| Housing Revenue Account (revenue funding) | 3,048 | - | - | - | - | 3,048 | 2,464 | 6,028 | - | 1,313 | 12,853 |
| Major Repairs Reserve (MRR) / Major Repairs | 18,109 | - | - | - | - | 18,109 | 18,174 | 17,404 | 19,794 | 19,794 | 93,275 |
| Sub-total - Mainstream Funding | 51,426 | (3,119) | 82 | - | (3,037) | 48,389 | 31,701 | 40,384 | 33,369 | 38,939 | 192,782 |

Borrowing (Internal Borrowing)

| | | | | | | | | | | | |
|--------------------------------|---------------|----------------|-------------|----------|----------------|---------------|---------------|---------------|---------------|---------------|----------------|
| | 162 | - | (162) | - | (162) | - | 10,187 | - | - | - | 10,187 |
| Total Capital Financing | 62,071 | (2,933) | (80) | - | (3,013) | 59,058 | 53,178 | 43,233 | 36,488 | 41,788 | 233,745 |

Appendix 2 – Analysis of Budget Variations

| Variation by Service | Amount £'000 |
|---|-------------------------|
| Children's Services (CHS) | |
| School's Organisation Strategy – Slippages due to delays in the Bridge Academy £(2,500)k and Bentworth Ark Transfer £(50)k projects | (2,550) |
| Slippage of Schools' Windows project of £(1,954)k to future years due to re-profiling. | (1,954) |
| Total CHS variations | (4,504) |
| Adult Social Care (ASC) | |
| Transforming Care (Winterbourne Grant) –slippage to 2017/18 | (300) |
| Total ASC variations | (300) |
| Environmental Services (ENV) | |
| TFL funded schemes -additional budget to reflect an increase in external funding (TFL grant) | 185 |
| Planned Maintenance/DDA Programme -slippages due to budget re-profiling | (1,500) |
| Planned Maintenance/DDA Programme- additional budget in relation to Fulham Palace Boiler Replacement (as approved by Cabinet on 06/07/15). The project is funded from Fulham Palace Earmarked Reserve. | 204 |
| Other Capital Schemes- additional budget to reflect an increase in external funding (S106) | 210 |
| Other Capital Schemes- additional budget in relation to LED Lighting project (as approved by Cabinet on 09/05/16). The project is funded from Efficiency Reserve. | 3,050 |
| Other Capital Schemes-Riverside Wall Repairs -reduction in budget as project no longer required | (40) |
| Hammersmith Town Hall Refurbishment/King Street Redevelopment-slippage to future years due to project delays | (1,500) |
| Carnwath Rd - RLAM payments not due until 2017/18 | (1,870) |
| Parks Expenditure – slippage to 2017/18 due to delays in various small parks projects | (335) |
| Total ENV variations | (1,596) |
| Finance & Corporate Governance (FCG) | |
| Relocation of HAFAD to Edward Woods Community Centre and Related Refurbishment Requirements-reduction in budget as project no longer required | (436) |
| Total FCG | (436) |
| Housing Capital Programme | |
| HRA schemes- net slippage from/(to) future years as a result of budget re-profiling | (3,524) |
| Earls Court Project Team Costs –reduction in budget due to savings on vacant post | (23) |
| Earls Court Buyback Costs-reduction due to revision of buyback compensation calculations | (80) |
| Housing Development Project- budget brought forward from 2017/18 due to earlier completion of Barclay Close, Becklow Gardens and Spring Vale projects | 312 |
| Other DNP projects- increase due to additional Cabinet approved costs related to Edith Summerskill House and Emlyn Gardens HEIP projects | 279 |
| Adjustment for deferred costs related to Earls Court project | 23 |
| Total Housing variations | (3,013) |
| Grand Total 2016-17 Variations | (9,849) |

Appendix 3 – General Fund – Summary of Forecast Capital Receipts and mainstream resource tracker

| Year/Property | Previous Forecast £'000s | Movement/ Slippage £'000s | Forecast Outturn at Quarter 3 £'000s | Deposit received to date £'000s | Full sales proceeds @ Q3 £'000s | Deferred Costs of Disposal reserved £'000s |
|------------------------|-----------------------------|---------------------------------|---|--|--|--|
| 2016/17 | | | | | | |
| Total 2016/17 | 7,479 | (2,517) | 4,962 | 250 | 575 | 449 |
| 2017/18 | | | | | | |
| Total 2017/18 | 15,218 | (428) | 14,790 | - | - | 549 |
| 2018/19 | | | | | | |
| Total 2018/19 | 3,840 | - | 3,840 | - | - | - |
| 2019/20 | | | | | | |
| Total 2019/20 | 3,840 | - | 3,840 | - | - | - |
| 2020/21 | | | | | | |
| Total 2020/21 | 3,840 | - | 3,840 | - | - | - |
| Total All Years | 34,218 | (2,946) | 31,272 | 250 | 575 | 998 |

Appendix 4 – The Capital Finance Requirement (CFR) and the Minimum Revenue Provision (MRP)

The Capital Finance Requirement (CFR) measures an authority's underlying need to borrow for a capital purpose.


The CFR is the difference between capital expenditure incurred and the resources set aside to fund this expenditure. It serves as a measure of an authority's capital indebtedness.

The CFR does not necessarily equal the outstanding loans of the authority. A council may – at a given point in time - be 'cash rich' and pay for a new asset in full without entering into new loans. However, unless the Council simultaneously sets aside reserves, this purchase remains 'unfunded' and the CFR will increase. This scenario is known as 'internal borrowing'.

The CFR can therefore be thought of as the total of external borrowing (loans) and internal borrowing.

An alternative way of considering the CFR is that it represents the amount the Council would need to borrow if all its other liabilities were called-in. Hence it shows the 'underlying need to borrow'.

To the keep the CFR 'in check', Local Authorities are required to recognise an annual revenue cost – known as the Minimum Revenue Provision (MRP). The MRP will, over time, reduce the CFR. There are several options for selecting MRP, although traditionally this has been 4% of the CFR.

| | |
|--|--|
| <p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">CABINET</p> <p style="text-align: center;">6 February 2017</p> |  |
| <p>FINANCIAL PLAN FOR COUNCIL HOMES: THE HOUSING REVENUE ACCOUNT FINANCIAL STRATEGY, 2017/18 HOUSING REVENUE ACCOUNT BUDGET AND 2017/18 RENT REDUCTION</p> | |
| <p>Report of the Cabinet Member for Housing</p> | |
| <p>Open Report</p> | |
| <p>Classification - For Decision Key Decision: Yes</p> | |
| <p>Wards Affected: All</p> | |
| <p>Accountable Director: Kathleen Corbett, Director of Finance and Resources (Housing & Regeneration)</p> | |
| <p>Report Author: Kathleen Corbett, Director of Finance and Resources (Housing & Regeneration)</p> | <p>Contact Details: Tel: 020 8753 3031 E-mail: kathleen.corbett@lbhf.gov.uk</p> |

1. EXECUTIVE SUMMARY

- 1.1 This report covers the 2017/18 budget for the Council's homes (also known as the annual Housing Revenue Account (HRA) budget) including a reduction in rents for Council homes of 1% for 2017/18.
- 1.2 Last year because of the decision by the Chancellor of the Exchequer to reduce social housing rents by 1% each year for four years from April 2016, without any accompanying compensation to the HRA, £76m of major works had to be postponed.
- 1.3 The report considers how £12m of these previously postponed repairs can be done on time to help safeguard the homes.

2. RECOMMENDATIONS

- 2.1 To endorse the revised long term 40 Year Financial Plan for Council Homes as set out in paragraphs 4.18 – 4.21 of this report.
- 2.2 To approve the Housing Revenue Account 2017/18 budget for Council homes as set out in Appendix 1.
- 2.3 To note the 1% reduction in rents in accordance with the Government's requirement that social housing rents are reduced by 1% each year for four years from April 2016.
- 2.4 To approve a freeze in tenant service charges.
- 2.5 To endorse the HRA Medium Term Financial Strategy which plans to deliver further on-going annual revenue savings of £0.4million per annum by 2017/18, rising to £1.6million per annum by 2021/22, with savings coming principally from back office costs.
- 2.6 To note that the water regulator OFWAT is not due to confirm the increase in tenants' water charges until January 2017, and therefore to delegate authority to the Director of Finance & Resources (Housing & Regeneration) to agree the average increase in water charge.
- 2.7 To approve a freeze in the communal heating charges.
- 2.8 To freeze the rates for parking charges on council estates.
- 2.9 To freeze garage charges for tenants and resident leaseholders and to approve an increase for other garage charges of 1% (in line with the Consumer Prices Index (CPI) as at September 2016).
- 2.10 To note the risks outlined in paragraphs 4.10 to 4.13 and Appendix 6 of this report.

3. REASONS FOR DECISION

- 3.1. Section 76 (1)-(4) of the Local Government & Housing Act 1989 requires that the Council formulates the annual budget for the Housing Revenue Account during the months of January and February immediately preceding the year the budget is for. This budget must not result in a debit balance on the Council's HRA.

4. PROPOSAL

Background

- 4.1. The decision by the Chancellor of the Exchequer to reduce social housing rents by 1% each year for four years from April 2016, without any

accompanying compensation to the HRA, means that while lower rents may appear to benefit tenants in the short term, there is a lot less money available to pay for the maintenance of Council homes. It is not possible to fund the loss of rent by additional borrowing, as the Council is not permitted to borrow above the level of the debt cap.

- 4.2. As a result, Cabinet agreed on 8th February 2016 to postpone £76m major works to a much later period to produce a balanced 40 year long term financial plan for Council homes.
- 4.3. The Council has therefore looked for other ways to offset the impact of the 1% rent cut on repairs to help safeguard Council homes for the future.

Opportunities for Additional Income and Savings

- 4.4. Officers continue to look for opportunities to generate additional income and savings on both the revenue and capital budgets. A detailed analysis and review of the budgets has again been conducted.
- 4.5. The opportunity to get more money in is restricted as most of the income received in the HRA is from tenants' rents and rent reductions for the next three years are set by legislation.
- 4.6. Cumulative on-going annual savings delivered in the six years to 31st March 2017 were £11.8m and the savings programme approved last year is already set to deliver on-going additional savings of £0.4m from 2017/18 rising to £1.6m by 2020/21 (i.e. £13.4m cumulative annual savings since the return of management to the Council in 2011). This means there is little scope for further savings without compromising service delivery, although the Council will of course continue to seek additional opportunities.
- 4.7. It has been possible to generate other income in the HRA for 2017/18. The budgeted income for 2017/18 from commercial rents, advertising income and garages is currently forecast at £3.25m. This is £200,000 (6.5%) higher than for 2016/17 and is mostly due to additional advertising income.
- 4.8. Managers have used the Council's Smarter Budgeting approach to produce this budget. In some cases, this has enabled changes in the way they prioritise resources to deliver services. This has resulted in growth in some areas of the budget of £0.776m which has been offset by corresponding savings of £0.779m from within the same budget envelope, leaving a net saving of £0.003m. These are listed in detail in appendix 5.

Risks

- 4.9. The Government's programme of Welfare Reform is expected to have a significant impact on the Council's ability to collect rental income and will result in increased bad debt charges to the HRA. All new benefit claims are now subject to Universal Credit and it is anticipated that from July 2019 the

Government will begin migrating all remaining existing benefit claimants to the Universal Credit. Due to the difficulty in estimating the financial impact, both an allowance for an additional bad debt provision and a risk is included in the 2017/18 budget. A bad debt charge of £1.1m has been included for 2017/18 plus an additional allowance of £1.6m to provide for the financial impact of the Government's plans under Welfare Reform as outlined above. This gives a total budgetary provision for bad debt of £2.70m. There is a risk that the migration of tenants to Universal Credit moves at a faster pace than initially expected.

- 4.10. The Housing and Planning Act 2016 which enforced the rent decrease also provided for the enforced sale of high value voids with the sale proceeds being paid over to central Government.
- 4.11. Government have recently confirmed the Council will not have to make any payment for high value void sales in 2017/18 as the full roll out of Right to Buy to Housing Associations will not happen until after April 2018. But as Government have not yet published the detailed regulations we do not know the size of the payments we may have to make in future years. Therefore, the long term HRA financial plan still excludes the impact of the high value voids policy; this Government policy represents a significant risk to the HRA financial plan.
- 4.12. In addition to this, there are several other financial risks and these are set out in detail in Appendix 6.

Reserves

- 4.13. The risks facing the HRA must be viewed in conjunction with the level of HRA general reserves held, where a prudent level of reserves is important to support long term investment planning in the context of a property portfolio of 17,000 properties with an existing use value of £1.1billion¹. HRA reserves had fallen to £3.1m as at 31st March 2011, but following the implementation of the HRA financial strategy in January 2012, significant progress has been made with HRA reserves as at 31st March 2017 now predicted to have increased to £20.1m. This level of reserves will need to be maintained to provide sufficient cover against unanticipated events such as those that might arise from the risks noted above.

Asset Management

- 4.14. The Council has improved on the level of investment for 2016/17 and has pulled forward £12m of the £76m of necessary major works which had previously been postponed to a later period. It's been possible to do this and still produce a balanced financial plan because we've reviewed the structure of the other capital commitments that were in the HRA plan for 2016/17.

¹ Based on the CIPFA methodology and not on a rental stream basis which would yield a considerably lower Existing Use Valuation

- 4.15. A small amount of financial headroom has also been created within the financial plan to enable new affordable housing development to provide much needed homes.
- 4.16. This will allow the Council to house more people and to replace the homes lost under the Government's sale of high value voids policy. This will also contribute to keeping people out of temporary accommodation where possible and contribute to the much-needed containment of costs in the Council's General Fund.

Financial Strategy

- 4.17. The strategic financial objectives for the HRA are as follows:
- to enable the financing of a viable on-going repairs programme that focusses on maintaining the basic fabric of the Council's homes and ensuring that all health and safety requirements are met. The repairs programme will be prioritised to provide safe and weather-proof homes.
 - to fund this by undertaking a programme of prudential borrowing whilst financing both the annual interest of new and existing debt and repayments of the principal debt on maturity (£192.3m as at 1st April 2016) over 40 years;
 - to continue to seek opportunities to raise additional income and to find further efficiencies which do not impact on service delivery to bridge the timing gap in the planned works programme;
 - to ensure tenants only receive affordable increases in rent and other charges that are significantly lower than those included in the February 2014 HRA Business Plan;
 - to increase the HRA reserves balance to protect against future shocks or unanticipated events to the current average level of reserves held by London authorities as a percentage of turnover of 22% by 2027. This will mean reserves being at least £20.6 million by 2027;
 - to continue to endeavour to free resources for investment in new initiatives including new housing supply whilst improving service standards.
- 4.18. The 40 year time span is used because the Council borrows from the Public Works Loans Board for up to 50 years and a substantial proportion (41%) of the Council's current housing debt is not due for repayment until after 30 years with 9% of the Council's current housing debt not being due for repayment for over 40 years.
- 4.19. The business plan is sensitive to both the differential between CPI and RPI and to increases in both indices and to fluctuations in the income and costs

associated with the Land Sale Agreement for the West Kensington and Gibbs Green Estates.

- 4.20. The effect of the revised financial strategy including the 1% decrease in rents for Council Homes can be seen in the 5 year Income and Expenditure account presented at Appendix 2.

Rents

- 4.21. The rent reduction will result in average rents being nearly £17.67 less per week after four years (from 2019/20) than the average rent predicted in the financial plan approved in January 2015. The average rent for our Council Homes of £108.73² per week is already lower than that of most other central London boroughs (see Appendix 9 for a comparison of average rents in other central London boroughs).
- 4.22. The draft budget for Council homes for 2017/18 shown in Appendix 1 assumes that tenant rents reduce in line with the enforced rent reduction of 1% and that tenant service charges remain unchanged from 2016/17 levels. The combined effect will be a decrease in average tenants rent and service charges of 0.95%. Together with a few adjustments, this will reduce gross rental income in the HRA by £0.5m in 2017/18.

Capital Charges

- 4.23. 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. Further detail is contained within Appendix 10.

Fees, Charges and Other Income

- 4.25 The changes to charges for communal heating schemes, garage and parking space rents, water and sewerage charges, and income from advertising hoardings and commercial properties are set out in Appendix 11.

5. Consultation

- 5.1 Tenants and residents were consulted on the plans at the Economic Regeneration, Housing and the Arts Policy & Accountability Committee on 13th December 2016 in order that the committee could comment on the implications in advance of any formal decision being taken by Cabinet on 6th February 2017.

6. Equality Implications

- 6.1 The Equalities Impact Assessment (EIA) shows that the rent reduction is expected to be positive or neutral for protected groups. But some groups are

² 2016/17 budgeted average rent is £108.73 per week for Hammersmith & Fulham

over represented in Council homes so proportionately they will be more impacted. However, the Council considers that the main driver of the change in the plan for major works is due to the reduction in rents and largely outside of the Council's control.

- 6.2 It is not possible for the Council to mitigate the effects by funding the shortfall in rental income from other resources as the Council needs to maintain a viable financial plan. However, the Council plans to take into account the views expressed by tenants on detailed estate plans of major works for their area. Officers will also be on hand to help tenants and their households in ensuring that tenants' homes are safe, warm and weather-proof.

7. Legal Implications

- 7.1. The HRA was established by statute to ensure that council tax payers cannot subsidise council rents and nor can council rents subsidise council tax. Failure to adhere to this statutory guidance can render the council's annual report and accounts subject to challenge and/ or qualification by the District Auditor.
- 7.2. The HRA 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 act specifies that expenditure and income relating to property listed in section 74 of the Local Government and Housing Act 1989 (that is houses and buildings provided for the provision of accommodation including the land on which they sit, excluding leases taken out for less than 10 years to provide temporary accommodation) must be accounted for in the HRA. Schedule 4 of the Act (as amended by section 127 of the Leasehold Reform, Housing and Urban Development Act 1993) specifies the allowable debits and credits. The Housing (Welfare Services) Order 1994 further specifies more detail on the welfare services which must be accounted for outside the HRA.
- 7.3. The Local Government and Housing Act 1989 also specified that it is unlawful to approve a budget which will result in a debit position on HRA reserves. This section should include the legal power relevant to the proposal must be set out together with any future possible legal implications.
- 7.4. The Local Government and Housing Act 1989 requires the Council to maintain a Housing Revenue Account (HRA). Section 76 of this Act imposes "ring-fencing" arrangements in respect of a the HRA and places a duty on the Council to prevent a debit balance arising in HRA. The sums which can be debited from and credited to the HRA are prescribed by law. It is not possible for a local housing authority to subsidise rents from its General Fund.
- 7.5. As set out in the report the Welfare Reform and Work Bill requires that registered providers of social housing must reduce the amount of rent payable by a tenant of social housing by at least 1% per annum over 4 years, commencing in 2016. This statutory provision will restrict the ability of the Council to set rents.

7.6. Implications completed by: Janette Mullins, Principal Solicitor (Housing Litigation), Finance & Corporate Services.

8. Financial Implications

8.1. Comments are contained within the body of the report.

8.2. Implications completed by: Kathleen Corbett, Director of Finance & Resources, Housing & Regeneration, 020 8753 3031.

9. Risk Management

9.1. The principal risks are detailed in section 4 of this report and in appendix 6. These are included in the departmental risk register.

9.2. Implications completed by: Michael Sloniowski.

10. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

| No. | Description of Background Papers | Name/Ext of holder of file/copy | Department/ Location |
|-----|---|---------------------------------|---|
| 1. | HRA Financial Plan for Council Homes, Economic Regeneration, Housing & The Arts Public Accountability Committee, 13 th December 2016 | Kathleen Corbett Ext 3031 | Housing and Regeneration Department, 3 rd Floor Town Hall Extension, King Street, W6 9JU |

LIST OF APPENDICES:

Appendix 1 Housing Revenue Account 2017/18 budget

Appendix 2 5 Year Business Plan

Appendix 3 5 Year Savings Plan

Appendix 4 Efficiencies & Income Movements

Appendix 5 Growth & Savings from changes to service delivery

Appendix 6 Key Risks

Appendix 7 Housing Authorities General Reserves

Appendix 8 Borrowing Plans

Appendix 9 Local Housing Authorities Weekly Rents

Appendix 10 Capital Charges

Appendix 11 Fees, Charges & Other Income

**Appendix 1:
2017/18 Draft Housing Revenue Account Budget**

| Division | 2016/17 Revised Budget | 2016/17 Forecast Outturn¹ | 2017/18 Proposed Budget |
|--|---------------------------------------|---|--|
| | £000s | £000s | £000s |
| Housing Income | (76,571) | (76,571) | (76,284) |
| Housing Services | 12,839 | 12,863 | 13,032 |
| Safer Neighbourhoods | 585 | 585 | 348 |
| Adult Social Care | 48 | 48 | 610 |
| Housing Repairs | 829 | 829 | 1,907 |
| Property Services | 15,737 | 15,737 | 14,889 |
| Regeneration | 241 | 265 | 359 |
| Housing Solutions | 350 | 336 | 29,248 |
| Finance & Resources | 8,795 | 8,296 | 9,123 |
| Corporate Service Level Agreement Charges | 6,260 | 6,260 | 5,872 |
| Capital Charges | 29,826 | 29,719 | 48 |
| (Contribution to)/ Appropriation from HRA General Reserve | (1,061) | (1,633) | (848) |
| Opening Balance on HRA General Reserve | (18,520) | (18,520) | (20,153) |
| Closing Balance on HRA General Reserve | (19,581) | (20,153) | (21,001) |

¹As per Corporate Revenue Monitor for month 6

Appendix 2

5 Year Business Plan for Housing Revenue Account 2017/18 - 2021/22

| HRA revenue projections | 2017/18 Proposed Budget £000s | 2018/19 Projection £000s | 2019/20 Projection £000s | 2020/21 Projection £000s | 2021/22 Projection £000s |
|---|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Income | (76,284) | (77,585) | (78,178) | (78,920) | (81,153) |
| Expenditure before savings and growth | 73,359 | 76,558 | 77,971 | 79,266 | 80,523 |
| Base HRA surplus for the year | (2,925) | (1,027) | (207) | 346 | (630) |
| Efficiencies* | (388) | (821) | (1,611) | (1,774) | (1,831) |
| Growth | 0 | 0 | 0 | 0 | 0 |
| Surplus before additional capital programme contribution | (3,313) | (1,848) | (1,818) | (1,428) | (2,461) |
| Available for Revenue Contribution to Capital Outlay or growth | 2,465 | 6,028 | 0 | 1,313 | 2,108 |
| Surplus for the year after additional capital programme contribution | (848) | 4,180 | (1,818) | (115) | (353) |
| HRA balance at year end | (21,001) | (16,821) | (18,639) | (18,754) | (19,107) |

* Note that all figures including efficiencies are inflated in line with business planning assumptions

Appendix 3:

| Housing Revenue Account 5 year Savings Plan | Risk to Delivery | 17/18 | 18/19 | 19/20 | 20/21 | 21/22 |
|---|-------------------------|--------------|--------------|--------------|--------------|--------------|
| | | £000s | £000s | £000s | £000s | £000s |
| Additional savings programme focused primarily on reducing corporate overheads for IT and premises. | | 388 | 788 | 988 | 1,088 | 1,088 |
| Additional savings on core costs resulting from better stock condition and better customer service. | | 0 | 0 | 500 | 500 | 500 |
| | | | | | | |
| Base savings programme | | 388 | 788 | 1,488 | 1,588 | 1,588 |

Appendix 4: Efficiencies & Income Movements

| Division | Description | Amount £000s |
|---------------------|--|-----------------|
| Finance & Resources | Reduction in Corporate Service Level Agreement charges | 388 |
| Total | | 388 |

| Item | Housing Income £000s |
|---|----------------------------|
| 2016/17 Base Budget | (76,571) |
| Other Adjustments | |
| Decrease in dwelling rents | 449 |
| Additional Advertising Income | (200) |
| Increase in Leaseholder Service Charges | (37) |
| Improved void rate for dwelling rents and service charges | (514) |
| Provision for income reduction | 589 |
| 2017/18 Base Budget | (76,284) |

NB: Leaseholders can only be charged for costs actually incurred.

Appendix 5: Growth & Savings from changes to service delivery
Growth

| Division | Description | Amount £000s |
|---------------------|---|-------------------------|
| Property Services | MITIE contract | 70 |
| | Health & Safety | 117 |
| | Aids & Adaptations | 89 |
| | Customer Satisfaction Surveys | 25 |
| | | 301 |
| Housing Services | Grounds maintenance contract | 156 |
| | Waste collection contract | 32 |
| | | 188 |
| Finance & Resources | Increase to pension fund contribution | 100 |
| | H&F InTouch | 50 |
| | Rent Income - temporary Welfare Benefit Officer | 45 |
| | | |
| Regeneration | Development & Regeneration - minor reorganisation | 92 |
| | | 92 |
| Total Growth | | 776 |

Less: Savings from changes in service delivery

| Division | Description | Amount £000s |
|---|---|-------------------------|
| Property Services | MITIE repairs and maintenance contract | 94 |
| | Deletion of senior management posts | 143 |
| | | 237 |
| Housing Services | End of EU life project | 145 |
| | Reduction in estates parking consultation costs | 197 |
| | | 342 |
| Housing Income | Increase in income from advertising hoardings | 200 |
| | | 200 |
| Total Savings from changes in service delivery | | 779 |
| Net Saving | | 3 |

| Appendix 6: Key Risks 2017/18 | Lower Limit £000s | Upper Limit £000s | Worst Case £000s | Future Risk £000s |
|---|------------------------------|------------------------------|-----------------------------|------------------------------|
| Quantifiable Risks | | | | |
| <p>Welfare Reform - the budgeted bad debt provision provides some protection against the impact on rent collection rates as a result of the various strands of the Government's Welfare Reform programme. However, there remains some risk as follows:</p> <p>- though the Council has made provision for the inevitability that arrears will increase, it is very difficult to quantify the level of risk for direct payments. Given that the households involved are on very low income levels it is likely that the majority of this increase in arrears would be uncollectable and the annual exposure is estimated in the region of between £1.6m and £8.0m per annum for 2017/18, assuming mitigating actions are in place. The maximum level of exposure is far higher; the total annual rent paid directly to the Council for HRA properties by Housing Benefit is approximately £33.6m. In terms of mitigation the Council continues to actively promote payment by direct debit/ standing order to tenants and has achieved "trusted partner" status with the DWP as part of a detailed rent collection strategy, as well as having in place arrangements to support tenants in managing their money. Under the "trusted partner" scheme, the Council can apply directly to the DWP for "alternative payment arrangements" (APAs) for individual tenants before they fall into significant arrears. The APA means that benefits for housing costs can be paid directly to the Council.</p> | 0 | 8,000 | 33,600 | ? |
| <p>Right to Buy Disposals - a level of Right to Buy disposals (40 per annum from 2017/18 for four years and then falling back to 20 per annum from 2021/22) has been assumed within the business plan. There is a risk that unbudgeted levels beyond the Council's control could impact on the net income due to the HRA. The upper limit and worst case risks set out here are based on an assumption that the level of applications currently projected (227) all progress to RTB sales. The future risk assumes that there are 80 or more RTB sales each year.</p> | 0 | 972 | 972 | 416 |
| <p>Pension opt-in - the risk of all staff opting to join the local government employer pension scheme.</p> | 0 | 14 | 14 | 14 |
| Total Quantifiable Risks | 0 | 8,986 | 34,586 | ? |

Appendix 6: Key Risks 2017/18

Unquantifiable Risks

Accounting for impairment and revaluation losses / gains - changes in accounting rules following self-financing regarding impairment and revaluation losses / gains mean that any adverse movements resulting from changes in the property market that cannot be funded by revaluation reserves will be an actual charge to the HRA bottom line. The current level of revaluation reserves of £138m represents 10.8% of the current stock valuation of £1,277m, so an impairment / revaluation loss of 10.8% would have to be suffered before the HRA would be affected. The Government is currently consulting on implementing changes that may remove this risk.

Accounting for depreciation - CLG's Settlement Payments Determination includes a five-year transitional period during which time Councils may use the uplifted Major Repairs Allowance (MRA) as a proxy for depreciation. The Council has subscribed to the transitional period and 2016/17 is the final year of operation. However, Government has still not advised of its final determination following consultation on the proposed accounting arrangements following the end of the transitional period. This could result in an increase in revenue costs to the Housing Revenue Account.

Housing Repairs - unpredicted events may result in some additional expenditure (for example, following new health and safety directives, legislation, potential insurance claims from storm damage) on housing repairs, and financial provision has been made to mitigate against this risk.

Appendix 6: Key Risks 2017/18

Unquantifiable Risks

Continuation of social housing rent reductions beyond the four year period - this relates to the risk that in 2021 rents continue to be enforced by statute and that the Council is unable to return to the rent policy agreed last year with tenants of CPI plus 1% plus £1. This would lead to further reductions in planned repairs over the next ten to fifteen years resulting in a deterioration of the Council's homes and higher repairs and maintenance costs.

Service Level Agreements - any mid-year review of corporate SLA costs may impact adversely on the HRA particularly if contracts are retained in house resulting in higher than expected FTE numbers. There is a risk that corporate services may not pass on savings as the proportion changed by the HRA changes because of changes elsewhere in the Council which affect the percentage recharges and that legislative burdens could increase costs.

Market Risk on Re-Procurement and Recruitment – Again there is a risk especially under better economic conditions that it will become harder to re-procure contracts or recruit staff at the predicted rates

Other changes in central Government policy towards social housing

Land Sale Agreement for the West Kensington and Gibbs Green Estates - the current HRA business plan is very sensitive to fluctuations in the income and costs associated with the Land Sale Agreement for the West Kensington and Gibbs Green Estates. This includes the timing of land transfers as income cannot be realised in accounting terms until land is transferred.

Additional Health & Safety requirements and other repairs risks such as uninsured events

Forced Sale of High Value Voids - the Government's plan to force the sale of high value empty council homes with the proceeds being paid over to central Government. This is likely to have an adverse impact on the availability of social housing in the borough putting pressure on the General Fund budgets even if a one for one affordable rented replacement is provided in borough. The loss of stock will reduce economies of scale in the HRA and, depending on the exact nature of the regulations and the properties sold, result in a net loss and constrain proper asset management within the HRA.

The implementation of Managed Services and its impact on service delivery - most notably in terms of risks to income collection, arrears management and the associated bad debt risk, financial and management reporting, systems assurance and reconciliation reporting, the time taken to resolve payment issues, the delay in implementing the system for leaseholder service charges, the opportunity cost of officer time in managing issues arising and other factors

Medium Term Financial Strategy - a risk to future savings expected to be delivered in accordance with the HRA five year savings plan, especially in relation to savings focussed on reducing corporate overheads for IT and premises.

Maintenance of Council Homes - Without the ability to fund the shortfall in the capital programme (if there is not a stock transfer), we will continue to have a significant repairs backlog and this backlog will start to grow. It means that there is a risk that, not only will the condition of the Council's homes deteriorate, but that the day to day repair costs will start to increase. The revised plan for major works in the event of there not being a stock transfer postpones the equivalent of window and door replacements to 3,700 homes, roof renewals for 2,250 homes, 3,700 new heating systems, 1,500 electrical rewires, 1,500 new kitchens and 1,000 new bathrooms.

**Appendix 7:
London Local Housing Authorities
General Reserves as a % of Turnover**

| Local Housing Authority | Turnover 2015/16 | General Reserve at 31st March 2016 | General Reserve as a % of Turnover |
|--|-----------------------------|---|---|
| | £m | £m | % |
| H&F | 82.2 | 18.5 | 23% |
| Neighbouring London Housing Authorities | | | |
| RBKC | 58.2 | 21.4 | 37% |
| Westminster | 92.6 | 44.8 | 48% |
| Brent | 54.8 | 6.2 | 11% |
| Ealing | 69.2 | 4.9 | 7% |
| Harrow | 32.1 | 6.7 | 21% |
| Hounslow | 84.2 | 17.4 | 21% |
| Hillingdon | 67.7 | 33.9 | 50% |
| Wandsworth | 142.4 | 121.9 | 86% |
| Other London Local Housing Authorities | | | |
| Barking & Dagenham | 111.0 | 8.7 | 8% |
| Camden | 190.2 | 39.2 | 21% |
| Croydon | 93.2 | 11.8 | 13% |
| Enfield | 66.6 | 9.1 | 14% |
| Greenwich | 125.5 | 9.1 | 7% |
| Hackney | 141.4 | 10.2 | 7% |
| Haringey | 110.6 | 39.3 | 36% |
| Islington | 188.9 | 14.8 | 8% |
| Lambeth | 188.7 | 10.7 | 6% |
| Lewisham | 89.1 | 42.9 | 48% |
| Newham | 116.7 | 26.2 | 22% |
| Redbridge | 28.6 | 6.4 | 22% |
| Southwark | 298.2 | 16.6 | 6% |
| Waltham Forest | 61.1 | 1.5 | 2% |
| Barnet | 61.2 | 8.8 | 14% |
| Kingston upon Thames | 31.5 | 4.3 | 14% |
| Sutton | 39.1 | 2.4 | 6% |
| Tower Hamlets | 92.1 | 31.1 | 34% |
| Average of all 27 London Local Housing Authorities | | | 22% |

Appendix 8:

Housing Revenue Account Borrowing Plans 2016/17 - 2026/27

| | | Borrowing | Debt | Additional | Borrowing | Housing | Internal |
|-------------|----------------|------------------|-------------------|-------------------|------------------|--------------------|------------------|
| Year | | Opening | Repayments | Required | Bal/Cfwd | Capital | Borrowing |
| | | Balance | £000s pa | £000s pa | £000s pa | Financing | £000s pa |
| | | £000s pa | £000s pa | £000s pa | £000s pa | Requirement | £000s pa |
| 1 | 2016.17 | 192,282 | 5,866 | 0 | 186,416 | 230,446 | 44,030 |
| 2 | 2017.18 | 186,416 | 6,150 | 0 | 180,267 | 238,863 | 58,596 |
| 3 | 2018.19 | 180,267 | 3,784 | 8,978 | 185,460 | 242,041 | 56,581 |
| 4 | 2019.20 | 185,460 | 9,696 | 0 | 175,763 | 242,451 | 66,687 |
| 5 | 2020.21 | 175,763 | 9,461 | 18,113 | 184,415 | 225,111 | 40,696 |
| 6 | 2021.22 | 184,415 | 0 | 893 | 185,308 | 226,004 | 40,696 |
| 7 | 2022.23 | 185,308 | 0 | 1,009 | 186,317 | 227,012 | 40,696 |
| 8 | 2023.24 | 186,317 | 3,548 | 8,240 | 191,009 | 222,554 | 31,545 |
| 9 | 2024.25 | 191,009 | 13,009 | 14,946 | 192,945 | 224,490 | 31,545 |
| 10 | 2025.26 | 192,945 | 0 | 16,838 | 209,783 | 228,909 | 19,127 |
| 11 | 2026.27 | 209,783 | 4,731 | 24,179 | 229,231 | 248,358 | 19,127 |

**Appendix 9:
Central London Local Housing Authorities
Weekly Rents: 2016/17**

| Local Housing Authority | Weekly Rent 2016/17 |
|--------------------------------|--------------------------------|
| Lewisham | 97.43 |
| Southwark | 100.24 |
| Hackney | 101.55 |
| Greenwich | 103.16 |
| Hammersmith & Fulham | 108.73 |
| Lambeth | 109.21 |
| Tower Hamlets | 110.26 |
| Islington | 111.77 |
| Camden | 112.90 |
| Kensington & Chelsea | 122.77 |
| Westminster | 123.81 |
| Wandsworth | 125.43 |
| Average | 110.61 |

Appendix 10 Capital Charges

Interest Payable

In line with the latest revised 40 year HRA business plan, it is planned to repay £6.1m of debt due to mature in 2017/18. This reduction in debt means that the annual interest cost in 2017/18 will reduce to £8.9m (from £9.7m in 2016/17). The level of borrowing proposed within the Financial Plan for Council Homes is predicted to increase by 2027/28 before falling back over the term of the business plan. The plan for the next 10 years' borrowing is set out in Appendix 8.

Depreciation

The Council's policy has been to use the Major Repairs Allowance (MRA) as a proxy for depreciation in the HRA for housing properties and this practice will not change for 2017/18.

CLG's Settlement Payments Determination includes a five-year transitional period during which time Councils may use the uplifted MRA. The Council has subscribed to the transitional period which is due to end in 2016/17. CLG are due to issue a final determination confirming whether or not transitional protection will be removed or extended. There is a risk that the depreciation charge in the HRA could increase depending on the outcome of the determination and this is included in the risks schedule in Appendix 6.

The increase in the depreciation charge for dwellings for 2016/17 is £0.6million taking the budget required to £17.9million.

The transitional arrangements exclude non-dwellings depreciation which under previous accounting rules had no net effect on the HRA bottom line. For 2017/18, this charge has reduced by £33k resulting in a budget of £198k.

Appendix 11 – Fees, Charges & Other Income

Heating Charges

Tenants and leaseholders who receive communal heating (around 2,025 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.

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.

As the new energy contract rates are not expected to be received until after this report is published, an estimate has been prepared in consultation with the Council's Estate Services function who have provided an indication of the new contract rate the Council can expect to achieve. Based on this estimate, combined with the need to balance the heating account for the year, no increase in charges is proposed for 2017/18.

Garage Rents

Garages are currently let on a weekly basis at a flat rate of £23.08 for a car garage and £17.31 for a motorcycle garage. It is proposed to freeze garage charges for tenants and resident leaseholders and to approve an increase for other garage charges of 1% (in line with the Consumer Prices Index (CPI) as at September 2016).

The level of charges among other neighbouring London Councils vary. For example, equivalent weekly charges for garages are between £19 and £57 in Kensington and Chelsea, £12 and £36 in Camden, £22 in Wandsworth. Prices for garages rented privately within Hammersmith & Fulham range from £1,800 to £2,500 per annum.

Parking Permits

Parking permits are issued at a flat rate of £119 per year. There are also concessionary rates for second or low emission cars.

Following changes in law that limit the Council's powers to enforce parking on housing estates by private contractors, the Council is undertaking a review of parking on all housing estates in the borough with a view to introducing enforceable parking controls. Following a consultation process with residents of several estates, Traffic Management Orders have been implemented on a number of estates. This process is ongoing and the level of income assumed for parking charges for 2017/18 takes account of the changes in law and on-going review of parking.

It is proposed to freeze this £119 flat rate for vehicles on council estates that opt for a Traffic Management Order. Any concessions that reduce this rate on streets outside council estates for low emission cars will also be applied in estates covered by Traffic Management Orders. No fees or surcharges above this flat rate are proposed for vehicles in estates.

Water Charges

The Council collects income from and pays charges on behalf of tenants and leaseholders. The Council calculates the price at which water and sewerage services are resold to tenants to ensure that the amounts billed to tenants and leaseholders are in accordance with OFWAT's (the Water Services Regulation Authority) guidelines. In summary, OFWAT requires that "anybody reselling water or sewerage services should charge no more than the amount they are charged by the company". The guidelines allow for an administration charge to be added.

The annual review of charges involves comparing the amount the Council charged tenants for water and sewerage during the previous financial year with the amount the Council was charged by Thames Water. This involves working closely with Thames Water in ensuring that the charges made to the Council for metered properties are in line with the actual water used.

The increase advised by OFWAT for 2017/18 will need to be overlaid on top of the adjusted charges. It is expected that OFWAT will confirm the agreed changes to water and sewerage service charges for 2017/18 in January 2017. It is therefore proposed that any change to the water charges be agreed following OFWAT's approval in January 2017 and it is recommended that authority be delegated to the Director of Finance & Resources to approve the increase in water charges. This will ensure that the Council fulfils its legal obligation to recover the water charges in full.

Advertising Income


The budget for income generated from advertising hoardings located on Housing land has been increased by £200k to £838k. This increase has resulted from the implementation of a strategy to identify opportunities for new hoarding sites (expected to generate additional income of £200k). Opportunities for identifying new hoardings sites are being investigated on an on-going phased basis.

Legal and accounting advice has confirmed that the income and expenditure associated with advertising hoardings on HRA land should be accounted for within the HRA.

Rents on Shops

The budget for commercial property rents for 2017/18 has not changed since last year and has been set at £1.383m. This follows a review of the likely level of lettings achievable in the current climate in accordance with the terms of the associated leases and informed assumptions from Valuation & Property Services. The budget set for HRA commercial property incorporates a forecast void rate of 11%, based on the valuers views, to allow for economic conditions. Additionally, the budgeted increase in bad debt provision has been set at £90k for 2017/18.

Agenda Item 8

| | |
|--|---|
| <p>London Borough of Hammersmith & Fulham</p> <p>CABINET</p> <p>6 February 2017</p> |  |
| TREASURY MANAGEMENT STRATEGY REPORT 2017/18 | |
| Report of the Cabinet Member for Finance – Councillor Schmid | |
| Open Report | |
| Classification - For Review & Comment Key Decision: Yes | |
| Wards Affected: ALL | |
| Accountable Executive Director: Hitesh Jolapara, Strategic Finance Director | |
| Report Author: Halfield Jackman, Treasury Manager | Contact Details: Tel: 0207 641 4354 E-mail: hjackman@westminster.gov.uk |

1. EXECUTIVE SUMMARY

- 1.1 The report sets out the Council's Treasury Management Strategy for 2017/18. It seeks approval for the Strategic Finance Director to arrange the Treasury Management Strategy in 2017/18 as set out in this report.

2. RECOMMENDATIONS

- 2.1 That approval is given to the future borrowing and investment strategies as outlined in this report and that the Strategic Finance Director be authorised to arrange the Council's cash flow, borrowing and investments in 2017/18.
- 2.2 In relation to the Council's overall borrowing for the financial year, to note the comments and the Prudential Indicators as set out in this report and the four year capital programme 2017/18 to 2020/21.
- 2.3 That approval is given to pay the Housing Revenue Account (HRA) investment income on unapplied HRA receipts and other HRA cash balances calculated at the average rate of interest (approximately 0.40% p.a.) earned on temporary investments throughout the year to the 31st March 2017.

3. BACKGROUND

- 3.1 The Council is required to set a balanced budget, which means that income raised during the year is budgeted to meet expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when needed.

Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

3.2 The second main function of the treasury management service is the funding of the Council's capital plans. These plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

3.3 CIPFA¹ defines treasury management 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."

3.4 The Council is required to receive and approve, as a minimum, three main reports each year: a Treasury Strategy Report (this report), Mid-year report and an Outturn report. These reports are required to be adequately scrutinised before being recommended to the Council by the Cabinet. This role is undertaken by the Audit, Pensions and Standards Committee and the Finance and Delivery PAC.

3.5 The Treasury Management Strategy is set out in section 7 of this report, and the remainder of the report covers the list below. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and CLG Investment Guidance. This includes:

- * prospects for interest rates;
- * economic background;
- * current treasury position;
- * proposed investment strategy;
- * borrowing strategy;
- * prudential indicators; and,
- * approach to debt rescheduling.

3.6 Section 7 of this report sets out the investment approach, and takes account of the specified and non-specified² approach. The Council is likely only to consider non-specified investments where an investment is made for longer than one year.

3.7 The CIPFA recommendations contained in the Code of Practice and Cross-Sectoral Guidance Notes issued as a revised version in 2011 for Treasury Management in the Public Services require that each Local Authority has a Treasury Management Policy Statement that is approved by the Full Council. This is set out in Appendix A of this report.

4. PROSPECTS FOR INTEREST RATES

4.1 A key driver of both investment and debt decisions are prospective interest rates and the rates by which the Council can borrow funds. The Table in Appendix B (provided by our Treasury Consultants – Capita) set out the present rates.

¹ Chartered institute of Public Finance and Accountancy

² Specified and non-specified investments are defined in Section 7.17 to 7.19

5. ECONOMIC BACKGROUND

5.1 The importance of external economic factors is also a key driver in external parties setting rates and also availability of instruments in which to invest and borrow. Appendix C sets out the present views of our Treasury Consultants Capita

6. CURRENT TREASURY POSITION

6.1 At the 31st December 2016, the Council had £360 million cash investments. The cash is made up of the Council's usable reserves, capital receipts and unspent government grants. The level of cash has remained broadly at the same level as the start of the financial year, and it is anticipated the cash levels at the end the financial year will be approximately £300 - £330 million.

6.2 The Capital Financing Requirement (CFR) is stated below with and without schools' windows in the table below. This is because the Dedicated Schools Grant (DSG) will compensate the council for any cost of borrowing associated with the Schools' Windows programme. The forecast closing General Fund debt as measured by the CFR for 2016/17 is £45.42m. This is subject to the application of forecast capital receipt surpluses to debt reduction at the year-end. The CFR³ with the DSG-funded Schools Windows will be £ 49.37m.

Forecast Movement in the General Fund Capital Financing Requirement (CFR)⁴

| £m | 2016/17 Estimate | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Closing Capital Finance Requirement (Including DSG-funded Schools Windows borrowing) | 49.37 | 58.56 | 66.52 | 67.23 | 67.91 |
| Closing Capital Finance Requirement (Excluding DSG-funded Schools Windows borrowing) | 45.42 | 45.59 | 47.24 | 48.71 | 50.13 |

6.3 The CFR measures an authority's underlying need to borrow for a capital purpose. It is considered by the Chartered Institute of Public Finance Accountancy (CIPFA) as the best measure of Council debt as it reflects both external and internal borrowing. It was introduced by the Government in 2004 and replaced the 'credit ceiling' as the Council's measure of debt.

6.4 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 financed 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') the CFR will increase. In this example the authority has effectively borrowed internally. The CFR should therefore be thought of as the total of internal and external borrowing.

³ All references to CFR are taken from the latest Financial Monitoring documents & Capital Monitoring & Budget Variations report

⁴ It should be noted that because of the timing of the report process the CFR figures will change before reaching Full Council in February 2016.

6.5 There are 5 Prudential Indicators for 2017/18 relating to capital stated in the Capital Programme 2017/18 to 2020/21 report to Budget Council in February 2017, (to meet CIPFA's Prudential Code requirements).

6.6 The Council's borrowing and Capital Financing Requirement (CFR) positions are summarised in the tables.

Current Portfolio Position

| £'000 | 2015/16 Actual | 2016/17 Estimate | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Borrowing at 1 April | 247,599 | 231,897 | 224,822 | 217,405 | 212,841 | 203,142 |
| Expected change in borrowing during the year | (15,703) | (7,074) | (7,418) | (4,564) | (5,705) | (11,410) |
| Actual Borrowing at 31 March | 231,897 | 224,822 | 217,405 | 212,841 | 203,142 | 191,732 |
| Total investments at 31 March | (299,237) | (330,000) | (300,000) | (300,000) | (300,000) | (300,000) |
| Net borrowing/ (investment) | (67,340) | (105,177) | (82,595) | (87,159) | (96,858) | (108,268) |

Split between the Housing Revenue Account and General Fund: External borrowing (PWLB) position at Year End

| £'000 External Borrowing only | 2015/16 Actual | 2016/17 Estimate | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate |
|-------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Housing Revenue A/c (HRA) | 192,283 | 186,416 | 180,266 | 176,482 | 168,440 | 158,979 |
| General Fund (GF) | 39,614 | 38,406 | 37,139 | 36,359 | 34,702 | 32,753 |
| Total borrowing at year end | 231,897 | 224,822 | 217,405 | 212,841 | 203,142 | 191,732 |

Sets out the Closing Capital Financing Requirement analysed between General Fund and Housing Revenue Account.

| Closing CFR only £'000 | 2015/16 Actual | 2016/17 Estimate | 2017/18 Estimate | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate |
|---|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| GF CFR (Excluding DSG funded Schools Windows Borrowing) | 44,180 | 45,425 | 45,587 | 47,231 | 48,709 | 50,130 |
| GF CFR (DSG funded Schools Windows borrowing) | 1,116 | 3,945 | 12,972 | 19,285 | 18,514 | 17,780 |
| HRA CFR | 210,132 | 209,175 | 220,737 | 225,165 | 227,864 | 232,130 |
| TOTAL CFR | 255,428 | 258,545 | 279,296 | 291,681 | 295,087 | 300,040 |

Excludes Finance Leases and PFIs which are fully funded through revenue budgets

7. ANNUAL INVESTMENT STRATEGY

7.1 The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a rating 'uplift' due to implied levels of sovereign

support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these “uplifts” with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have “netted” each other off, to leave underlying ratings either unchanged or little changed.

- 7.2 It is important to stress that the rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the implied level of sovereign support that has been built into rating through the financial crisis. In keeping with the agencies’ new methodologies, the rating element of our own credit assessment process now focuses on the Short and Long Term ratings of an institution as well as Credit Default Swaps⁵ (CDS).
- 7.3 The evolving regulatory environment, in tandem with the rating agencies’ new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. Where through the crisis, the Council typically assigned the highest sovereign rating to their criteria, the new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. While this authority understands the changes that have taken place, it will continue to specify a **minimum sovereign rating of AA+**. This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

Investment Policy

- 7.4 The Council’s investment policy has regard to the CLG’s Guidance on Local Government Investments (“the Guidance”) and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (“the CIPFA TM Code”). The Council’s investment priorities will be security first, liquidity second, and then return.
- 7.5 In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.
- 7.6 Ratings will not be the sole determinant of the quality of an institution; 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 assessment will also take account of information that reflects the opinion of the markets. To this end 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.
- 7.7 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.
- 7.8 This section sets out the Council’s annual investment strategy for 2017/18 and any proposed changes from the 2016/17 Treasury Management Strategy, the table overleaf summarises the maximum amounts and tenors of investments that the Council can hold. The table also shows the maximum proposed limits that Officers can work within.

⁵ Credit ratings are based on historical information and Credit Default Swaps (CDS) reflect current market sentiment if the CDS value raises significantly over a short period this could be an early warning of possible changes in credit rating and trigger further investigation. (see Appendix D for a definition)

| Institution Type | Minimum Long Term Credit Rating Required 2017/18 (S&P / Moodys / Fitch) | Maximum Individual Counterparty Investment limit 2017/18 (£m) | Maximum tenor of deposit / investment 2017/18 | Changes from the 2016/17 Strategy |
|---|--|--|--|---|
| DMO Deposits | UK Government Rating AA+ | Unlimited | 6 months | No change |
| UK Government (Gilts / T-Bills / Repos) | UK Government Rating AA+ | Unlimited | Unlimited | No change |
| Supra-national Banks | AA- / Aa3 / AA- | £100m | 5 years | No change |
| European Agencies | AA- / Aa3 / AA- | £100m | 5 year | No change |
| Network Rail | UK Government Rating | £200m | Oct 2052 | No change |
| TFL | AA- / Aa3 / AA- | £100m | 3 years | No change |
| GLA | N/A | £100m | 3 years | No change |
| UK Local Authorities | N/A | £20m per Local Authority, £100m in aggregate | 3 years | Increased from £10m to £20m per Local Authority and aggregate from £50m to £100m Extension of duration from 1 to 3 years |
| Commercial Paper issued in sterling by UK and European corporate | Long Term AA- / Aa3 / AA- Short Term F2/ P-2 /A-3 | £20m per name, £80m in aggregate | 1 year | No change |
| Covered Bonds issued in sterling by UK and European corporate | AA+/Aa1/AA+ The bond issue; Investment grade of underlying assets | £100m | 5 years | No change |
| Institution Type | Minimum Long Term Credit Rating Required 2017/18 (S&P / Moodys / Fitch) | Maximum Individual Counterparty Investment limit 2017/18 (£m) | Maximum tenor of deposit / investment 2017/18 | Changes from the 2016/17 Strategy |

| | | | | |
|--|--|---|------------------------|--------------|
| Money Market Funds MMF | AAA by at least one of the credit agencies | £30m per fund manager, £200m in aggregate | Up to three day notice | No change |
| Enhanced Money Funds | AAA by at least one of the credit agencies | £20m per fund manager, £60m in aggregate | Up to seven day notice | No change |
| UK Bank Fixed Deposits / Certificates of Deposit / Short Dated Bonds | AA- / Aa3 / AA- and above (or UK Government ownership of greater than 25%) Short Term F2/ P-2 /A-3 | £70m | 5 years | No change |
| UK Bank Fixed Deposits / Certificates of Deposit / Short Dated Bonds | Long Term A- / A3 / A- Short Term F2/ P-2 /A-3 | £50m | 3 years | No change |
| Non-UK Bank Fixed Deposits / Certificates of Deposit / Short Dated Bonds | Long term AA- / Aa2 / AA- Short Term F2/ P-2 /A-3 | £50m | 3 years | No change |
| Non-UK Bank Fixed Deposits / Certificates of Deposit / Short Dated Bonds | Long Term A / A2 / A Short Term F2/ P-2 /A-3 | £30m | 1 year | No change |
| Building Societies Fixed Deposits / Short Dated Bonds | Long Term A / A2 / A Short Term F2/ P-2 /A-3 | £20m | 1 years | New category |

7.9 The remainder of this section covers the following in further detail:

- Current investment types
- Proposed changes to investment limits and tenors
- Non-specified investments
- Creditworthiness criteria
- Country limits.
- Potential Alternative Investments

Current Investment Types⁶

7.10 As per the 2016/17 Treasury Management Strategy, it is proposed that for 2017/18 the Council can continue to invest in financial institutions, external funds and certain capital market instruments as set out below. All investments would be in Sterling. The investment types listed below are as per the current TMSS.

- (i) Investment with the Debt Management Office with no financial limit (UK government)
- (ii) Investment in financial institutions of a minimum Long and Short Term credit rating, with the parent company domiciled only in certain jurisdictions;
- (iii) Investment in UK Treasury Bills (T-Bills) and Gilts (conventional or indexed-linked) with no financial limit (UK government guaranteed)
- (iv) Investments in UK Government repurchase agreements (“Repos” and “Reverse Repos”);
- (v) Lending to certain public authorities (Unitary Authorities, Local Authorities, Borough and District Councils, Met Police, Fire and Police Authorities)
- (vi) Investment in close to maturity AA-rated corporate bonds and commercial paper backed by UK Government guarantees;
- (vii) Investment in Supra-national Banks/European Agencies AA- rated issuer bonds and commercial paper;
- (viii) Investment in AAA-rated Sterling Money Market Funds and Enhanced Money Funds.
- (ix) Investment in commercial paper (CP) of UK domiciled entities with minimum short term credit rating of A3/P-2/F-2.
- (x) Investment in Certificate of Deposit (CD) issued by a financial institution short length tenor entities with minimum short term credit rating of A3/P-2/F-2.
- (xi) Investment in Covered Bonds debt instruments issued by a financial institutions where security has been granted over a pool of underlying assets.

7.11 In determining whether to place deposits with any institution or fund, the Treasury Manager will remain within the limits set out above, but take into account the following when deciding how much to invest within the limit set out above:

- (xii) the financial position and jurisdiction of the institution;
- (xiii) the market pricing of credit default swaps for the institution;
- (xiv) Standard & Poor’s, Moody’s and Fitch’s short and long term credit ratings;
- (xv) Core Tier 1 capital ratios; and
- (xvi) other external views as necessary.

7.12 The investment portfolio average balance has been £335 million throughout the year to date. The shape of the current yield curve, the likely low level of interest rates for the

⁶ Appendix E provides more detail on the various asset classes.

immediate future and the opportunities for investment, it is proposed that limits and tenors of investment also remains at the same for the majority of investment types.

7.13 The graph in Appendix B shows a steep current and one-year forward yield curve, and that marginally higher returns for tenors up to five years (for a core level of cash) would provide greater returns rather than a shorter investment. In summary, the bank investment limits are shown in the table below (no change from 2016/17).

| Institution Type | Minimum Credit Rating Required (S&P / Moodys / Fitch) | Maximum Individual Counterparty Investment limit (£m) | Maximum tenor of deposit / investment |
|--|--|--|--|
| UK Bank Fixed Deposits / Certificates of Deposit / Short Dated Bonds | AA- / Aa3 / AA- and above (or UK Government ownership of greater than 25%) Short Term F2/ P-2 /A-3 | 70 | No change |
| UK Bank Fixed Deposits / Certificates of Deposit / Short Dated Bonds | Long Term A- / A3 / A- Short Term F2/ P-2 /A-3 | 50 | No change |
| Non-UK Bank Fixed Deposits / Certificates of Deposit / Short Dated Bonds | Long term AA- / Aa2 / AA- Short Term F2/ P-2 /A-3 | 50 | No change |
| Non-UK Bank Fixed Deposits / Certificates of Deposit / Short Dated Bonds | Long Term A / A2 / A Short Term F2/ P-2 /A-3 | 30 | No change |

Proposed changes to investment limits and tenors

Building Societies

7.14 Financial/ Mutual institutions which pays interest on investments by its members and lends capital for the purchase or improvement of houses. The top five building societies currently have credit ratings and only three are within the minimum short term credit rating of A3/P-2/F-2.

7.15 Local Authorities category has been extended to reflect the growth in this area.

7.16 A Green Investment policy is now proposed as follows:

1. Investments in solar farms (as an example) are a form of Green Energy Bonds that provide a secure enhanced yield. The investments are structured as unrated bonds and secured on the assets and contracts of solar and wind farms. Before proceeding with any such investment, internal and external due diligence will be undertaken in advance of investments covering the financial, planning and legal aspects and approval must be sought from the Cabinet Member for Finance to proceed.

2. The following limitations will apply when investing in Green Energy Bonds;
- Maximum duration of 5 years
 - Maximum investment of £10m per bond representing less than 25% of the aggregate project investment. Maximum of £30m in Green Energy Bonds.
 - By definition, these would be Non-specified investments

Non-specified investments

7.17 Under section 15(1) of the Local Government Act 2003, restrictions are placed on Local Authorities around the use of so-called specified and non-specified investments. A specified investment is defined as an investment which satisfies all of the conditions below:

- (i) The investment and any associated cash flows are denominated in sterling;
- (ii) The investment has a maximum maturity of one year;
- (iii) The investment is not defined as capital expenditure; and
- (iv) The investment is made with a body or in an investment scheme of high credit quality; or with the UK Government, a UK Local Authority or parish/community council.

7.18 A non-specified investment is any investment that does not meet all the conditions above. The only likely non-specified investment that the Council may make is for any investment greater than one year. For such an investment, a proposal will be made to the Strategic Finance Director on the recommendation from the Director of Treasury and Pensions after taking into account cash flow requirements, the outlook for short to medium term interest rates and the proposed investment counterparty.

7.19 Long term investments (for periods over 364 days) will be limited to no more than £120 million with a tenor of up to five year.

Creditworthiness Criteria

7.20 As has been the case for 2016/17, the Council's investment priorities continue to be the security of capital and 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.

7.21 In accordance with this, and in order to minimise the risk to investments, the Council has set the minimum acceptable credit quality of counterparties for inclusion on the lending list. As at present, if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, any further use will be stopped immediately and any existing investments will be matured at the earliest possible convenience.

7.22 For the financial institution sector, the Council will invest in entities with a minimum credit as set out above (A-/A3/A- for a UK bank, and A/A2/A for a non-UK bank as appropriate), as long as that entity has a short term rating F2/P-2/A-3 or better. Where a split rating applies the lowest rating will be used. This methodology excludes banks with UK Government

ownership. Banks would need to be rated by at least two of the three main credit rating agencies and where there was a split rating the lower rating would be used.

- 7.23 The limits can change if there are rating changes, however the maximum limit would never be more than specified by institution type in paragraph 7.8. Officers are likely to work well within these limits to ensure headroom for short term liquidity.

Country Limits

- 7.24 The Council has determined that it will only use approved counterparties from any country outside the United Kingdom with a minimum sovereign credit rating of AA+. The current TMSS is based on a ratings approach to country of domicile, for 2017/18, it is proposed that deposits / investments are made with financial entities domiciled only in the following countries: Australia, Canada, Denmark, Finland, France, Germany, Japan, Luxembourg, Netherlands, Norway, Singapore, Sweden, Switzerland, UK and USA (see Appendix G).

8. BORROWING STRATEGY

- 8.1 The Council is currently maintaining an under-borrowed (internal borrowing) position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with external 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 relatively high.
- 8.2 The HRA will fund its requirements from additional internal borrowing. The General Fund has no expectation of borrowing in the near future.
- 8.3 The Strategic Finance Director is responsible for implementing the Annual Minimum Revenue Provision Statement and has managerial, operational and financial discretion necessary to ensure that MRP is calculated in accordance with regulatory and financial requirements and resolve any practical interpretation issues. The Strategic Finance Director may also make additional revenue provisions, over and above those set out in the statement, or set aside capital receipts to reduce debt liabilities should it be prudent for financial management of the HRA or the General Fund. In addition, the Strategic Finance Director, in consultation with the Cabinet Member for Finance, may defer or reduce MRP charges while continuing to ensure a prudent provision is made over the medium term.
- 8.4 Against this background and the investment risks described in this paper, caution will be adopted with the 2017/18 treasury operations. The treasury team will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances and advise the Strategic Finance Director accordingly.
- 8.5 If there was a significant risk of a much sharper rise in long and short term rates than the currently forecast, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.
- 8.6 The General Fund has a debt strategy of no new borrowing and where borrowing has fallen due for repayment it has not been replaced. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with borrowing, as cash balances and cash flow has been used as a temporary measure instead. This strategy is prudent as investment returns are low and counterparty risk is high. HRA's funding requirements differ from the General Fund's and external borrowing in the HRA may be required in 2017/18 as a result of the rent reduction, 1% each year for the next four years, imposed by Government in July 2015.

8.7 Under the regulatory requirement, there are three borrowing related treasury activity limits. The purpose of these are to monitor and control 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.
- 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.

8.8 The tables below sets out these treasury indicators and limits. The Council is currently compliant with all these indicators. The Council's existing level of fixed interest rate exposure is 100.0% and variable rate exposure is 0.0%.

Interest Rate Exposure for borrowing

| £m / % | 2016/17 | | 2017/18 | | 2018/19 | | 2019/20 | |
|---|---------|------|---------|------|---------|------|---------|------|
| Upper Gross Borrowing Limits on fixed interest rates | 385 | 100% | 385 | 100% | 385 | 100% | 385 | 100% |
| Upper Gross Borrowing Limits on variable interest rates | 77 | 20% | 77 | 20% | 77 | 20% | 77 | 20% |

Structure limits for debt maturity

| Maturity structure of fixed rate borrowing during 2016/17 | Upper Limit | Lower Limit | Actual Limits as at 30 September 2016 |
|---|-------------|-------------|---------------------------------------|
| Under 12 months | 15% | 0% | 4.4% |
| 12 months and within 24 months | 15% | 0% | 2.0% |
| 24 months and within 5 years | 60% | 0% | 9.3% |
| 5 years and within 10 years | 75% | 0% | 11.3% |
| 10 years and above | 100% | 0% | 73.0% |

9. POLICY ON BORROWING IN ADVANCE OF NEED

- 9.1 Under CIPFA's Prudential Code, any decision to borrow in advance of need has to be:
- Within forward approved Capital Financing Requirement (CFR) estimates.
 - Would have to be considered carefully to ensure that value for money can be demonstrated;
 - And that the Council can ensure the security of such funds.

10. PRUDENTIAL INDICATORS FOR TO BORROWING ACTIVITY

- 10.1 The Prudential Code requires that the Council set certain limits on the level and type of borrowing before the start of the financial year together with a number of prudential indicators, for the next three years ensuring the capital investment plans are affordable, prudent and sustainable.
- 10.2 The Authorised Limit for external borrowing. 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.

Authorised Limit

| £m | 2015/16 Actual | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|-----------------------------|-------------------|------------|------------|------------|------------|------------|
| Borrowing | 325 | 325 | 325 | 325 | 325 | 325 |
| Other long term liabilities | 20 | 20 | 20 | 20 | 20 | 20 |
| Total | 345 | 345 | 345 | 345 | 345 | 345 |

- 10.3 The Operational Boundary is the focus of day to day treasury management activity within the authority and is set at £50m below authorised limit for borrowing. 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 Indicators it set itself.

Operational Boundary

| £m | 2015/16 Actual | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|-----------------------------|-------------------|------------|------------|------------|------------|------------|
| Borrowing | 275 | 275 | 275 | 275 | 275 | 275 |
| Other long term liabilities | 15 | 15 | 15 | 15 | 15 | 15 |
| Total | 290 | 290 | 290 | 290 | 290 | 290 |

- 10.4 The HRA CFR is required to remain within a 'Debt Cap' as set by the Department for Communities and Local Government as part of the transition to HRA self-financing. The Council's debt cap is currently set at £254.62m.
- 10.5 The Strategic Finance Director reports that the Council complied with the prudential indicators 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 the budget report.

11. DEBT RESCHEDULING

- 11.1 Consideration will 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.
- 11.2 However, these savings will need to be considered in the light of the current treasury position and premia incurred in prematurely repaying debt. Given the current approach, Officers monitor the situation continually for an opportunity to repay voluntary any debt. 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).

12. HOUSING REVENUE ACCOUNT

- 12.1 For the period 2017/18 – 2020/21, based on the planned four year capital programme and other sources of capital resources, borrowing will be funded principally from internal resources.
- 12.2 The availability of internal borrowing is achieved through the use of monies received classed as capital receipts. Use of this money is classed as borrowing as although cash is received from developers on a phased basis, receipts are only deemed usable for funding purposes as assets transfer to the purchaser. This does not prevent the Council from spending the cash it receives, but until such time that assets transfer any such use is classed as borrowing. This borrowing unwinds when the receipt becomes usable. The total available to the HRA for the purposes of internal borrowing is the difference between the HRA CFR and the external borrowing in each year. This is shown in the table in paragraph 6.6 above.
- 12.3 Full details of the Housing Revenue Account's likely borrowing requirements is set out in the Long Term Financial Plan for Council Homes which is also being presented to Cabinet on the 6th February 2017.

13. TRAINING

- 13.1 The CIPFA Code requires the lead officer to ensure that Members with Treasury Management responsibilities receive adequate training in Treasury Management. This especially applies to Members responsible for scrutiny. Members will be offered training and arrangements will be made as required.
- 13.2 The Council is a member of the CIPFA treasury management network which provides a forum for the exchange of views of treasury management staff independent of the treasury management consultants. Officers attend the CIPFA network and other providers meetings 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.
- 13.3 The training needs of the Treasury Management team are periodically reviewed.

14. GOVERNANCE

- 14.1 The revised CIPFA Treasury Management Code (2011) requires the Council to outline a scheme of delegation thereby delegating the role of scrutiny of treasury management strategy and policy to a specific named body (Audit, Pensions and Standards Committee). In this way treasury management performance and policy setting will be subject to proper scrutiny. The Code also requires that members are provided adequate skills and training to effectively discharge this function.
- 14.2 The role of the Section 151 officer is delegated to the Strategic Director of Finance (the S151 Officer), pursuant to Section 101 of the Local Government Act 1972 and by the Executive under Section 15 of the Local Government Act 2000.
- 14.3 The S151 Officer may authorise officers to exercise on their behalf, functions delegated to them. Any decisions taken under this authority shall remain the responsibility of the S151 Officer and must be taken within the guidelines of the Treasury Management Strategy.

- 14.4 The S151 Officer has full delegated powers from the Council and is responsible for the following activities:
- Investment management arrangements and strategy;
 - Borrowing and debt strategy;
 - Monitoring investment activity and performance;
 - Overseeing administrative activities;
 - Ensuring compliance with relevant laws and regulations;
 - Provision of guidance to officers and members in exercising delegated powers.

Monitoring and Reporting

- 14.5 The Treasury Management activities during the year will be included in the monitoring reports to the Audit, Pensions and Standards Committee.
- 14.6 The Council's Treasury Management Strategy will be approved annually by full Council and there will also be a mid-year report. The aim of these reporting arrangements is to ensure that those with the responsibility for treasury management policies and activities and those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting. The Council will adopt the following reporting arrangements in accordance with the requirements of the revised code:

| Area of Responsibility | Council / Committee / Officer | Frequency |
|--|--|--|
| Treasury Management Strategy | Full Council | Annually, at meeting before the start of the financial year. |
| Scrutiny of Treasury Management Strategy | Audit, Pensions and Standards Committee | Annually |
| Treasury Management Strategy: Mid-year report | 1. Audit, Pensions and Standards Committee 2. Finance and Delivery PAC | Annually, after the first half of the financial year |
| Treasury Management Strategy: Updates / revisions at other times | 1. Audit, Pensions and Standards Committee 2. Finance and Delivery PAC 3. Full Council | As and when required |
| Treasury Out-turn Report | 1. Audit, Pensions and Standards Committee 2. Finance and Delivery PAC 3. Full Council | Annually, after year-end |
| Treasury Management Monitoring Reports | Director for Finance | Monthly |

15. FINANCIAL AND RESOURCE IMPLICATIONS

- 15.1 The comments of the Strategic Finance Director and the the Head of Corporate Accountancy & Capital are contained within this report.
- 15.2 This report is wholly of a financial nature.

16. LEGAL IMPLICATIONS

- 16.1 The statutory requirements are set out in the body of the report.
- 16.2 Implications verified by Rhian Davies, Chief Solicitor, Shared Legal Services, 0207 641 2729.

17. IMPLICATIONS FOR BUSINESS

- 17.1 The report sets out the Council's Treasury Management Strategy for 2017/18. It seeks approval for the Strategic Finance Director to arrange the Treasury management Strategy in 2017/18 as set out in this report.

This represents significant expenditure within the Borough and consequently where supplies are sourced locally changes in borrowing or investment may impact either positively or negatively on local contractors and sub-contractors. Where capital expenditure increases, or is brought forward, this may have a beneficial impact on local businesses; conversely, where expenditure decreases, or is slipped, there may be an adverse impact on local business.

Implications verified by Antonia Hollingsworth, Principal Business Investment Officer, HRD Ext. 1698.

18. COMMENTS OF THE AUDIT, PENSIONS AND STANDARDS COMMITTEE

- 18.1 This paper went to the Audit, Pensions and Standards Committee on the 7th December. The Committee would like to see any papers on the use of Additional Investment Vehicles.

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

| No. | Description of Background Papers | Name/Ext of holder of file/copy | Department/ Location |
|------------|---|--|---|
| 1. | Financial monitoring documents & Capital Programme Monitor & Budget Variations 2016/17 (2nd Quarter) report | Christopher Harris Tel: 0208 753 6440 | Finance Department, 2 nd Floor, HTH Extension |
| 2. | Treasury Management Strategy 2016/17 (Approved by Full Council February 2016) | Halfield Jackman Tel: 0207 641 4354 | Tri-Borough Treasury and Pensions, WCC City Hall |

APPENDIX A

THE TREASURY MANAGEMENT POLICY STATEMENT

The CIPFA recommendations contained in the Code of Practice and Cross-Sectoral Guidance Notes issued as a revised version in 2009 and 2011 for Treasury Management in the Public Services require that each Local Authority has a Treasury Management Policy Statement that is approved by the Full Council.

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.

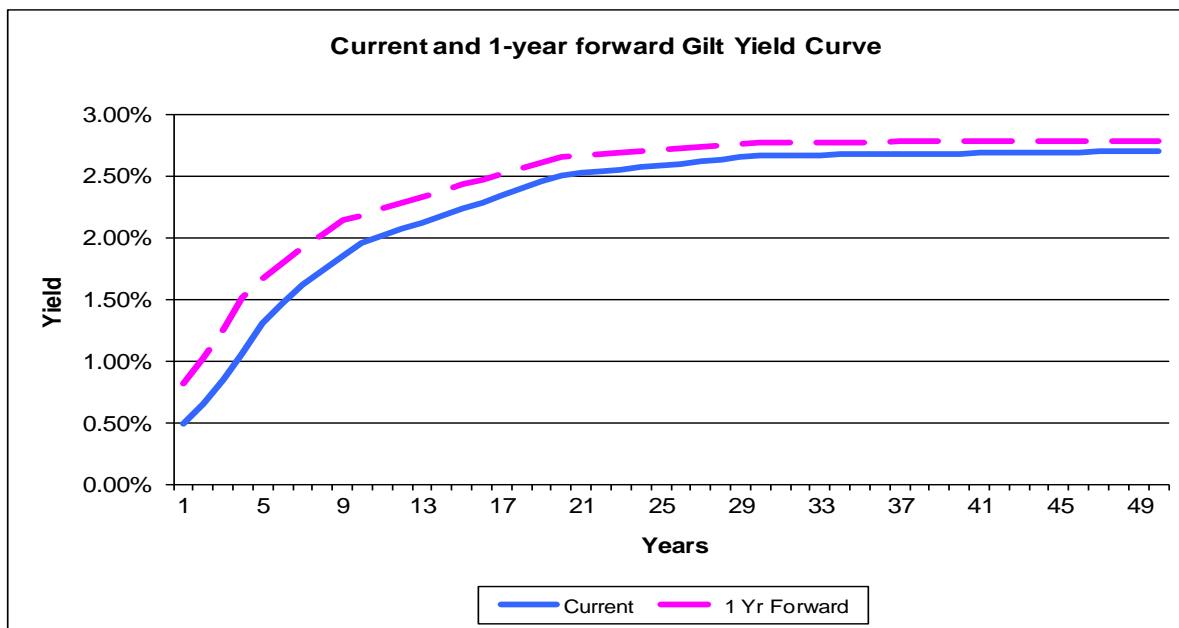
APPENDIX B

Interest Rate Forecast dated 15th November 2016

| | NOW | Dec-16 | Mar-17 | Jun-17 | Sep-17 | Dec-17 | Mar-18 | Jun-18 | Sep-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 |
|-----------------------|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| BANK RATE | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.50 | 0.50 | 0.75 | 0.75 |
| 3 month LIBID | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.40 | 0.50 | 0.60 | 0.70 | 0.80 | 0.90 |
| 6 month LIBID | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 | 0.50 | 0.60 | 0.70 | 0.80 | 0.90 | 1.00 |
| 12 month LIBID | 0.70 | 0.70 | 0.70 | 0.70 | 0.70 | 0.70 | 0.70 | 0.80 | 0.80 | 0.90 | 1.00 | 1.10 | 1.20 | 1.30 | 1.40 |
| 5 yr PWLB | 1.50 | 1.60 | 1.60 | 1.60 | 1.60 | 1.60 | 1.70 | 1.70 | 1.70 | 1.80 | 1.80 | 1.90 | 1.90 | 2.00 | 2.00 |
| 10 yr PWLB | 2.30 | 2.30 | 2.30 | 2.30 | 2.30 | 2.30 | 2.30 | 2.40 | 2.40 | 2.40 | 2.50 | 2.50 | 2.60 | 2.60 | 2.70 |
| 25 yr PWLB | 3.00 | 2.90 | 2.90 | 2.90 | 2.90 | 3.00 | 3.00 | 3.00 | 3.10 | 3.10 | 3.20 | 3.20 | 3.30 | 3.30 | 3.40 |
| 50 yr PWLB | 2.70 | 2.70 | 2.70 | 2.70 | 2.70 | 2.80 | 2.80 | 2.80 | 2.90 | 2.90 | 3.00 | 3.00 | 3.10 | 3.10 | 3.20 |

Source: Capita Treasury Advisory Service

The graph below shows the current UK Gilt curve, together with the one-year forward Gilt curve (i.e. current market expectations for the Gilt rates in twelve months' time). The current expectation is that Gilt rates will be slightly higher across all periods in a year's time, compared with today. This has been the case for the last three years.



Source Bloomberg

APPENDIX C

Economic Background

Source: Capita Treasury Advisory Service

UK. GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were strong but 2015 was disappointing at 1.8%, though it remained one of the leading rates among the G7 countries. Growth improved in quarter 4 of 2015 from +0.4% to 0.7% but fell back to +0.4% (2.0% y/y) in quarter 1 of 2016 before bouncing back again to +0.7% (2.1% y/y) in quarter 2. During most of 2015, the economy had faced headwinds for exporters from the appreciation during the year of sterling against the Euro, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme.

The referendum vote for Brexit in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which were interpreted as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post positive growth numbers through the second half of 2016 and in 2017, albeit at a slower pace than in the first half of 2016.

The Monetary Policy Committee (MPC) meeting on 4th August was dominated by consideration of the initial shock fall in business surveys and the expected sharp slowdown in growth. The result was a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing for banks to use to lend to businesses and individuals. The Bank of England quarterly Inflation Report included an unchanged forecast for growth for 2016 of 2.0% but cut the forecast for 2017 from 2.3% to just 0.8% and the forecast for 2018 to 1.8%. However, some forecasters think that the Bank has been too pessimistic with its forecasts; since then, later statistics and the sharp recovery in business surveys have provided support for this view. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting to boost economic growth and suggested that the Government will need to help growth by increasing investment expenditure and possibly by using fiscal policy tools (taxation). The new Chancellor, Phillip Hammond, announced, after the referendum result, that the target of achieving a budget surplus in 2020 will be eased in the Autumn Statement on 23rd November.

The Inflation Report also included a sharp rise in the forecast for inflation to around 2.4% in 2018 and 2019. CPI had already started rising during 2016 as the falls in the price of oil and food twelve months ago fall out of the calculation during the year and, in addition, the post referendum 18% fall in the value of sterling on a trade weighted basis, (as at late October), is likely to result in additional upward pressure on CPI. However, this further increase in inflationary pressures will take 2-3 years to gradually work its way through the economy so is unlikely to cause major concern to the MPC unless the increases are stronger than anticipated. The MPC is, therefore, on balance, expected to look thorough this one off upward blip in inflation from the devaluation of sterling in order to support economic growth, especially if pay increases continue to remain subdued and therefore pose little danger of stoking core inflationary price pressures arising from within the UK economy. The Bank of England will most probably have to revise its inflation forecasts significantly higher in its 3rd November quarterly Inflation Report: this rise in inflation expectations has caused investors in gilts to demand a sharp rise in longer term gilt yields, which have already risen by around fifty basis points since mid-August. It should be noted that 27% of gilts are held by overseas investors who will have seen the value of their gilt investments fall by

18% as a result of the devaluation of sterling, (if their investments had not been currency hedged). In addition, the price of gilts has fallen further due to a reversal of the blip up in gilt prices in early August after further quantitative easing was announced - which initially drove yields down, (i.e. prices up). Another factor that is likely to dampen gilt investor sentiment will be a likely increase in the supply of gilts if the Chancellor slows down the pace of austerity and the pace of reduction in the budget deficit in the Autumn Statement - as he has already promised. However, if there was a more serious escalation of upward pressure on gilt yields, this could prompt the MPC to respond by embarking on even more quantitative easing, (purchases of gilts), to drive gilt yields back down.

USA. The American economy had a patchy 2015 with sharp swings in the quarterly growth rate leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 disappointed at +0.8% on an annualised basis while quarter 2 improved, but only to a lacklustre +1.4%. However, forward indicators are pointing towards a pickup in growth in the rest of 2016. The Fed. embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene and then the Brexit vote, have caused a delay in the timing of the second increase which is now strongly expected in December 2016. Overall, despite some data setbacks, the US is still probably the best positioned of the major world economies to make solid progress towards a balanced combination of strong growth, full employment and rising inflation: this is going to require the central bank to take action to raise rates so as to make progress towards normalisation of monetary policy, albeit at lower central rates than prevailed before the 2008 crisis.

EZ. In the Eurozone, the ECB commenced, in March 2015, its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from around zero towards the target of 2%. GDP growth rose by 0.6% in quarter 1 2016, (1.7% y/y), but slowed to +0.3%, (+1.6% y/y), in quarter 2. Forward indications are that economic growth in the EU is likely to continue at moderate levels with Germany continuing to outperform other major European economies. This has added to comments from many forecasters that central banks around the world are running out of ammunition to stimulate economic growth and to boost inflation. They stress that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand and economic growth in their economies.

There are also significant political risks within the EZ in as much as Spain has held two general elections since December 2015 and still been unable to form a functioning government holding a majority of seats, while the Netherlands, France and Germany face general elections in 2017. A further cause of major political tension and political conflict, is one of the four core principals of the EU – the free movement of people within the EU, (note – not in just the Eurozone common currency area). In addition, Greece has been a cause of major concern in terms of its slowness in delivering on implementing fundamental reforms required by the EU to reduce its budget deficit in exchange for the allocation of further bailout money.

Another area of major concern is that many Italian banks are exposed to substantial amounts of underperforming loans and are undercapitalised. Some German banks are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also 'too big, and too important to their national economies, to be allowed to fail'.

Asia. Economic growth in China has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major over supply of housing and surplus industrial capacity, which both need to be eliminated. This needs to be combined with a rebalancing of the economy from investment expenditure to consumer spending. However, the central bank has a track record of supporting growth through various monetary policy measures which further stimulate the growth of credit risks and so increase the existing major imbalances within the economy.

Economic growth in Japan is still anaemic, and skirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The government is also making little progress on fundamental reforms of the economy.

Emerging countries. There are also concerns around the vulnerability of some emerging countries which are particularly exposed to the downturn in demand for commodities from China or to competition from the increase in supply of American shale oil and gas reaching world markets. Financial markets could also be vulnerable to risks from major sovereign wealth funds of those countries that are highly exposed to the falls in commodity prices from the levels prevailing before 2015, especially oil, and which, therefore, may have to liquidate substantial amounts of investments in order to cover national budget deficits over the next few years if the price of oil does not return to pre-2015 levels.

CAPITA ASSET SERVICES' FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. An eventual world economic recovery may also see investors switching from the safe haven of bonds to equities.

We have pointed out consistently that the Fed. Rate is likely to go up more quickly and more strongly than Bank Rate in the UK. While there is normally a high degree of correlation between treasury and gilt yields, we would expect to see a growing decoupling between the two i.e. we would expect US yields to go up faster than UK yields. We will need to monitor this area closely and the resulting effect on PWLB rates.

The overall balance of risks to economic recovery in the UK remains to the downside, particularly with the current uncertainty over the final terms, and impact, of Brexit.

We would, as always, remind clients of the view that we have expressed in our previous interest rate revision newflashes of just how unpredictable PWLB rates and bond yields are at present. We are experiencing exceptional levels of volatility which are highly correlated to geo-political and sovereign debt crisis developments. Our revised forecasts are based on the Certainty Rate (minus 20 bps) which has been accessible to most authorities since 1st November 2012.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Europe, the Middle East and Asia, which could lead to increasing safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.
- A resurgence of the Eurozone sovereign debt crisis.
- Weak capitalisation of some European banks.
- Monetary policy action failing to stimulate sustainable growth and combat the threat of deflation in western economies, especially the Eurozone and Japan.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

APPENDIX D

A Credit Default Swap (CDS) is a contract between two counterparties in which the buyer of the contract makes quarterly payments to the seller of the contract in exchange for a payoff if there is a credit event of the reference entity. The reference entity is the third party on whom the contract is based. A credit event depends on the Doc Clause (terms and conditions) of the CDS agreement but this usually includes events such as default on coupon payments, restructuring of debt, bankruptcy etc.

The contract essentially gives protection, or “insurance”, to the buyer of the CDS in the case of a credit event of the reference entity. As the CDS market is currently unregulated, it cannot technically be seen as insurance as the seller of the contract does not have to set aside any reserves for any possible future credit event.

As with all swap contracts, a CDS has 2 legs: a fee leg and a contingent leg. The fee leg of the CDS is the leg in which the buyer of the protection pays quarterly payments to the seller. The contingent leg of the CDS is the leg in which the seller of the CDS pays the buyer if a credit event occurs.

The fee leg payments are based on the spread currently traded in the market. The spread of a CDS indicates the market perception of the likelihood of a credit event occurring.

The higher the spread, the higher the cost of protecting against a credit event, the more likely the market considers a credit event will occur. The spread can be likened to an insurance premium paid on.

APPENDIX E

UK T-Bills: UK Government Treasury Bills (T-Bills) are short term promissory notes issued by the UK Government at a discount to par, for tenors of up to one year. T-Bills provide a greater yield than cash deposits with the DMO and can be bought at the primary sale (by market makers), or in the secondary market.

UK Gilts: UK Government Gilts provide a greater yield than cash deposits with the DMO. At present, there are a limited number of gilts that will mature in the next two years, and as the shorter dated gilts were issued in a higher interest rate environment than at present, the coupons on these gilts are higher than current interest rates.

UK Government repurchase agreements (Repos): UK Government repurchase agreements are the purchase of UK Government securities with an agreement to resell them back at a higher price at a specific future date. By their nature, repos are short term secured investments in UK Government bonds which provide a greater return than cash deposits with the DMO. Ownership of the UK Government bond is temporarily transferred to the Council, thereby providing security over the funds invested.

Commercial Paper (CP) is similar to a very short term bond issue (up to one year), issued to investors on a discounted basis, and with the interest rate based on prevailing rates at the time of pricing.

Supra-national institutions are those that sovereign backed or supported institutions that span more than one country, such as the European Investment Bank, the European Bank of Reconstruction and Development, the World Bank, etc.

Network Rail: All Network Rail infrastructure debt is directly and explicitly backed by a financial indemnity from the Secretary of State for Transport acting for and on behalf of the government of the United Kingdom of Great Britain. The financial indemnity is a direct UK sovereign obligation of the crown and cannot be cancelled for any reason (prior to its termination date in October 2052). Propose to change TMS limit to unlimited and set the maximum maturity to Oct 2052.

APPENDIX F

CREDIT RATINGS

| Long term ratings | Fitch | Moody's | S&P |
|---|--------------|----------------|----------------|
| <i>Investment Grade</i> Focuses on liquidity and ability to meet payment obligations on time | AAA | Aaa | AAA |
| | AA+ | Aa1 | AA+ |
| | AA | Aa2 | AA |
| | AA- | Aa3 | AA- |
| | A+ | A1 | A+ |
| | A | A2 | A |
| | A- | A3 | A- |
| | BBB+ | Baa1 | BBB+ |
| | BBB | Baa2 | BBB |
| | BBB- | Baa3 | BBB- |
| <i>Non-investment grade (junk)</i> Focus on recovery percentage in the event of partial or total default | BB+ | Ba1 | BB+ |
| | BB | Ba2 | BB |
| | BB- | Ba3 | BB- |
| | B+ | B1 | B+ |
| | B | B2 | B |
| | B- | B3 | B- |
| | CCC | Caa | CCC |
| | CC | Ca | CC |
| | C | C | C |
| | D | | D |

| Short term ratings | Fitch | Moody's | S&P |
|---------------------------|--------------|----------------|----------------|
| Investment Grade | F1+ | Prime-1 | A-1+ |
| | F1 | Prime-2 | A-1 |
| | F2 | Prime-3 | A-2 |
| | F3 | | A-3 |
| Non-investment grade | B | Not Prime | B |
| | C | | C |
| | D | | D |

APPENDIX G:

Approved countries for investments

November 2016

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- Hong Kong
- Netherlands
- UK
- USA

Agenda Item 9

| | |
|--|---|
| <p>London Borough of Hammersmith & Fulham</p> <p>CABINET</p> <p>6 FEBRUARY 2017</p> |  <p>h&f hammersmith & fulham</p> |
| NOS.28 – 36 GLENTHORNE ROAD – SECTION 278 HIGHWAYS WORKS | |
| Report of the Cabinet for Member for Environment, Transport and Residents Services - Councillor Wesley Harcourt | |
| Open Report | |
| Classification - For Decision Key Decision: YES | |
| Wards Affected: Hammersmith Broadway | |
| Accountable Director: Mahmood Siddiqi – Director for Transport and Highways | |
| Report Author: Stephen Daway - Project Engineer | Contact Details: Tel: 020 8753 2954 E-mail: stephen.daway@lbhf.gov.uk |

1. EXECUTIVE SUMMARY

- 1.1 This report seeks cabinet approval to implement the section 278 highway works at Nos.28-36 Glenthorne Road and the cost of the works.
- 1.2 In June 2010 planning permission was granted for the new development at 28-36 Glenthorne Road. The permission allows for the demolition of the existing building (hotel) and replacing with a four storey building plus mansard roof and basement storey for use as an 85 bedroom hotel (reference 2010/01526/FUL). The Heads of Terms set out in S106/S278 agreement included highway improvements on three sides of the development on Glenthorne Road, Southerton Road and Overstone Road.

2. RECOMMENDATIONS

- 2.1. To approve the implementation of the proposed section 278 highway works and cost of the works for Nos.28-36 Glenthorne Road.

3. REASONS FOR DECISION

- 3.1. The value of the Section 278 highway works has been estimated at £109,000. As this is over £100k a cabinet decision is required.

4. PROPOSAL AND ISSUES

- 4.1. The highway works consists of the following improvements as shown in the plan in Appendix A:
- Repaving works to:
 - The pedestrianised area to the west of the development in Southerton Road at the junction with Glenthorne Road, including removal of a redundant crossover
 - The northern footway of Glenthorne Road from Southerton Road to Overstone Road.
 - The western footway of Overstone Road outside the development
 - The eastern footway of Overstone Road opposite the development
 - Upgrading the raised entry treatment at the junction of Glenthorne Road and Overstone Road
 - Laying anti-skid treatment on the approach to the zebra crossing on Glenthorne Road
 - Modification of the pedestrian crossing point at the existing zebra crossing
 - Installing two new lamp columns to improve the lighting within the pedestrianised section of Southerton Road
 - Installing six new tree pit treatments

5. CONSULTATION

- 5.1. A consultation has been conducted as part of the planning application process and permission has been granted for development. Any amendments to Traffic Orders will follow the procedural requirements set out in The Local Authorities Traffic Orders (Procedure) (England and Wales) Regulations 1996.

6. EQUALITY IMPLICATIONS

- 6.1. The Council has had regard to its public sector equality duty contained in Section 149 of the Equality Act 2010. Hammersmith and Fulham Action on Disability (AOD) will be consulted on the proposed highway works.

7. LEGAL IMPLICATIONS

- 7.1. The Council has already entered into a combined Section 106 (Town and Country Planning Act 1990/Section 278 (Highways Act 1980) agreement.
- 7.2. *Implications verified/completed by: Lindsey Le Masurier, Senior Solicitor, 020 7361 2118.*

8. FINANCIAL IMPLICATIONS

- 8.1. The Council has received the sum of £109,000 from the developer Calabaza Developments which will be used to fund the works. There are therefore no financial implications.
- 8.2. Implications verified/completed by: Gary Hanaway, Head of Finance, 0208 753 6071.

9. IMPLICATIONS FOR BUSINESS

- 9.1 The new development is located within a residential area. The section 278 highway improvements will be co-ordinate with the outgoing development works at 28-36 Glenthorne Road and be undertaken with minimal impact on local businesses.

10. OTHER IMPLICATION PARAGRAPHS

- 10.1. The Council's works will improve safety for all road users, particularly for pedestrians and cyclists. Users will benefit with the improvements to the pedestrianised section of Southerton Road at the junction with Glenthorne Road, and the modification of the raised junction in Overstone Road.
- 10.2 The streetscape will be improved with replacement of the paving of the public footway, resurfacing of the carriageway in Glenthorne Road and the removal of redundant street clutter around the site.
- 10.3 The construction works are likely to commence in January 2017, and will cause some disruption in the proximity to the site. The Council will endeavour to minimise the overall impact to local businesses, schools and residents.

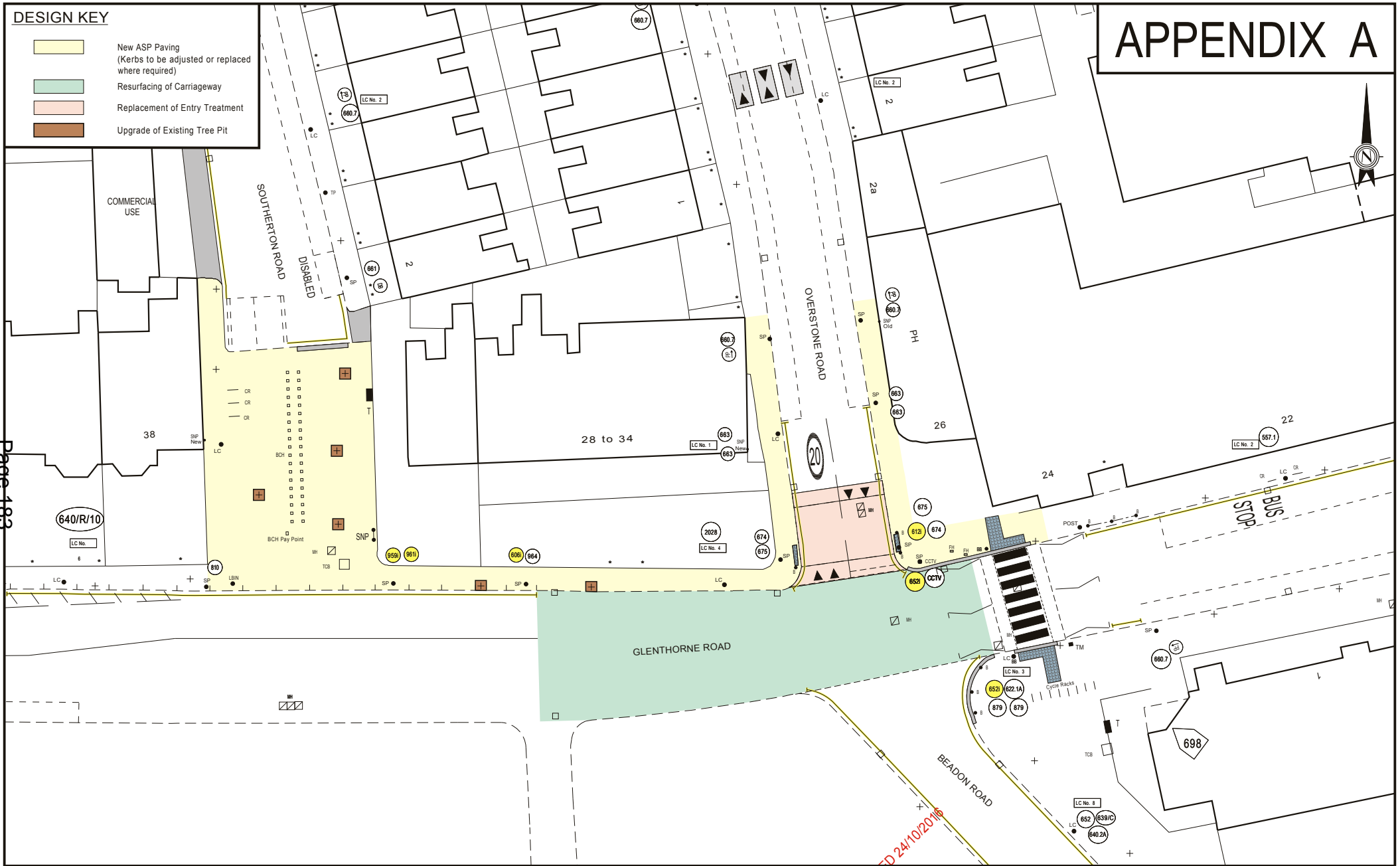
11. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

| No. | Description of Background Papers | Name/Ext of holder of file/copy | Department/ Location |
|------------|--|--|-----------------------------|
| | Nos. 28-36 Glenthorne Road – Section 278 Agreement | Stephen Daway ext. 2954 | Transport and Highways |

DESIGN KEY

- New ASP Paving
(Kerbs to be adjusted or replaced where required)
- Resurfacing of Carriageway
- Replacement of Entry Treatment
- Upgrade of Existing Tree Pit

APPENDIX A



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HAMMERSMITH AND FULHAM COUNCIL
 Transport & Highways
 Town Hall Extension, King Street
 London W6 9JU
 Tel. 020 8748 3020

| | | |
|------------------------------|----------------------------------|------------------------|
| Drawn BPD | Checked - | Approved - |
| Scale NTS | Original Sheet Size A4 | |
| DWG No. 80503/48/3 | Revision - | Date Oct.'16 |


NOTES Date Rev Init

GLENTHORNE ROAD J/W OVERSTONE ROAD, LONDON W6

278 WORKS
PROPOSED DESIGN

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Agenda Item 10

| | |
|---|---|
| London Borough of Hammersmith & Fulham Cabinet 6 February 2017 |  hammersmith & fulham |
| ARTICLE 4 DIRECTIONS TO REMOVE PERMITTED DEVELOPMENT RIGHTS FOR OFFICE TO RESIDENTIAL CONVERSIONS, PUBLIC HOUSE CONVERSIONS AND ALTERATIONS AND BASEMENT EXCAVATIONS | |
| Report of the Cabinet Member for Environment, Transport & Residents Services - Councillor Wesley Harcourt | |
| Open Report | |
| Classification - For Decision Key Decision: Yes | |
| Wards Affected: All | |
| Accountable Director: Juliemma McLoughlin, Director of Planning and Development | |
| Report Author: David Gawthorpe, Deputy Team leader, Development Plans Team | Contact Details: Tel: 0208 753 3384 E-mail: david.gawthorpe@lbhf.gov.uk |

1. EXECUTIVE SUMMARY

1.1. This report seeks approval to progress with three 'non immediate' Article 4 Directions to be applied across the borough (excluding the Old and Park Royal Development Corporation Area) and on specific premises:

- Office and Light industry to residential uses,
- Basement excavation, and
- Public Houses to other permitted uses.

1.2. The Town and County Planning (General Permitted Development) (England) Order 2015 ('GPDO') sets out permitted development rights ('PD rights'). These are a national grant of planning permission allowing certain building works and changes of use to be carried out without having to make a planning application. PD rights are subject to conditions and limitations to control impact and to protect local amenity. Further guidance was also consolidated into the National Planning Practice Guidance.

1.3. Under certain PD rights, developers are only required to give 'prior approval' notification for the Local Planning Authority to consider transport and highways impacts,

contamination and flooding risks. The statutory requirements relating to prior approval are much less prescriptive than those relating to planning applications.

1.4. Local authorities can take away PD rights for certain types of development by making Article 4 Directions. The Article 4 Direction brings back the requirement for the local authority to grant planning permission for building works and changes of use. An Article 4 direction can be introduced where they are considered necessary to protect the character of an area, local amenity or the wellbeing of the area with justification from the local authority. In effect the Article 4 Direction enables the Local Planning Authority to manage development through the planning process. This report includes the evidence base and justification for each Article 4 Direction separately. The process for implementing the Article 4 Directions will be explained later in the report.

2. RECOMMENDATIONS

2.1 Approval be given to make three non-immediate Article 4 directions which will withdraw Permitted Development rights and mean that planning permission will be required for each of the three categories below. If approved, the three Article 4 Directions will come into force after 12 months of consulting.

1. Office (B1) (a) and Light Industrial (B1 (C) to Residential (C3)
2. Basement Excavation
3. Public Houses (A4) to Shop (A1), Financial and Professional Services (A2), and Food and Drink Premises (A3) and for alterations and demolition

3. REASONS FOR DECISION:

3.1. Central government in recent years has strengthened and continued to expand PD rights. Since the introduction of PD rights, the council has seen an increased loss in employment land supply across the borough in particular the loss of office and industrial land to residential use. It has also seen an increased loss of traditional Public Houses in the borough to other uses such as shops and cafes. A further concern is the impact of permitted basement excavation which can have significant impacts on residential amenity.

3.2. The purpose of PD rights is to speed up the Development Management process and therefore the delivery of development. As a result, prior approval applications are not assessed against the policies in the Development Management Framework and may not fully comply with the borough's standards. Therefore, by removing PD rights through an Article 4 Direction, applications can be assessed against Planning policies to ensure compliance.

The implementation of the Article 4 Directions alongside the emerging Local Plan should provide a strong basis to protect and promote employment land across the borough, to manage basement excavations and to protect traditional public houses.

4 PROPOSALS AND ISSUES

OFFICE (B1) AND LIGHT INDUSTRIAL (B1 (C) TO RESIDENTIAL (C3)

4.1 The Council is keen to support employment land available to businesses in the borough and to prevent any further loss of employment space through PD rights. In 2016, the council commissioned Frost Meadowcroft to undertake an employment and employment land uses study in the borough. The findings from the study have been used to inform the evidence base in this report.

4.2 Employment land in Hammersmith and Fulham is predominantly taken up by business (B1), general industry (B2), and storage or distribution centres (B8). In 2014, B1, B2 and B8 uses accounted for 36.9% of all businesses in the borough and 33.5% of all employment. Offices make up the largest proportion of B use employment land with a total of 26.2%. Across the borough, there is a range of office buildings such as large purpose built offices to small mews style office buildings. As residential values in the borough are high, change of use applications from B1 to C3 residential is highly attractive.

4.3 The impact PD Rights have had in the borough can be seen through the loss of employment space through Prior Approval applications. Since May 2013, an estimated 73,076 sq m of office development has been granted for conversion to C3 private residential through prior approval. From these prior approval applications, over 50% of the prior approval applications are for buildings less than 100 sq m. This highlights that smaller office buildings are likely to be easier to convert to residential and provide the most amount of opportunities for developers. There has been one prior approval application for an office building greater than 1,000sq m between 2013 and 2016. Whilst there are fewer applications for large office floor space, this loss accounted for 48% of the supply of space with prior approval.

4.4 Further loss of employment land will have wider detrimental impacts upon the borough. From a lack of supply, rental values have been increasing, some of the highest in London. The lack of supply results in high demand which in effect pushes up the price of rent. This is taking place in H&F; according to the Employment Land study in 2005, the average rent on the market was £24.82 per sq foot. In 2014, rents ranged from £46 to £50 per sq foot which had not been achieved before. In 2015, rents increased to £50 per sq ft in Hammersmith town centre and at the Shepherds Building in Rockley Road, Shepherds Bush. From a recent GLA study, rents for Grade A office space in H&F is the second highest in London after the West End.

4.5 The good transport connections to inner and outer London, good local amenity, proximity to clusters of business activity across the submarkets makes it an attractive place to do business. There is evidence to suggest there is a lot of economic activity taking place across the borough, however any further loss of employment land could threaten the borough's position. Neighbouring authorities such as Wandsworth have much higher rates of availability.

4.6 Hammersmith and Fulham Council have prepared a revised Planning Policy to help protect against the loss of employment premises in the borough. The emerging policy contained in the Proposed Submission Local plan 2016 seeks to resist the loss of employment floorspace unless strict criteria are met. This means that the council have

the ability to permit change of use of employment land and premises to residential but subject to a number of criteria being met.

4.7 Making the Article 4 direction alongside the emerging Local Plan will provide the council with a much stronger protective position to ensure that office and light industrial premises can only change use following careful consideration through the planning process.

BASEMENT EXCAVATION

4.8 The construction of basements, and the subsequent effect that large scale excavations inevitably have on immediate neighbours and the wider local community, has been a cause of great concern to our residents. Basements within certain limits can be built (in the curtilage of the houses) without the need for planning permission. Basement construction can cause nuisance and disturbance for neighbours and others in the vicinity, through construction traffic, parking suspensions and the noise, dust and vibration of construction itself.

4.9 The council regularly receive complaints and objections in association with planning applications for works at basement level (both new and extensions), relating to:

- disruption and noise involved during construction, especially in residential areas;
- effects on neighbouring properties in regards to dust and dirt during construction;
- damage to the foundations of adjoining basements and other homes;
- traffic issues and concerns with contractor's vehicles blocking the road and their driveway for long periods of time; and
- concerns with over-development of the site and adversely affect the amenity of the immediate neighbours.

4.10 Hammersmith and Fulham Council have prepared a revised Planning Policy to help protect against basement extensions to single dwelling houses in the borough. The emerging policy contained in the Proposed Submission Local plan 2016 seeks to resist basement construction and extensions unless strict criteria are met. This means that the council have the ability to permit basements but subject to a number of criteria being met, that will safeguard the quality of life. As part of the criteria, the applicant must demonstrate that any impacts of basement development are kept to acceptable levels under the relevant acts and guidance, taking the cumulative impacts of other development proposals into account.

4.11 Given the issues relating to basement development, it is important that the Council brings all basement development within planning control. Implementing an Article 4 Direction is the only way in which all basement development would require planning permission, allowing the mitigation measures set out in Policy to be applied consistently across all types of basements. It is considered that bringing all basements under planning control and applying planning policies which mitigate their harmful impacts will be beneficial to the Borough's environment.

PUBLIC HOUSES (A4) TO SHOP (A1) FINANCIAL AND PROFESSIONAL SERVICES (A2) AND FOOD AND DRINK PREMISES (A3):

4.12 Over recent years the borough, like the rest of London, has seen a number of pubs change to other uses, including retail and residential. According to research conducted by the British Beer and Pub Association, across Britain, there were 17,000 fewer pubs in 2011 than in 1982. Pubs continue to close in high numbers each year. In March 2014 CAMRA reported that there are 28 net pub closures every week in the UK (1,300 a year).

4.13 Public houses are important in providing a local amenity that can enhance a sense of community and help encourage social interaction and maintain sustainable neighbourhoods.

4.14 However, the decline in the number of pubs can be linked to a range of public policy and behavioral factors, including:

- Levels of duty on beer, and in particular the Beer Duty Escalator introduced in 2008 and removed in 2012.
- The ban on smoking in public places initiated by the Health Act 2006.
- Supermarket pricing strategies, with off-sales cheaper for customers than on-sales.
- The policies of pub companies towards tenant landlords.
- Changing social habits, with a greater range of alternatives available to younger drinkers and an emphasis on weekend drinking.
- The per capita consumption of alcohol is decreasing, most notably beer consumption
- The state of the wider economy, particularly in the period after the financial crisis.

4.15 Whilst the Council welcomes both the ban on smoking in public places as an effective method of improving the public's health and recognises the importance of not promoting the drinking of alcohol to young people it also acknowledges the important role public houses play in the fabric of local communities.

4.16 Hammersmith and Fulham Council have prepared a revised Planning Policy to help protect against the loss of Public Houses in the borough. The emerging policy contained in the Proposed Submission Local plan 2016 seeks to resist the redevelopment of pubs unless strict criteria are met. This means that the council have the ability to refuse planning permission for the loss of public houses where appropriate and necessary, in particular where residential use is proposed. However, whilst there is good policy provision for the protection of pubs changing to residential use, the demolition of a pub or conversion to a shop or restaurant could still take place, as this does not need planning permission.

4.17 The Town and Country Planning (Use Classes) Order 1987 (as amended 2015) puts uses of land and buildings into various categories known as 'Use Classes'. Under the GPDO, pubs (Use Class A4) have a permitted change to classes A1 (shops), A2 (financial and professional services) and A3 (food and drink premises) without the need for planning consent. These changes mean that a pub could be turned to a supermarket without the approval of the local planning authority.

4.18 A report on this issue of pub closures was submitted to the Council's Transport, Environment and Residents Services Select Committee in February 2014. The report identified a number of traditional pubs in the borough, compiled by the licensing team, that would benefit from further protection. The list of pubs identified is attached at appendix 1, and is broken down by ward and areas (between the north, south and the middle of the borough). It is these premises that an Article 4 Direction could be applied to help the council carefully consider changes of use, demolition and external alteration through the planning application process.

5 OPTIONS AND ANALYSIS OF OPTIONS

5.1 Should the Council decide to make these Article 4 Directions there are two options available: an 'immediate direction' or a 'non-immediate' direction.

5.2 The advantages of an immediate direction is that it takes effect from the date set out by the Council with consultation and confirmation happening within six months of the article 4 direction being made. The disadvantages of an immediate direction is that the Council are liable to pay compensation to anyone whose permitted development rights have been removed should they wish to implement the removed right within 12 months of the direction being made. This is not recommended as compensation sums have the potential to be significant depending on the extent of the Article 4 and the number of premises that would be covered by it.

5.3 A non-immediate option requires consultation with all affected parties before the article 4 direction takes effect. This allows for a 12 month notification period to be provided to those affected by the direction. This has the advantage of avoiding the need to pay compensation, but there is the risk that the act of notification could cause land owners to apply the change of use from office to residential, pub to a shop or carry out a basement extension within that 12 month period so we could see a surge in applications of this nature before the full force of the Article 4 Directions come into effect. Once in force any landowner wishing to apply for one of the changes of use or extend their basement will have to apply for planning permission through the normal channels.

5.4 As set out in the National Planning Practice Guidance, the council have the option of placing an Article 4 on the whole borough, a specific area or on a specific premises. From analysing the evidence, a borough wide Article 4 is considered prudent for changes of use from offices and light Industrial premises to residential. It is advisable to implement a borough wide Article 4 because the submarkets are widely spread across the borough and each vary in size, type of activities taking place and the networks surrounding them. This is also the case for basement development which is considered to be a borough-wide issue and one that cannot be confined to a particular part of the borough. In the case of public houses it is envisaged that an Article 4 Direction would be best targeted at the traditional public houses in the borough rather than all pubs, bars and drinking establishments. Appendix 1 identifies those traditional Public Houses that an Article 4 Direction could apply to.

6 CONSULTATION

6.1 The Council will need to consult widely on the Article 4 Directions and adhere to the procedural requirements set out in Schedule 3 of the GPDO following final agreement at Cabinet.

7 EQUALITY IMPLICATIONS

7.1 The Council has had due regard to its Public Sector Equality Duty contained in Section 149 of the Equality Act 2010.

8 LEGAL IMPLICATIONS

8.1 The GPDO allows local planning authorities to make Article 4 directions according to the procedures set out in Schedule 3. Following consultation, a further Key Decision will be brought to you to consider whether or not to confirm the Article 4 Directions.

8.2 Section 108 of the Town and Country Planning Act 1990 concerns compensation becoming payable where an application for planning permission (for development that was formerly PD) is refused or granted subject to conditions different from the GPDO. Depending upon whether or not the proposed development is 'prescribed development' will depend upon whether or not compensation is payable. In relation to the Basement Article 4 Direction and the Office/Light Industrial to Residential Article 4 Direction, these are both 'prescribed development' which means that is 12 months' notice is given of the Article 4 Direction then no compensation will be payable. As the Pub to retail/financial or professional services/restaurant Article 4 Direction is not 'prescribed development', compensation is payable within 12 months of the Article 4 Direction taking effect. The risk of compensation is considered to be low but this area is untested.

8.3 The Secretary of State has the power to cancel or modify an Article 4 direction at any time before or after it is confirmed.

Implications verified/completed by: Lindsey Le Masurier, Shared Legal Services (14/12/2016)

9 FINANCIAL IMPLICATIONS

9.1 Officer and legal costs associated with the making and consultation of the Article 4 Direction is not considered to be significant and will fall to the budget of the Planning Division.

9.2 Applications for planning permission which would have previously been permitted, prior to an Article 4 Direction removing PD rights, are entitled to apply for planning permission without paying the usual planning application fees. The Article 4 Direction is therefore likely to lead to an increase in the number of planning applications for which planning application fees will not be applicable. Whilst this is unlikely to be a significant sum of money, it would still be a loss of potential revenue for the council.

9.3 As set out in para 8.2, in making a non immediate Article 4 direction for a public house, the Council may be liable to pay compensation if (i) an application which was only required by the Article 4 direction is subsequently refused or (ii) grant planning permission subject to conditions more limiting than the General Permitted Development Order would normally allow. The compensation payable will be for the, "damage directly attributable to the withdrawal of permitted development rights". The differential in value between say a shop and a pub is dependent on many things including location. It is

difficult therefore to estimate the difference (or if there is one) because it does not necessarily follow that an alternative A class use is going to represent a higher value use. The implications of this on the resourcing of the Planning Department needs to be taken into account. Previous experience shows that very small numbers of public houses are being converted to shops. If this does happen, each case will be reviewed individually with a view to reduce the risk of compensation. Any such compensation claims will fall to the departmental budget.

Implications verified/completed by: Sally Swaray, TTS Finance, (14/12/2016)

10. IMPLICATIONS FOR BUSINESS

10.1 This report recommends that Permitted Development rights are withdrawn for some commercial premises, specifically and with reference to businesses; Office (B1) (a) and Light Industrial (B1 (C) to Residential (C3), and Public Houses (A4) to Shop (A1), Financial And Professional Services (A2), and Food And Drink Premises (A3). This will allow the Council to resist both; the redevelopment of pubs unless strict criteria are met, and further loss of employment land.

10.2 Overall the impact on businesses in the borough is considered to be positive given the additional protection to employment space and pubs. There is unlikely to be any significant impact on business resulting from the removal of PD rights for basements. Additional planning protection for pubs also supports the Council's emerging economic growth strategy and the work of the business commission. This has highlighted that to attract and retain the key businesses in technology, digital and creative industries the borough needs to have a successful night time offer, with a range of establishments available for workers and residents.

10.3 Owners and occupiers affected by the direction in the area will receive a notice giving them at least 21 days for making representations once the direction is made.

Implications verified/completed by: Antonia Hollingsworth, Economic Development, (14/12/2016)

11. RISK MANAGEMENT

11.1 The making of Article 4 Directions has a set legal and procedural process with the final decision resting with the Secretary of State. It is essential for the council to follow the set processes correctly in order to minimise the risk of the Directions being modified or cancelled. A key part of the process is a set period of consultation with relevant businesses, residents and stakeholders. By consulting widely, the council will be able to reduce the risk of challenge or cancellation of the Directions by the Secretary of State.

11.2 As stated above, there are financial risks associated with making the Article 4 Directions, such as the risk of compensation which relates specifically to non 'prescribed development' eg. Public Houses. Whilst it is anticipated that the risk of compensation will be minimal, this is out of the council's control and cannot be managed.

11.3 There is the risk that the act of notification could cause land owners to apply the change of use from office to residential, pub to a shop or carry out a basement extension within a 12 month period, so we could see a surge in applications of this nature before the full force of the Article 4 Directions come into effect. Whilst the council will not be able to control this risk, it can anticipate and prepare resources for the potential surge of prior approval applications during this period.

Implications verified/completed by: Michael Sloniowski, Risk Management, (05/01/2017)

12. LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

| No. | Description of Background Papers | Name/Ext of holder of file/copy | Department/ Location |
|-----|---|---------------------------------|---------------------------------------|
| 1. | Employment Study in Hammersmith & Fulham by Frost Meadowcroft | David Gawthorpe/3384 | TTSD. Hammersmith Town Hall Extension |


LIST OF APPENDICES:

Appendix 1: List of Traditional Public Houses in the Borough (LBHF Licensing 2014).

Appendix 1- List of Traditional-style Pubs in the Borough compiled by the Licensing Team

| ADDRESS | WARD | NOTES |
|---|--------------------------|--|
| Pavilion Hotel, Wood Lane, London, W12 0HQ | College Park and Old Oak | Potential BoM |
| The Pocket Watch, 434 Uxbridge Road, London, W12 0NS | Wormholt and White City | Historic |
| Queen Adelaide, 412 Uxbridge Road, London, W12 0NR | Wormholt and White City | Listed |
| Shepherd And Flock, 84 Goldhawk Road, London, W12 8HA | Shepherds Bush Green | BoM |
| Defectors Weld, 170 Uxbridge Road, London, W12 8AA | Shepherds Bush Green | Historic |
| White Horse, 31 Uxbridge Road, London, W12 8LH | Shepherds Bush Green | Historic |
| The Springbok, 51 South Africa Road, London, W12 7PA | Shepherds Bush Green | Postwar pub |
| O'Neill's, Sindercombe Social, 2 Goldhawk Road, London, W12 8QD | Shepherds Bush Green | BoM |
| The Green, 172 - 174 Uxbridge Road, London, W12 7JP | Shepherds Bush Green | Historic |
| Crown And Sceptre, 57 Melina Road, London, W12 9HY | Askew | Potential BoM |
| Tommy Flynn's, 269 Uxbridge Road, London, W12 9DS | Askew | Potential BoM |
| Princess Victoria, 217 Uxbridge Road, London, W12 9DH | Askew | BoM |
| The Greyhound, 49 Becklow Road, London, W12 9ER | Askew | Potential BoM |
| The Eagle, 215 Askew Road, London, W12 9AZ | Askew | BoM |
| Coningham Arms, 191 Uxbridge Road, London, W12 9RA | Askew | BoM |
| O'Donaghue's, 174 Goldhawk Road, London, W12 8HJ | Askew | Potential BoM |
| Duke Of Edinburgh, 1 Richmond Way, London, W12 8LW | Addison | Historic |
| The Richmond, 55 Shepherd's Bush Road, London, W6 7LU | Addison | Potential BoM |
| The Havelock, 57 Masbro' Road, London, W14 0LS | Addison | Potential BoM |
| The Underbrook, 58 Milson Road, London, W14 0LB | Addison | Historic |
| Old Parr's Head, 120 Blythe Road, London, W14 0HD | Addison | Historic. PP for change of use 2016/02926/FUL. |
| Bird In Hand, 88 Masbro' Road, London, W14 0LR | Addison | BoM |
| Cumberland Arms, 29 North End Road, London, W14 8SZ | Avonmore and Brook Green | Potential BoM |
| The Albion, 121 Hammersmith Road, London, W14 0QL | A and BG | BoM |
| Hand And Flower, 1 Hammersmith Road, London, W14 8XJ | A and BG | BoM |
| Queens Head, 13 Brook Green, London, W6 7BL | A and BG | BoM |
| The Jameson, 43 Blythe Road, London, W14 0HR | A and BG | Historic |
| Live And Let Live, 37 North End Road, London, W14 8SZ | A and BG | Historic |
| Latymers, 157 Hammersmith Road, London, W6 8BS | A and BG | Postwar pub |
| Orchard Tavern, 136 Askew Road, London, W12 9BP | Ravenscourt Park | BoM |
| The Oak, 243 Goldhawk Road, London, W12 8EU | Ravenscourt Park | BoM |
| The Duchess Of Cambridge, 320 Goldhawk Road, London, W6 0XF | Ravenscourt Park | Historic |
| The Raven, 375 Goldhawk Road, London, W6 0SA | Ravenscourt Park | BoM |
| Anglesea Arms, 35 Wingate Road, London, W6 0UR | Ravenscourt Park | BoM |
| Old Ship, 25 Upper Mall, London, W6 9TD | Ravenscourt Park | BoM |
| The Black Lion, 2 South Black Lion Lane, London, W6 9TJ | Ravenscourt Park | Listed |
| The Carpenters Arms, 89 - 91 Black Lion Lane, London, W6 9BG | Ravenscourt Park | Historic |
| The Egerton, 73 Dalling Road, London, W6 0JD | Ravenscourt Park | Historic |
| Andover Arms, 57 Aldensley Road, London, W6 0DL | Ravenscourt Park | Historic |
| The Cross Keys, 57 Black Lion Lane, London, W6 9BG | Ravenscourt Park | BoM |
| The Ravenscourt Arms, 257 King Street, London, W6 9LU | Ravenscourt Park | Postwar pub |
| Thatched House, 115 Dalling Road, London, W6 0ET | Ravenscourt Park | BoM |
| The Dove, 19 Upper Mall, London, W6 9TA | Ravenscourt Park | Listed |
| The Rutland, 15 Lower Mall, London, W6 9DJ | Hammersmith Broadway | BoM |
| Dartmouth Castle, 26 Glenthorne Road, London, W6 0LS | Hammersmith Broadway | BoM |
| Laurie Arms, 238 Shepherd's Bush Road, London, W6 7NL | Hammersmith Broadway | BoM |
| Blue Anchor, 13 Lower Mall, London, W6 9DJ | Hammersmith Broadway | Potential BoM |
| The Salutation, 154 King Street, London, W6 0QU | Hammersmith Broadway | Listed |
| Distillers Arms, 64 Fulham Palace Road, London, W6 9PH | Hammersmith Broadway | BoM |
| The Old City Arms, 107 Hammersmith Bridge Road, London, W6 9DA | Hammersmith Broadway | BoM |
| The Swan, 46 Hammersmith Broadway, London, W6 0DZ | Hammersmith Broadway | Listed |
| The Chancellors, 25 Crisp Road, London, W6 9RL | Hammersmith Broadway | BoM |
| Duke of Cornwall, 48 Fulham Palace Road, London, W6 9PH | Hammersmith Broadway | Building of Merit |
| The William Morris 2 - 4 King Street, London, W6 0QA | Hammersmith Broadway | Modern pub |
| The Trout, Unit 17-18, Broadway Shopping Centre, Hammersmith Broadway, London, W6 9YD | Hammersmith Broadway | Modern pub |

| | | |
|--|----------------------|--|
| Stonemasons Arms, 54 Cambridge Grove, London, W6 0LA | Hammersmith Broadway | BoM |
| The Hammersmith Ram, 81 King Street, London, W6 9HW | Hammersmith Broadway | BoM |
| Hop Poles, 17 - 19 King Street, London, W6 9HR | Hammersmith Broadway | Listed |
| Southern Bell, 175 - 177 Fulham Palace Road, London, W6 8QT | Fulham Reach | Historic |
| Crabtree Public House, Rainville Road, London, W6 9HJ | Fulham Reach | BoM |
| Pear Tree, 14 Margravine Road, London, W6 8HJ | Fulham Reach | BoM |
| Old Suffolk Punch, 80 Fulham Palace Road, London, W6 9PL | Fulham Reach | Historic |
| The Frog Inn The Bedford, 204 Dawes Road, London, SW6 7RQ | Munster | Historic |
| The Wilton Arms, 203 - 205 Dawes Road, London, SW6 7QY | Munster | Historic |
| The Imperial, 8 Lillie Road, London, SW6 1TU | North End | Historic |
| The Clarence, 148 North End Road, London, W14 9PP | North End | Potential BoM |
| Prince Of Wales, 14 Lillie Road, London, SW6 1TU | North End | Historic |
| The Curtains Up, 28A Comeragh Road, London, W14 9HR | North End | Historic |
| The Colton Arms, 187 Greyhound Road, London, W14 9SD | North End | Potential BoM |
| Three Kings, 171 North End Road, London, W14 9NL | North End | BoM |
| The Old Oak, 180 North End Road, London, W14 9NX | North End | Historic |
| The Elm, 206 North End Road, London, W14 9NX | North End | BoM |
| Eight Bells, 89 Fulham High Street, London, SW6 3JS | Palace Riverside | BoM |
| The Temperance, 90 Fulham High Street, London, SW6 3LF | Palace Riverside | Listed |
| Larrik, 425 New King's Road, London, SW6 4RN | Palace Riverside | BoM |
| The Wellington, 56 Haldane Road, London, SW6 7EU | Fulham Broadway | Historic |
| Cock Tavern, 360 North End Road, London, SW6 1LY | Fulham Broadway | Listed |
| Broadway Bar And Grill, 474 - 478 Fulham Road, London, SW6 1BY | Fulham Broadway | BoM |
| The Lillie Langtry, 19 Lillie Road, London, SW6 1UE | Fulham Broadway | BoM |
| Jolly Maltster, 17 Vanston Place, London, SW6 1AY | Fulham Broadway | BoM |
| The Barrow Boy, 308 - 310 North End Road, London, SW6 1NQ | Fulham Broadway | Potential BoM |
| The Mitre, 81 Dawes Road, London, SW6 7DU | Fulham Broadway | Historic |
| Harwood Arms, Walham Grove, London, SW6 1QP | Fulham Broadway | BoM |
| The Goose And Granite, 248 North End Road, London, SW6 1NL | Fulham Broadway | Potential BoM |
| The Atlas, 16 Seagrave Road, London, SW6 1RX | Fulham Broadway | Historic |
| White Horse, 1 - 3 Parsons Green, London, SW6 4UL | PG and W | BoM |
| Imperial Arms, 577 King's Road, London, SW6 2EH | PG and W | BoM |
| The Pelican, 22 Waterford Road, London, SW6 2DR | PG and W | Historic |
| The Rose, 1 Harwood Terrace, London, SW6 2AF | PG and W | Historic |
| The Jam Tree, 541 King's Road, London, SW6 2EB | PG and W | Historic |
| Greene Room, 477 Fulham Road, London, SW6 1HL | PG and W | Historic |
| Aragon House, 247 - 249 New King's Road, London, SW6 4XG | PG and W | Listed |
| The Southern Cross, 65 New King's Road, London, SW6 4SG | PG and W | Potential BoM |
| Duke On The Green, 235 New King's Road, London, SW6 4XG | PG and W | Listed |
| Queen Elizabeth, 58 Bagley's Lane, London, SW6 2BH | PG and W | BoM |
| Hand And Flower, 617 King's Road, London, SW6 2ES | PG and W | BoM – Closed and current application for change of use to retail |
| The Waterside, Unit 2, Riverside Tower, The Boulevard, London, SW6 | Sands End | Modern pub |
| The Sands End, 135 Stephendale Road, London, SW6 2PR | Sands End | Historic |
| Wandsworth Bridge Tavern, 360 Wandsworth Bridge Road, London, | Sands End | BoM |
| The Durell, 704 Fulham Road, London, SW6 5SB | Town | Potential BoM |
| Golden Lion, 57 Fulham High Street, London, SW6 3JJ | Town | BoM |
| Bootsy Brogans, 1 Fulham Broadway, London, SW6 1AA | Town | BoM |
| Belushi's, 28 Hammersmith Broadway | Hammersmith Broadway | Listed |
| Hope and Anchor, Macbeth Street | Hammersmith Broadway | Listed |
| Former King's Head, 4 Fulham High Street | Palace Riverside | Listed |
| The Blue Boat, Distillery Wharf, Parr's Way | Fulham Reach | Modern pub |
| The Brook Green Hotel, 170 Shepherds Bush Road | Addison | BoM |
| The Beaconsfield, 24 Blythe Road | A and BG | Historic |
| The Wahleeah, 18 Farm Lane | Fulham Broadway | Historic |
| The Slug at Fulham, 490-492 Fulham Road | Fulham Broadway | BoM |
| Hampshire Hog, 225-227 King Street | Ravenscourt Park | BoM |
| The Rylston, 197 Lillie Road | Fulham Broadway | Postwar pub |
| The Grove, 83 Hammersmith Grove | Hammersmith Broadway | BoM |
| Octoberfest Pub, 678-680 Fulham Road | Town | Historic |
| Kona Kai, 515 Fulham Road | Parsons Green and W | Historic |
| Belushi's, 13-15 Shepherds Bush Green | Addison | Postwar pub |
| Amuse Bouche, 51 Parsons Green Lane | Parsons Green and W | Historic |

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| <p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">CABINET</p> <p style="text-align: center;">6 FEBRUARY 2017</p> |  |
| <p>RE-PROCUREMENT OF WATER RISK ASSESSMENT (LEGIONELLA)SERVICES CONTRACT</p> | |
| <p>Report of the Cabinet Member for Housing: Councillor Lisa Homan</p> | |
| <p>Open Report</p> | |
| <p>Classification - For Decision Key Decision: Yes</p> | |
| <p>Other services consulted: None</p> | |
| <p>Wards Affected: All</p> | |
| <p>Accountable Director: Nilavra Mukerji –Housing & Property Services</p> | |
| <p>Report Author: Henrietta Jacobs Procurement Manager</p> | <p>Contact Details: Tel: 020 8753 3729 E-mail: henrietta.jacobs@lbhf.gov.uk</p> |

1. EXECUTIVE SUMMARY

- 1.1. This report establishes the rationale for going out to procurement (in accordance with the Public Contract Regulations 2015 (as amended)) for a 5 year contract for the inspection, risk assessments and associated remedial works on communal hot and cold water systems to housing properties within Hammersmith & Fulham. The contract will have the mechanism built in, to enable the extension of the contract for a further 2 years (5+2).
- 1.2. The existing contract with Severn Trent Metering Services Ltd expires on 30 August 2017.

2. RECOMMENDATIONS

- 2.1. That approval be given to go out to procurement for a 5 year term contract, (with the option to extend for 2 years) using the Restricted Procedure in accordance with the Public Contracts Regulations 2015 as amended (the "Regulations").

- 2.2. To note that the award criteria is to be set at 60% Price & 40% Quality and the contract will have a notional annual value of £400,000, subject to market testing.
- 2.3. To note that the current 2017/18 draft estimates for Water Hygiene is £393,900. As there is a mandatory and statutory requirement to provide these services, the budget may need to be revised as a result of market testing. It is anticipated that any increase will be accommodated within the overall managed revenue repairs budget.

3. REASONS FOR DECISION

- 3.1. The current contract with Severn Trent Metering Services Ltd expires August 2017 and a new contract is needed to manage this service.
- 3.2. The Health & Safety at Work Act 1974, specifically the Approved Code of Practice (ACOP) L8 – Prevention of Legionella Regulations, requires regular inspections of communal cold water storage cisterns and their associated hot and cold water systems to assess the risk of the proliferation of Legionella bacteria and to carry out associated remedial works required to minimise this risk. The contract will ensure that all communal hot and cold water installations within housing properties comply with these regulations.

4. PROPOSAL AND ISSUES

- 4.1. The Public Contract Regulation 2015, requires that, where the estimated value of the contract exceeds the financial thresholds (£166,000 for services & £4.1m for works), there is a statutory requirement to go out to the market. The preferred option contained in the Council's Contract Standing Orders (CSO's), in the absence of no suitable framework is to use the Restricted Procedure where there is a well-developed market.
- 4.2. In line with the Council's Social Value Policy objectives for supporting local businesses, the recommended option will ensure that there is engagement with such businesses from the start. The proposal will be to carry out a "Meet the Buyer Day Event" for both Tier 1 and Tier 2 contractors early in the process. Inviting Tier 2 business (who are likely to be local businesses) to engage in the process, may provide sub-contracting opportunities to potential Tier 1 companies. The concept is to create an avenue for local businesses with interest to help them decide on how they want to express their interest, either as a main contractor or sub-contractor.
- 4.3. A list of local businesses maintained by the Economic Development Team, will be used to invite appropriate businesses to the event.
- 4.4. The opportunity will be advertised for wider coverage in contract finder, capitalesourcing portal and an OJEU notice will be published as well.

- 4.5. A tender appraisal panel (TAP) will be set up to oversee the tendering process. This panel will consist of officers from Housing Property Services, Legal, Finance and Leasehold services team.
- 4.6. The contract will comprise of the following:
- Two yearly risk assessment survey
 - Associated remedial works picked up from the survey
 - Microbiological testing of water
 - Monthly water temperature monitoring
 - 3 monthly cleaning of communal shower heads
 - Electronic storage of test results and inspection reports/certificates, web based access of same for officers.
- 4.7. Tenderers will be requested to submit as part of their Method & Resource statement, their Health and Safety policy, their Corporate Social Responsibility, Social Value tool kit, and their Environmental policy, setting out how they would minimise any impact on the environment and minimise energy consumption whilst carrying out these works.

5. OPTIONS AND ANALYSIS OF OPTIONS

- 5.1. Officers considered the following options:

Option 1 – Use an existing Framework to meet our mandatory and statutory requirements.

- 5.2. No appropriate framework agreement was found that met the requirement of the Council both in terms of specification and geographical location.

Option 2 – Recommended Option – Go out to Procurement

- 5.3. Given the lack of viable alternatives, the only option is to undertake a formal procurement process. Moreover, this option will give the Council the opportunity to tailor the specification to meet the requirements of the borough, while ensuring that regard is given to a robust social value tool within the community.

- 5.4. **Procurement Process** See Appendix 1.

5.5. Contract Management

- 5.6. The Service Owner (Engineering Team), headed by Engineering Group Team Leader, will be responsible for the day to day management of the contract. The engineering team have been involved in putting together this report and will be involved throughout the procurement process, working with the procurement manager. The GC Works 9 form of contract will be used and Key Performance Indicators (KPIs) will be built into the contract to measure the contractor's performance. For detailed outline of the KPIs and remedies see section 13 of the attached appendix.

6. CONSULTATION

- 6.1. Leasehold Services have confirmed that the annual cost per block for the relevant properties is below the threshold (£100) for which a formal consultation would be required.

7. EQUALITY IMPLICATIONS

- 7.1. The works will have a positive effect on all the Council's residents in ensuring that stored water services being delivered to their homes are suitably maintained to minimise the risk of Legionella bacteria and to ensure that the quality is of the highest standards. The works will not have an adverse effect on any protected groups.

8. LEGAL IMPLICATIONS

- 8.1. The Council is obliged under the Health & Safety at Work Act 1974 to prevent proliferation of Legionella bacteria
- 8.2. The proposed Restricted Procedure Procurement to award a tender for regular inspections of communal cold water, storage cisterns and their associated hot and cold water systems to assess the risk of the proliferation of Legionella bacteria and to carry out any associated remedial works required to minimise this risk would be in compliance with its obligations under the Public Contracts Regulations 2015 as amended.
- 8.3. Implications verified/completed by: Babul Mukherjee, Senior Solicitor(Contracts), Shared Legal Services, Tel. 02073613410

9. FINANCIAL IMPLICATIONS

- 9.1. The cost of the contract will be funded from existing revenue budgets within the Housing Repairs division of the Housing Revenue Account. The budget for 2017/18 is provisionally set at £393,900 and is due to be approved by Cabinet on the 6th February 2017, as part of the Financial plan for Council Homes 2017/18 report.
- 9.2. Implications verified/completed by: Alan Hollamby, Senior Accountant, Tel. 020 8753 1773.

10. IMPLICATIONS FOR BUSINESS:

- 10.1. This contract may create opportunities for local businesses. The meet the Buyer day event, will create an avenue for local businesses to discover potential opportunities if any once the contract is procured. See section 4 of Appendix 1 below

11. PROCUREMENT IMPLICATIONS

- 11.1. The procurement process will be undertaken in accordance with the Restricted procedure (as outlined in section 9 of the Appendix). The Corporate Procurement Team has advised on process and will continue to provide support throughout to the Tender Appraisal Panel.
- 11.2. Implications verified/completed by: Alan Parry, Interim Head of Procurement (Job-Share). Telephone 020 8753 2581.

BACKGROUND PAPERS USED IN PREPARING THIS REPORT:

None

APPENDIX 1: BUSINESS CASE AND PROCUREMENT STRATEGY REPORT RE WATER RISK ASSESSMENT (LEGIONELLA) CONTRACT.

BUSINESS CASE

1. BUSINESS CASE – WHY THE PROCUREMENT IS NEEDED

The Council is obliged under the Health & Safety at work Act 1974, to prevent the proliferation of Legionella bacteria in Housing properties. This contract is essential to provide inspection, risk assessments and associated remedial works on communal hot & cold water systems to Housing properties within Hammersmith & Fulham.

2. FINANCIAL INFORMATION

Funding for this contract will be contained within the Housing Revenue Account and where applicable allocated capital budgets.

3. OPTIONS APPRAISAL AND RISK ASSESSMENT

See Section 5 of main report.

4. THE MARKET

Provision of Water Risk Assessment (Legionella) service, is considered a well-developed market. The proposal is to engage with the market prior to going out to tender by organising a “Meet the Buyer day” event to encourage both local businesses and main players in the market to identify areas of opportunity if any for local businesses.

The Council’s Economic Development team have been consulted and are keen to provide details of local businesses subject to this report’s approval.

PROCUREMENT STRATEGY

5. CONTRACT PACKAGE, LENGTH AND SPECIFICATION

1. Contract Package: The Council’s standard service contract will be used and will include KPI’s to measure contractor’s performance, especially where it relates to compliance. The contract will be reviewed and amended if necessary, by legal prior to publication of opportunity.
2. Length of contract: The contract will be for 5 years, with the option to extend for an additional 2 years.
3. Specification: Specification is currently being finalised by the relevant team and should be fully ready before publication.

6. SOCIAL VALUE, LOCAL ECONOMIC AND COMMUNITY BENEFITS

In line with the Council’s social value policy objectives for supporting local businesses, the recommended option will ensure that there is engagement with such

local businesses from the start. The proposal will be to carry out a Meet the “Buyer Day Event” for both Tier 1 and Tier 2 contractors early in the process. Inviting Tier 2 businesses (who are likely to be local businesses) to engage in the process may provide sub-contracting opportunities to potential Tier 1 contractors. The concept is to create an avenue for local businesses with interest in the contract to ask questions and get information about the opportunity, which will help them decide on how they want to express interest, either as a main contractor or sub-contractor.

7. OTHER STRATEGIC POLICY OBJECTIVES

Leasehold Services have confirmed that the annual cost per block for the relevant properties is below the threshold (£100) for which a formal consultation would be required.

8. STAKEHOLDER CONSULTATION

As the annual cost per block for the relevant properties is below the threshold of £100, no formal consultation will be required.

9. PROCUREMENT PROCEDURE

Procurement Process

The procurement process will be carried out using the Restricted Procedure, in accordance with the Public Contracts Regulations 2015 as amended (Regulations). The process will involve publishing the opportunity in the Official Journal of the European Union (OJEU), Contracts Finder as well as Hammersmith’s & Fulham’s procurement portal.

The restricted procedure involves a two stage process – The selection stage followed by the Invitation to Tender(ITT) and award stage. At the selection stage, each tenderer will be evaluated upon their responses to the Government’s Standard Selection Questionnaire; this is based on their Financial standing, Eligibility, and Technical ability to deliver the service. The proposal is to invite the 6 highest scoring organisations to submit formal tenders.

Tenderer’s will be evaluated based on their quality submission (Method Statement) and price(Commercial) submission. The award criteria will be 40% quality and 60% price. At the Tender award Stage. Tenderers will be scored based on their responses to the following:

- Performance & Quality Control
- Resourcing
- Health & Safety
- Customer care
- Environmental Policy
- Social Value

Tenders will be formally evaluated by a Tender Appraisal Panel (TAP). Individual panel members will score the tenders independently. After the scoring has been completed, a moderation meeting will be arranged for the TAP to agree the final

moderated scores. The successful bid will be based on the tenderer scoring the highest for both quality and price.

Value for Money Statement (VFM)

Given the above recommended option of going out to procurement, this option will enable the Council to engage and create opportunities for local businesses. There may not be immediate cash savings but there will be immeasurable benefit to the Council considering the opportunities social value will bring to the community. The award criteria of 60% price and 40% quality and the seeking interest from the wider market, is to get value for money.

10. CONTRACT AWARD CRITERIA

The Quality/Price ratio being recommended is:
40% quality and
60% price.

The contract has robust KPI's to monitor potential contractor performance, and by using the restricted procedure, all potential contractors would have gone through the selection stage to determine their technical ability to provide the service.

The table below outlines the criteria and weighting that will be used to score the quality section of the tender:

| Quality criteria | Weighting |
|-------------------------------|------------------|
| Performance & Quality control | 6 |
| Resourcing | 8 |
| Health & Safety | 8 |
| Customer care | 8 |
| Environmental | 6 |
| Social value | 4 |
| Total | 40 |
| | |

PROJECT MANAGEMENT AND GOVERNANCE

11. PROJECT MANAGEMENT

For this procurement, a project board which comprises of senior managers from housing, procurement, legal, finance and leasehold team has been set up to oversee the entire procurement process from start to finish. The proposal is for the project board to meet monthly to discuss any issues, identify risk, recommend and approve options as needed.

A tender appraisal panel, comprising procurement, service owners, finance and a resident representative has also been set up to evaluate tender submission. Any risk identified by procurement will be escalated to the project board for decision.

12. INDICATIVE TIMETABLE

Below are key milestones for this procurement.

| Activity | Date |
|---|--|
| Strategy Approval | 6 th February 2017 |
| Market Testing (meet the buyer day) | 22 nd February 2017 |
| SQ/PQQ Publication (OJEU, contract finder & portal) | 3 rd March 2017 |
| Selection Questionnaire (SQ) deadline | 17 th March 2017 |
| Evaluation/shortlisting deadline | 24 th March 2017 |
| ITT Publication | 31 st March 2017 |
| ITT return deadline | 20 th April 2017 |
| Evaluation deadline | 12 th May 2017 |
| Cabinet Member Award report approval | June 2017 |
| Contract Award & Mobilisation | 1 st July 2017 – 30 th August 2017 |
| Contract Start | 31 st August 2017 |

13. CONTRACT MANAGEMENT

The service owner (Engineering Team) headed by Engineering Group Leader, will be responsible for the day to day management of the contract. The engineering team have been involved in putting together this report and will be involved throughout the procurement process, working with the procurement manager. KPI's will be built into the contract to measure the contractor's performance.

The following KPI will be incorporated into the contract for monitoring contractor's performance:

Key Performance Indicators

1. Performance against PPM programme – all tasks 95%
2. Contractors' quality checks of own work – 98%
3. Notification of a Priority 1 incident within 2 hours of discovery – 100%
4. Notification of any other issue requiring an order from BPM within 72 hours of discovery – 95%
5. Reporting of routine testing results and actions within 2 weeks of month end – 98%
6. Response Times for minor remedial works: -
 - a. Emergency – within 2 hours 100%
 - b. Urgent – within 3 working days 95%
 - c. Routine – within 28 days 95%
 - d. Planned – within 90 days 95%
7. % of properties where access has been attempted – 100%
8. % of properties where access had been achieved - 90%

The contractor shall be expected to supply all the above information on KPI's in an electronic format to enable the employer to monitor performance.

Subject to outcome of soft market testing, the Council will have an incentivised KPI built into the contract that will allow for a 10% payment increase where the contractor exceeds all KPI and a 10% payment decrease where they do not meet the target KPI.

Remedies

Any failure of 3 or more KPIs in any one month will incur a default point.

Any continued failure for any one KPI over 3 months will incur a default point

At any time when 3 Default Points have been recorded, the Dispute Resolution Procedure shall be invoked.

Where the Dispute Resolution Procedure is invoked as a result of Default Points, the Contractor shall prepare an Action plan identifying the necessary actions to be taken to deliver.

The contract will enable the Council to withdraw and re-allocate work where a dispute remains unresolved, with any additional cost being passed on to the contractor.

A final remedy available would be termination.

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|---|---|
| <p>London Borough of Hammersmith & Fulham</p> <p>CABINET</p> <p>6 February 2017</p> |  |
| <p>PROPOSAL FOR AN AFFORDABLE HOUSING DELIVERY FRAMEWORK</p> | |
| <p>Report of the Cabinet Member for Economic Development and Regeneration – Councillor Andrew Jones and the Cabinet Member for Housing – Councillor Lisa Homan</p> | |
| <p>Open Report</p> | |
| <p>Classification - For Decision Key Decision: Yes</p> | |
| <p>Wards Affected: All</p> | |
| <p>Accountable Director: Jo Rowlands - Director of Housing Growth & Strategy</p> | |
| <p>Report Author: David Burns, Head of Housing Strategy</p> | <p>Contact Details: Tel: 020 753 6090 E-mail: david.burns@lbhf.gov.uk</p> |

1. EXECUTIVE SUMMARY

- 1.1. The Council is seeking to work with housing providers to deliver the development of up to 800 new homes in the borough on Council owned sites over six years.
- 1.2. The Council proposes to create a Developer Framework that will enable it to use a mini tender procedure to identify and select suitable housing providers, to deliver each site as required.
- 1.3. The overall objectives of this project are to:
 - Deliver more genuinely affordable homes outside the regeneration / opportunity areas through creative partnerships with housing providers
 - Council to maintain nomination rights
 - Deliver these homes as soon as possible
 - Enable use of Council resources to support affordable housing (S106, capital receipts and Right to Buy 'RtB' receipts)

2. RECOMMENDATIONS

- 2.1. That approval be given to the creation of an Affordable Housing Delivery Framework with local Housing Providers using the competitive procedure with negotiation route.
- 2.2. To delegate authority to the Director for Housing, Growth and Strategy in consultation with the Cabinet Member for Economic Development and Regeneration and the Cabinet Member for Housing to implement the procurement strategy identified in Appendix 1 and to take all necessary steps to complete the procurement process.
- 2.3. To delegate authority to the Director for Housing, Growth and Strategy in consultation with the Cabinet Member for Economic Development and Regeneration and the Cabinet Member for Housing to appoint selected providers to the framework agreement and to award subsequent call off contracts.
- 2.4. To approve the appointment of Trowers and Hamlins using the Crown Commercial Services Legal Services Framework under a direct call off to provide specialist legal advice for the procurement process at a contract value of £60,000.
- 2.5. To approve a waiver from the contract standing orders to appoint DS2 Ltd to provide professional advice on commercial aspects of the procurement process at a contract value of £35,000..
- 2.6. To note that the total costs of £95,000 for the above professional services for the period February 2017 to October 2017 will be funded from existing Housing Revenue Account budgets.
- 2.7. Cabinet to note that officers will progress early site investigations and design work as necessary to prepare the identified sites.
- 2.8. Cabinet to note the proposed delivery timetable of the procurement process for the 'Affordable Housing Delivery Framework'.

3. REASONS FOR DECISION

- 3.1. In May 2015 the Council's Housing Strategy was refreshed with the publication of 'Delivering the Change we need in Housing'. This document sets out how the Council wants to re-invigorate relationships with other housing providers and take a more pro-active approach to their activities in the borough. The Council also wishes to move to a more collaborative local approach to the housing management services provided in the borough regardless of landlord; this requires re-engagement with our Registered Providers.
- 3.2. The full business case and procurement strategy can be found in Appendix 1.

4. PROPOSAL AND ISSUES

- 4.1. The objectives of the affordable housing delivery framework across the sites are:
- The creation of more affordable homes, with nominations to the Council
 - The delivery of these homes as soon as possible
 - Use of the Council's subsidy (predominately Right to Buy receipts but also S106 and capital receipts as appropriate)
 - Deliver new affordable homes based on a mix of 60% social or affordable rent and 40% intermediate housing (40%), with the potential for some private housing to cross subsidise sites and maximise delivery
 - Select potential providers who can demonstrate the affordability of any new homes
 - Select potential providers who can demonstrate strong management and maintenance experience
 - Create new homes that meet the accessibility needs of residents
 - Delivery environmentally friendly homes and contribute to greening the borough
- 4.2. The Framework will involve selecting a number of housing providers with whom the Council will contract to deliver the above outputs on HRA and General Fund owned land. The housing providers will construct, own and operate the new units.

Implementation plan

- 4.3. Given the relatively long lead in for procurement, it is suggested that the Framework is set up simultaneously to the commencement of early site work to ensure the programme can be delivered as quickly as possible.
- 4.4. A high level implementation plan/timeline can be found in Section 12 of Appendix 1: Procurement Strategy
- 4.5. The procurement process will be overseen by the Tender Appraisal Panel (TAP) comprising of representatives from: Housing & Regeneration, Legal, Asset Management, Procurement and Finance.

Specialist Advisors

- 4.6. Trowers & Hamlins will be appointed to provide legal advice to the Council on the procurement process using the Crown Commercial Services Legal Services Framework under a direct call off.
- 4.7. DS2 will be appointed to provide procurement and commercial advice to the Council during the procurement process, including the evaluation of the commercial offer from housing providers. DS2 are development consultants and acknowledged experts in this field. They are familiar with the procurement proposed and the market that the Council is working with, and so a waiver

from the Contract Standing Orders is being used for their appointment. Their fee proposal is value for money.

5. OPTIONS AND ANALYSIS OF OPTIONS

- 5.1. To deliver affordable housing on sites identified the Council has several options which are discussed in full in section 3 of Appendix 1 (Procurement Strategy).
- 5.2. Overall the route that best meets the Council's objectives of flexible, rapid delivery that provides value for money is to develop a Framework of Housing Providers (Option 5). This is explored in more detail in the appendix.
- 5.3. The options for the Council have been reviewed by Trowers & Hamblins and they have recommended that the Council follow a Competitive procedure with negotiation route in order to create a framework. This will allow the Council the flexibility to negotiate terms with bidders.
- 5.4. Full details of the procurement options are set out in Appendix 1.

6. CONSULTATION

- 6.1. Initial consultation has been carried out with housing providers with properties in the borough regarding the procurement of a Framework. The discussions have been met with a positive response.
- 6.2. Internal consultation has included colleagues in the Asset Management Service, Corporate Procurement and Housing & Regeneration Services.
- 6.3. Extensive consultation has been carried out with residents and the Council is up to date with residents expectations.

7. EQUALITY IMPLICATIONS

- 7.1. There are no equalities implications at this time, but individual projects that result from the framework will require equality assessments. However, the creation of more affordable housing will assist in tackling income inequality through reductions in housing costs

8. LEGAL IMPLICATIONS

- 8.1. As the council is seeking to impose control over scheme output for development on the land it will be disposing of, it is likely that it will be subject to the regulations and be subject to the EU procurement regime. Had the Council being relying on planning regulations and broad usage and overage clauses in a sale contract it could have proceeded without a EU procurement process.
- 8.2. The Council is able to use the Competitive Procedure with Negotiation route for the reasons identified in paragraph 3.3.2 of Appendix 1.

- 8.3. The Competitive Procedure with Negotiation (CPN) and Competitive Dialogue processes are very similar. However, using the Competitive Dialogue tends to put the market off bidding for contracts as it has connotations of a lengthy and expensive process. It is not the intention to have lots of negotiation meetings for this procurement process, although the Council wishes to ensure that there is an option to have meetings and to negotiate the bids if required. It was felt that the Competitive Procedure with Negotiation allows this without putting the Council at risk of a procurement challenge (which could have happened if the restricted procedure were used where only clarifications are permitted).
- 8.4. The fact that legally no amendments can be made after the final tenders have been submitted would give a clear message to the market that there would be no drawn out preferred bidder negotiations (and a risk that commercial positions will change) and ensure that the timetable was adhered to.
- 8.5. Whilst the timetable is challenging, it is not the intention to have extensive negotiations with bidders. The timetable is based on a typical restricted procedure with additional time added to have a limited number of negotiation meetings with bidders.
- 8.6. The advice above has been provided by Trowers and Hamlins LLP who are the legal advisors in this matter.
- 8.7. In relation to the appointment of Trowers and Hamlins LLP, the Council may access the Legal Services Framework Agreement (RM919) set up by the Crown Commercial Service (the Framework Agreement). The direct call-off must be made in accordance with the terms of the Framework Agreement.
- 8.8. In relation to the appointment of DS2 Ltd, in accordance with section 3.1 of the Council's Contract Standing Orders the relevant Cabinet Member acting on advice by the Director may approve the requested waiver. The Council is required to publish a notice of the award of the contract on Contracts Finder within a reasonable time.

Implications completed by: Kar-Yee Chan, Acting Principal Solicitor, Shared Legal Services, 020 8753 2772

9. FINANCIAL IMPLICATIONS

- 9.1. The one-off costs of £95,000 will be funded from existing budgets within the Housing Revenue Account as the framework agreement should provide additional affordable homes which for example downsizing Council tenants could transfer to if they wanted to. It will be funded from the predicted 2016/17 underspend and for the sake of flexibility will be available from the point this report is approved.
- 9.2. Total spend cannot exceed £95,000 and Development & Finance officers must regularly monitor the spend associated with setting up the framework to

ensure that any financial risk or requirement for additional funding can be identified at the earliest opportunity.

- 9.3. It is expected that these costs will be recovered from the selected housing providers as part of the terms of their participation in the framework.
- 9.4. As the plan is expected to expedite the delivery of affordable homes, this will reduce the risk that the Council may have to repay RtB receipts and pay the associated interest in accordance with the RtB retention agreement that the Council entered into with Central Government in June 2012.
- 9.5. This report seeks to create a framework agreement for affordable housing delivery. Full financial appraisals and appropriate Cabinet reports will need to be done for each individual site as it comes forwards.
- 9.6. It is expected that the majority of homes will be provided on Housing land and full market value would need to be paid for any General Fund sites used as part of this programme to ensure the ongoing viability of the General Fund Capital Programme.
- 9.7. Implications completed by: Danny Rochford, Head of Finance, Ext. 4023.

10. IMPLICATIONS FOR BUSINESS

- 10.1. The framework has the potential for local businesses within the construction supply chain to benefit from the development of affordable housing, and the procurement includes opportunities to include this as discussed in section 6 of Appendix 1.

11. OTHER IMPLICATION PARAGRAPHS

Risk Management

- 11.1. A summary of the key risks is provided below. The project has a risk register.

| Risk | Mitigation |
|--|---|
| Lack of market interest | Soft market testing has already begun and clear market appetite demonstrated |
| Procurement challenge | Clear advice from Trowers on the options available to the Council. Procurement and legal teams involved in TAP to review documentation and agree approach. Work with market so they understand the proposals. Clear record keeping demonstrates approach |
| Failure to meet timetable | Clearly planned project plan and careful management of clarification process |
| Poor quality bids and bidders appointed to framework | Clear brief and ITT Clear ITT questions on quality of delivery and management of providers |

Procurement

- 11.2. Although a Service Review Team was not convened to undertake a review of the proposed procurement, the Commercial Director and the Corporate Procurement Team will be engaged with the Tender Appraisal Panel and providing support throughout the formal procurement process.
- 11.3. The Commercial Director agrees that the appended Procurement Strategy for the use of the Competitive Procedure with Negotiation in accordance with paragraph 8.12.3 of the Council's Contracts Standing Orders.
- 11.4. Comments provided by Alan Parry Interim Head of Procurement 020 8753 2581.

Health and Wellbeing

- 11.5. The delivery of new affordable housing creates an opportunity to tackle the complex health and wellbeing issues associated with poor quality housing.

12. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

- 12.1. None.

LIST OF APPENDICES:

Appendix 1 – Procurement Strategy

APPENDIX 1: PROCUREMENT STRATEGY

PROPOSAL FOR AN AFFORDABLE HOUSING DELIVERY FRAMEWORK

1. BUSINESS CASE

- 1.1 In May 2015 the Council's Housing Strategy was refreshed with the publication of 'Delivering the Change we need in Housing'. This document set out how the Council wishes to engage with residents to create a collaborative approach to finding solutions to the housing crisis.
- 1.2 The Council wants to re-invigorate relationships with other housing providers and take a more pro-active approach to their activities in the borough. The Council also wishes to move to a more collaborative local approach to the housing management services provided in the borough regardless of landlord; this requires re-engagement with our housing providers.
- 1.3 The Council is carrying out direct delivery of new affordable homes through the direct delivery programme as well as through its Joint Venture (JV) with Stanhope. There are also further Council owned sites with the potential capacity for circa 800 new homes that the Council now wishes to develop for affordable housing.
- 1.4 The Council is also mindful of the cost of housing in the borough and therefore the new homes will be a mix of social or affordable rent (60%) and intermediate housing (40%). The affordability of the new homes will be a key part of the selection process as well as quality of the homes and their long term management.
- 1.5 In order to maximise the benefits to the Council in working in collaboration with housing providers operating in the Borough it has been decided to embark on a formally procured framework rather than merely treating the programme as a series of land disposals - this is on the basis that via a formally procured framework, the Council will be able to impose far greater control over scheme output than would be the case (as permitted by European legislation, case-law, and guidance) if the land were merely sold – which would be limited to planning obligations and protections to protect the Council in relation to (broad) usage, overage and re-acquisition in the event of absolute non development.. In this case the arrangement is likely to be classified as a public works contract and therefore subject to the EU procurement regime.

2. FINANCIAL INFORMATION

- 2.1 In order for the Council to proceed with the procurement process, the following specialist advice for legal and professional advice will be required. Costings are set out below:

| | |
|--------------|---------|
| Legal Advice | £60,000 |
|--------------|---------|

Professional Advice £35,000

2.2 Total budget of £95,000 for the period February 2017 to July 2017 to cover the procurement process of the Framework.

3. **OPTIONS APPRAISAL AND RISK ASSESSMENT**

3.1 The following options have been considered:

Option 1: Act as Developer to build new homes –

The Council could directly manage the build process, employing relevant specialists and consultants, and selecting a developer through a procurement process.

Option 2: Procure one Company for all sites –

The Council could procure a single company to work with the Council to deliver homes across all 40 sites

Option 3: Set-up a single Joint Venture (JV) entity for all sites –

Create one Joint Venture company for the delivery of all identified sites

Option 4: Procure Companies on a site-by-site basis –

Run a separate procurement exercise for each site

Option 5: Develop a Framework of Companies –

Set up a Framework of housing providers and select through mini-competition as required

3.2 The strengths and challenges of each option are considered in the table below:

| Route | Strengths | Challenges |
|---|--|--|
| Option 1: Act as developer | <ul style="list-style-type: none">• Council retains full control of the sites• Council retains development profit | <ul style="list-style-type: none">• Risk is not shared but falls solely on the Council• Council lacks expertise• Council has limited borrowing and RTB resources available |

| Route | Strengths | Challenges |
|---|--|---|
| Option 2: Procure one company | <ul style="list-style-type: none"> • Single procurement exercise – likely to be faster • Able to build a strong relationship with one company • Only one contract to manage • Risk is transferred | <ul style="list-style-type: none"> • Different types / size of sites may be attractive to different company and are unlikely to all appeal to a single company • If the relationship fails or performance is not as expected the Council will still be reliant on the single company • Does not achieve the aim of collaborating widely with the different housing providers in the borough • Less flexible to a changing development programme / the addition of new sites |
| Option 3: Set-up a single Joint Venture (JV) | <ul style="list-style-type: none"> • Single procurement exercise – likely to be faster • Only one entity to manage • One JV partner who the Council can build a relationship with • Some risk is transferred to the JV | <ul style="list-style-type: none"> • Different types / size of sites may not be attractive to the JV partner • If the relationship fails or there are performance concerns the Council will remain bound to the JV for the whole programme • Does not achieve the aim of collaborating widely with the partners in the borough • Less flexible to a changing development programme / the addition of new sites |
| Option 4: Procure on a site-by-site basis | <ul style="list-style-type: none"> • The most suitable company for each site can be chosen • It is easy to add or remove sites from the programme as there is no contractual obligation to develop • If new organisations enter the market they will be able to bid | <ul style="list-style-type: none"> • Multiple OJEU procurements with long lead ins which are expensive and time consuming for the Council and bidders • Need to generate sufficient interest in each procurement exercise to ensure competition |

| Route | Strengths | Challenges |
|---|--|---|
| Option 5: Develop a Framework of Companies | <ul style="list-style-type: none"> • The most suitable companies for each site can be chosen • It is easy to add or remove sites from the programme as there is no contractual obligation to develop • The Council can build a relationship with the 6 companies on the Framework • Mini-competitions for each site to encourage competitive pricing and innovation • Single OJEU procurement exercise is less arduous • Framework can be open for use by other LAs, helping to build relationships • Risk is shared • Able to be flexible about the approach to each site • To have a streamline process for the delivery of schemes | <ul style="list-style-type: none"> • Limited to the organisations on the Framework • Time consuming procurement exercise • Less work for each company may mean a weaker relationship is built • Council resource required to manage the Framework |

3.3 The preferred approach is Option 5 relating to the establishment of a framework agreement to manage the project. The law provides the Council with three procurement routes in order to establish a framework agreement. These are:

3.3.1 The Restricted Procedure (RP)

This is the most common OJEU procurement route. A standard form of documents should be used which require little or no amendment. The Council has never accepted qualified bids, but there is a temptation by bidders to mark-up or amend contract and tender documentation. To accept a qualified bid will leave the Council open to challenge in the Courts. Consequently, the Council is not able to explore different models with bidders. If there were a number of unsuitable commercial positions put forward by bidders, the Council's only option would be to abandon the procurement and undertaken direct negotiations using a different procedure.

3.3.2 **Competitive Dialogue (CD) or Competitive procedure with negotiation (CPN).** Both of these procedures are very similar, but there are statutory constraints under-which they can be used. The Regulations permit their use only in the following situations –

- (a) *with regard to works, supplies or services fulfilling one or more of the following criteria:—*
- (i) *the needs of the contracting authority cannot be met without adaptation of readily available solutions;*
 - (ii) *they include design or innovative solutions;*

- (iii) *the contract cannot be awarded without prior negotiation because of specific circumstances related to the nature, the complexity or the legal and financial make-up or because of risks attaching to them;*
- (iv) *the technical specifications cannot be established with sufficient precision by the contracting authority with reference to a standard, European Technical Assessment, common technical specification or technical reference;*
- (b) *with regard to works, supplies or services where, in response to an open or a restricted procedure, only irregular or unacceptable tenders are submitted.*

3.4 There is anecdotal evidence that the Housing Sector prefers the Competitive Procedure with Negotiation over Competitive Dialogue as the latter is perceived to be too onerous. This was expressed by registered providers during soft market testing. The main differences between CPN and CD is that under CPN the Council is permitted to reserve the right to evaluate and award a contract based on initial tenders (if they are sufficiently detailed) or to have some negotiations to clarify aspects of the initial tender. Once final tenders have been received no further clarifications are permitted. Whereas under CD the focus between the Council and bidders is on dialogue, not negotiation, but once final tenders have been accepted the Council is permitted to undertake clarifications with the successful bidder.

3.5 Both procedures need to be adequately resourced. They require extremely careful planning in terms of meetings, venues and officers who will need to be involved in either negotiations or dialogue sessions.

4 THE MARKET

4.1 From the work that Trowers & Hamlins have undertaken with other local authorities, there is an increasing appetite amongst the part of housing associations and other housing providers to work in partnership with local authorities in order to produce developments which are more "council acentric". This is re-enforced by the fact that a number of influential independent reports into housing supply (for example the Elphicke-House Report commissioned by the coalition government and the Lyons Review commissioned by the Labour party, both focused on the need for collaborative working between the local authorities and others (including the housing association sector) in order to be boost housing supply. The proposed framework procurement which is envisaged here plays well to those findings.

4.2 Initial soft market testing has taken place with local housing associations to better understand the level of interest in the proposed framework. The feedback received has identified that there is appetite in the marketplace to bid for this type of framework, that the opportunities available are understood and that the proposed process (CPN) is well understood and the preferred procurement route. A record of these meetings has been recorded and will continue to be monitored during the procurement process (as stipulated under Regulation 84).

5 PROCUREMENT STRATEGY

5.1 It is envisaged that the successful housing providers will be required to enter into site-specification development agreements for council owned sites which are transferred to them for development.

5.2 In broad terms, it is envisaged that the development agreement would contain outcome focused commitments by the housing provider which the Council would not otherwise be able to impose through a combination of the land sale agreement and/or the planning process. Examples are likely to include:

- A contractual commitment to deliver social or affordable rent and/or intermediate housing at a level which is higher than the Council's current planning policy
- Requirements in relation to tenure split
- Requirements in relation to the type of accommodation to be built on the site (so, for example, the Council could require the delivery of family accommodation in preference to flatted accommodation)
- Requirements in relation to scheme design, etc. – so including for an example the right for the Council to attend design meetings and to provide a "decisive influence" over these matters.
- Commitments in relation to the release by the Council of retained monies held by it under the terms of the Right to Buy Retention Agreement
- Commitments in relation to the environmental performance of the accommodation being built

6 SOCIAL VALUE, LOCAL ECONOMIC AND COMMUNITY BENEFIT

6.1 The Public Services (Social Value) Act 2012 introduces a requirement to consider, at the preparation stage of a procurement exercise, how the procurement exercise itself and the contract(s) to be procured might improve the economic, social and environmental well-being of the area.

6.2 The Act itself only applies to the procurement of services contracts, and not for works contracts or works frameworks. [However, the policy of the Council, as stated on its website, is that consideration will be given to social value for other types of contract.]

6.3 A similar approach will therefore be followed for this procurement. The approach will be developed throughout the pre-procurement period, but considerations could include:

- Encouraging or requiring companies to advertise for sub-contracting opportunities and employment vacancies openly and in a manner which may be brought to the attention of local businesses and individuals.
- Applying Council housing priority policies to the disposal of new affordable homes.
- Encouraging the use of apprenticeships, training schemes and work experience placements for larger projects.

- Setting appropriate standards for environmental performance and considerate construction.
- Requiring engagement with local communities in the vicinity of new projects and taking account of their views.

7. OTHER STRATEGIC POLICY OBJECTIVES

- 7.1. The Proposal for an Affordable Housing Delivery Framework ties in closely with the Council's Housing Strategy (May 2015). The Housing Strategy looks at ways to develop new partnerships with Housing Providers.

8. STAKEHOLDER CONSULTATION

- 8.1. Initial consultation has been carried out with Housing Providers with properties in the borough regarding the procurement of a Framework. The discussions have been met with a positive response.
- 8.2. Internal consultation has included colleagues in the Asset Management Service, Corporate Procurement and Housing & Regeneration Services.

9. PROCUREMENT PROCEDURE

- 9.1. The options for the Council have been reviewed by Trowers & Hamlins and they have recommended that the Council should undertake a Competitive procedure with negotiation route. It is their view that it will allow the Council the flexibility to discuss the tenders with bidders, while avoiding the perceptions of the market in regards to competitive dialogue.
- 9.2. **Regulation 84 Report/Documents:** As part of the procurement process the Regulations require the Council to ensure that it keeps sufficient documentation to justify decisions taken in all stages of the procurement procedure, including —
- (a) communications with economic operators and internal deliberations,
 - (b) preparation of the procurement documents,
 - (c) dialogue or negotiation if any,
 - (d) selection and award of the contract.

10. CONTRACT AWARD CRITERIA

- 10.1. **Works and Services:** In assessing the Framework tenders for works and services, it is proposed that the submissions will be judged 60% on quality and 40% on price. This will enable the Council to take a holistic view of bidders, taking into account the broader value of the development to the borough.
- 10.2. The quality to be based upon:
- Development experience and capacity
 - Design and quality of homes
 - Nominations and rent levels
 - Additional social benefit for tenants and the borough

- The price to be based upon:
- Land receipt or subsidy required
- Financial capacity
- Financial return if via JV route

11. PROJECT MANAGEMENT AND GOVERNANCE

- 11.1. **Members:** Regular updates will be provided by the Director of Housing Growth & Strategy to the Cabinet Member for Economic Development & Regeneration – Andrew Jones and the Cabinet Member for Housing – Lisa Homan.
- 11.2. **Internal:** The Housing Growth and Strategy Directorate will manage this process and ensure that internal colleagues in Procurement and Legal are well informed of the progress and any decisions made.
- 11.3. **External:**
- 11.3.1. Trowers and Hamblins will provide specialist Legal advice.
- 11.3.2. DS2 will provide specialist Procurement advice, Development Services with a focus on development viability, affordable housing, valuation and transactional services.
- 11.4. **Tender Appraisal Panel (TAP):** A TAP will be set up to monitor the progress of the Affordable Housing Framework procurement process. The TAP will include representatives from: Housing & Regeneration, Legal, Asset Management, Procurement and Finance as appropriate. This forum will provide updates to the Lead Director of Housing.


12. INDICATIVE TIMETABLE

- 12.1. A high level Procurement Timetable is provided as a guide below:
- January to February 2017: Complete soft market testing with potential housing providers.
 - March to April 2017 Set out timescale for site delivery
Complete pre-procurement activity
Publish OJEU notice
 - May to June 2017 Return of selection questionnaires by bidders
Assessment by Council and responses issued to unsuccessful bidders
Invitation to Tender (ITT) issued to successful bidders

- July to August 2017 Return of ITT by bidders
Review by Council of ITT responses
Meetings with bidders
- September 2017 Call for final tenders
Evaluation of ITT by Council
- October 2017 Issue of de-selection letters
Alcatel stand still period
Council sign off on Framework Agreements
with successful companies

13. CONTRACT MANAGEMENT

- 13.1. The Framework will be managed by the Housing Growth and Strategy Directorate under the Head of Housing Strategy.
- 13.2. Key Performance Indicators (KPIs) will be developed as part of the procurement process.

| | | |
|--|---|---|
| London Borough of Hammersmith & Fulham CABINET 6 February 2017 | |  hammersmith & fulham |
| INDEPENDENT HEALTH COMPLAINTS ADVOCACY SERVICE (IHCAS) | | |
| Report of the Cabinet Member for Health and Adult Social Care - Councillor Vivienne Lukey | | |
| Open Report | | |
| Classification - For Decision | | |
| Key Decision: YES | | |
| Wards Affected: All | | |
| Accountable Director: Mike Boyle, Director of Strategic Commissioning and Enterprise Adult Social Care and Health | | |
| Report Author: Steven Falvey, Strategic Commissioner | Contact Details: Tel: 020 8753 5032 E-mail: steven.falvey@lbhf.gov.uk | |

1. EXECUTIVE SUMMARY

- 1.1 The Health and Social Care Act 2012 conferred a new duty of local authorities to commission independent health complaints advocacy services from April 2012.
- 1.2 Hammersmith and Fulham council currently contracts with Voiceability for the supply of a health complaints advocacy service. The contract is called off a pan London framework agreement set up by the London Borough of Hounslow, acting as the lead authority for a consortium of 26 London boroughs. This contract ends on 31 March 2017.
- 1.3 This report sets out the procurement strategy for an Independent Health Complaints Advocacy Service (IHCAS) framework jointly procured with between 17 and 24 other London authorities for a period of two years (with the provision to extend for further two years) from 1 April 2017 at an estimated cost (for H&F) of £142,032 for the four-year period. The service is designed to provide a comprehensive system to handling NHS complaints.
- 1.5 The London Borough of Hounslow has decided to take a different procurement approach, what has led to the need for another borough to take the lead. Southwark Council has agreed to undertake that role, and as such will be leading the procurement for a contract for the new consortium.

2. RECOMMENDATIONS

- 2.1 To approve the procurement strategy outlined in this report for the Council to access the independent health complaints advocacy service (IHCAS) from 1 April 2017 at an estimated cost (for H&F) of £142,032 for the four-year period. This figure includes a proposed fee of £2,306, payable to Southwark Council for carrying out the procurement exercise.
- 2.2 That delegated authority be given to the Executive Director for Adult Social Care and the Bi-Borough Director of Law, in consultation with the Cabinet Member for Health and Adult Social Care, to finalise the contract arrangements.

3. REASONS FOR DECISION

- 3.1 The Health & Social Care Act 2012 transferred the responsibility and funding to local authorities for commissioning NHS Complaints Advocacy (IHCAS – Independent Health Complaints Advocacy Service as it is currently known). IHCAS is a client centred, flexible service that supports and empowers anyone who wishes to resolve a complaint about healthcare commissioned and/or provided by the NHS in England. A replacement service is required to be in place from 01 April 2017 when the current contract ends.

4. INTRODUCTION AND BACKGROUND

- 4.1 The Health and Social Care Act 2012 conferred a new duty of local authorities to commission independent health complaints advocacy services from April 2012.
- 4.2 The current service was procured on behalf of H&F by the London Borough of Hounslow, as the lead authority for a consortium of 26 London boroughs.
- 4.3 H&F is responsible for all contract payments to the provider (as the service is delivered through a Service Agreement, called off from the Framework Agreement put in place by Hounslow).
- 4.4 The IHCAS service for the London Consortium is currently delivered by Voiceability. This contract ends on March 31st 2017.
- 4.5 Southwark Council has agreed to take the lead and as such will be leading the procurement for a new contract for the consortium.

5. BUSINESS PROPOSAL AND ISSUES

Personalisation, Choice and Control

- 5.1 The current IHCAS service is designed to provide a comprehensive system with a local personal approach to handling NHS complaints. Potential providers will need to demonstrate capacity and competence and a focus on resolving complaints locally.

Business Case Including Evidence Base and Efficiencies

- 5.2 IHCAS is a statutory service that is required to be put in place by Local Authorities. It is believed amongst the participating boroughs in the London consortium that a service across multiple boroughs is more cost effective and deliverable for a very mobile population in London than the set-up of individual contracts in each borough.
- 5.3 Individual boroughs are aware of the level of funding available for this service. Each authority receives, as part of their base grant from Government, an indication of funding through the Local Reform and Community Voices grant (LRCVG). H&F received for 2016/7: £94,996 of which £34,000 is allocated for IHCAS.
- 5.4 A working group of commissioners from the current consortium of London boroughs, has been meeting to discuss a range of options in relation to the procurement of IHCAS including a repeat of the Pan-London joint procurement.
- 5.5 The current service model is well regarded and working well. Performance of the current provider is good and has even delivered savings within the contract period.
- 5.6 There is currently four years of reported activity under the existing contract for each borough. The data shows that there is a spread of activity across London.
- 5.7 For H&F the average number of cases appear to be 71 per year. The approved budget for this contract for H&F has reduced from £54,000 per annum in 2013/15 to £36,400 in 2015/6, reducing further to £34,000 for 2016/17.
- 5.8 The original budget was set above the levels estimated at the start of the contract which were based on activity figures from the service previously commissioned by central government. This was in order to mitigate for any risk of demand exceeding budget and to allow for any increased demand as a consequence of the Healthwatch signposting service which also came into effect from 1 April 2013.
- 5.9 A 15 per cent reduction in the core budget was agreed with the provider for the third year of the contract 2015-16. The budget was also reduced in April 2015 to reflect actual demand and spending for projected spending for year two of the contract, although it was understood that if activity exceeded the budget that would need to be met.
- 5.10 Expenditure in contract year three from April 2015 to March 2016 was as follows:

Table 2: Independent NHS Complaints Advocacy Service budget and spending for year 3 (2015/16)

| Contract year 3 (2015/16) | | | | |
|---------------------------|----------------|--------|--------------|-------------------------|
| Total budget £ | Actual spend £ | | | Actual under-spend £ |
| | Core | Tariff | Total actual | |
| | | | | |

| | | | | |
|--------|--------|--------|--------------|-------|
| | | | spend | |
| 36,000 | 14,260 | 14,164 | 28,424 | 7,976 |

- 5.11 The original Framework contract value was advertised as £7m. In reality this is actually forecast to be around £3.8m. It is proposed that the cost for the new framework be based on activity levels of year 3 (as year four are not complete at this stage). This will give an estimated value (for a four-year framework contract) of £4m (for the maximum number of participating authorities – 24) allocation (a known sum of money) with which they can plan to meet their needs.

Procurement Approach and Quality

- 5.12 There is an opportunity for Southwark Council to lead the Pan-London procurement of an independent health complaints advocacy service.
- 5.13 It is proposed to run this procurement in a similar way as it was by Hounslow back in 2012. In order to participate in this procurement a Council has signed up to a Participation Agreement that governs and regulates the relationships between the participating Boroughs and the lead procurement authority (Southwark Council). There is the potential of 24 London boroughs participating in this procurement.
- 5.14 Southwark Council as the lead borough for the joint procurement will facilitate meetings of stakeholders, including customer groups, providers and commissioners, and develop proposals for discussion and agreement.
- 5.15 Southwark will use the Open procedure to maximise interest in the contract opportunity. The contract falls within the category of social and other specific services which are subject to a “light touch” regime under the Public Contracts Regulations. A contract notice has been published in OJEU and the Contracts Finder. A single provider Framework Agreement will be the mechanism through which local authorities are able to call off the service via indirect call of agreements.
- 5.16 Adult Social Care and Corporate Procurement agree that it is important that the Council gives itself the option of being able to access the framework, as this is likely to offer best value. It is worth noting though that this option does not commit the Council to use the framework should it not offer best value and/or Cabinet does not approve the strategy.
- 5.17 If the Council decides not to use the framework and/or Cabinet does not approve the strategy, it will be liable to paying a proposed fee, at an estimated cost of £2,306, to Southwark Council for carrying out the procurement.
- 5.18 It has also been agreed across all those participating boroughs for a contribution (fee) to be paid to Southwark to cover the costs of managing and monitoring this contract. This fee is £29,830 per annum and will be evenly split across all participating boroughs. If 24 boroughs participate for example, then H&F’s contribution will be £1,242. Budgetary provision exists for this within the overall budget.

- 5.19 For full detail on the procurement approach, please refer to Appendix A, Section 9.

6. OPTIONS AND ANALYSIS OF OPTIONS

- 6.1 The service is being procured as one complete service and not broken down into smaller lots. The current configuration of the services and feedback from other commissioners and boroughs is that this model works well, and adding in complexity of additional lots (and potentially more providers) would make the contract management and provider management task more onerous.

Appraisal of procurement options

- 6.2 The following options have been considered in relation to the procurement of this service:

Option 1. Pan-London procurement, excluding boroughs that go independently
This will allow the continuation of the current successful model, continue to deliver economies of scale through a single point of access and more efficient use of staff within the contract and drive better professional standards across the service provider. This is considered to provide the most cost effective option based on the potential economies of scale available.

Option 2. Other joint procurement agreements (e.g. neighbouring boroughs only). This would break up the current arrangement, lead to potentially a more expensive and duplicated service model across a greater number of local areas. It could however give a more local provider that would have better links into local services.

Option 3. Single borough approach, merging with other established local advocacy services. This would break up the current arrangement, lead to potentially a more expensive and duplicated service model across a greater number of local areas.

- 6.3 The preference from the options above is Option 1 (Pan-London procurement, excluding those boroughs that decide to go independently).
- 6.4 Please refer to Appendix B for more detail on the models of funding for the core service for the new contract, and individual LA allocations.

7. CONSULTATION

- 7.1 The range of options have been developed through discussions with commissioners, and the current provider. Future stakeholder meetings will involve engagement with customer groups and providers. Boroughs have been consulted as to their preferred route of procurement.

8. EQUALITY IMPLICATIONS

8.1 Officers have been mindful of the need to have due regard to the Public Sector Equality Duty imposed by section 149 of the Equality Act 2010, which requires the Council to:

- Eliminate discrimination, harassment, victimisation or other prohibited conduct;
- Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it;
- Foster good relations between person who share a relevant protected characteristic and those who do not share it.

8.2 The health and wellbeing of H&F residents will be at the core of the work for this service. The aim of the service is to have a positive impact by empowering people who are disadvantaged to effectively complain about NHS services. As this is the case, an Equalities Impact Assessment has not been completed.

9. **LEGAL IMPLICATIONS**

9.1 This report refers to the procurement of a framework from which the Council will seek to call off. It will be necessary to ensure that the Council is identified in the contract and that the estimates and other crucial data are properly stated in the OJEU Notice and that a view is taken at the time of the call off that the framework is lawfully procured.

9.2 Compliance with the standing orders requires investigation as to best value (SO 8.2). Once this is satisfied, the Council must comply with the rules of the framework. It is also noted that the expenditure is above the relevant thresholds requiring advertising of the letting of the framework in the OJEU.

9.3 Legal implications verified by Jonathan Miller (Shared Legal Services – Contracts and Employment Team Telephone Number 07779333041).

10. **FINANCIAL AND RESOURCES IMPLICATIONS**

10.1 The level of funding available for this service is part of the LRCVG. H&F received for 2016/7: £94,996 of which £34,000 is allocated for IHCAS is allocated for IHCAS. The funding available for IHCAS is not ring-fenced and it is for the council to determine how much spend there should be on IHCAS.

10.2 The approved budget for this contract for H&F has reduced from £54,000 per annum in 2013/15 to £36,400 in 2015/6, reducing further to £34,000 for 2016/17.

10.3 The recommendation in paragraph 2.1 above, to enter in to an Independent Health Complaints Advocacy Services Framework (IHCAS) will cost £36,306 in 2017/18, £35,242 in 2018/19 with a further £71,545 if the option of an additional two year extension is exercised. This will be a maximum of £142,032 over the proposed lifetime of the contract.

This can be met from existing Adult Social Care revenue budgets.

10.4 Financial implications verified by Cheryl Anglin-Thompson, Principal Officer, 020 8753 4022 email:cheryl.anglin-thompson@lbhf.gov.uk

11. IMPLICATIONS FOR BUSINESS

- 11.1 The market consists of a range of organisations with knowledge of health service and social care services and structures. It is estimated there are seven organisations capable of supplying this service. The procurement exercise in 2012 resulted in four tenders being received. It is anticipated that this procurement exercise will result in a similar number of returned tenders.
- 11.2 Providers will need to demonstrate local knowledge and the ability to deliver a client centred, flexible service that supports and empowers anyone who wishes to resolve a complaint about healthcare commissioned and/or provided by the NHS in England.

12. RISK MANAGEMENT

- 12.1 Developing a strategy contributes positively to the management of procurement risk. Managing corporate and service spending efficiently through a structured approach to procurement offers potential to improve financial performance through: competition between all parties; accountability in the spending of public money; transparency in the decision making process; and value for money. Such risks are noted on the Council's Corporate risk register.
- 12.2 Appendix B sets out the risks and mitigation regarding affordability, limited local market and ensuring quality.
- 12.3 Risk Management implications verified by Michael Sloniowski, Shared Services Risk Manager, Tel 020 8753 2587, e-mail michael.sloniowski@lbhf.gov.uk.

13. PROCUREMENT STRATEGY IMPLICATIONS

- 13.1 The report sets out the procurement strategy for an Independent Health Complaints Advocacy Service (IHCAS) framework jointly procured with between 17 and 24 other London authorities for a period of two years (with the provision to extend for a further two years) from 1 April 2017 at an estimated cost (for H&F) of £142,032 for the four-year period.
- 13.2 The overall value of the framework agreement is estimated to be £4,000,000 for all participating London Authorities for the four-year period.
- 13.3 The report acknowledges that the contract falls within the category of services which are subject to a "light touch" regime under the Public Contracts Regulations. A contract notice will need to be published in OJEU and the Contracts Finder. It will be necessary to ensure that H&F is clearly identified as one of the contracting authority in the call for competition for this Framework Agreement.
- 13.4 The recommended option is Option 1. The author of the report explains the benefits for the recommended option in the report. The author has also provided the justification for not dividing the contract into smaller lots within the body of the report.

- 13.5 A Framework Agreement will be the mechanism through which H&F is able to call off the service. It needs to be in compliance with the rules of Framework Agreement.
- 13.6 The recommended price/quality split is 40:60 respectively and the report acknowledges emphasis on qualitative elements for high quality service for service users.
- 13.7 The award for call-off agreement will be in accordance with CSO 17.3.
- 13.8 Implications completed by: Jayeeta Guha, Senior Procurement Officer, ASC, Jayeeta.Guha@rbkc.gov.uk

14. IT STRATEGY IMPLICATIONS

- 14.1 There are no immediate IT strategy implications.

15. SOCIAL VALUE

- 15.1 This service supports council policy objectives to promote independence and well-being by funding activities and services to facilitate community representation and voice in the areas of health and social care. This will further the aim of promoting inclusive and representative community participation in the planning, commissioning, delivery, and quality of these services in H&F.
- 15.2 The pursuit of additional Social Value and community benefits will be reflected in the contract award criteria, tenderers will be required to submit Social Value and community benefit proposals as part of their final tender submission.

16. PRIVACY IMPACT ASSESSMENT

- 16.1 PIA screening has been undertaken. There will be a full PIA prior to the procurement as there may be new providers which need to hold or share information about individuals.

Background papers used in the preparation of this report

Local Government Association: Practice guidelines for independent health complaints advocacy services

<http://www.local.gov.uk/documents/10180/6869714/L15-551+Practice+guidelines+for+independent+health+complaints+advocacy+services/5a8a439f-48f0-4609-b4b1-34f39f02e19c>

The Public Contracts Regulations 2015. Guidance on the new light touch regime for health, social and certain other contracts. Legislation.gov.uk, 2015

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/469057/LTR_guidance_v2_8_updated_October_2015_to_publish__1_.pdf

National Social Care Category Strategy. National Procurement Strategy. LGA 2015

<http://www.local.gov.uk/documents/10180/7519026/lq+procurement+-+National+social+care+category+strategy+for+local+government/dc65f5a4-5c2d-4ba4-92c7-a25b8f58fa09>

Contact officer(s):

Steven Falvey, Strategic Commissioner, steven.falvey@lbhf.gov.uk

APPENDIX A: BUSINESS CASE AND PROCUREMENT STRATEGY REPORT

BUSINESS CASE

1. BUSINESS CASE – WHY THE PROCUREMENT IS NEEDED

IHCAS is a statutory service that is required to be put in place by Local Authorities. It is believed amongst the participating boroughs in the London consortium that a service across multiple boroughs is more cost effective and deliverable for a very mobile population in London than the set-up of individual contracts in each borough.

Individual boroughs are aware of the level of funding available for this service. Each authority receives, as part of their base grant from Government, an indication of funding through the Local Reform and Community Voices Grant (LRCVG). H&F received for 2016/7: £94,996 of which £34,000 is allocated for IHCAS is allocated for IHCAS.

A working group of commissioners from the current consortium of London boroughs, has been meeting to discuss a range of options in relation to the procurement of IHCAS including a repeat of the Pan-London joint procurement.

The current service model is well regarded and working well. Performance of the current provider is good and has even been able to deliver savings within the contract period.

There is currently four years of reported activity under the existing contract for each borough. The data shows that there is a spread of activity across London.

For H&F the number of cases appear to be around 71 per year. The approved budget for this contract for H&F has reduced from £54,000 per annum in 2013/15 to £36,400 in 2015/6, reducing further to £34,000 for 2016/17.

The original Framework contract value was advertised as £7m. In reality this is actually forecast to be around £3.8m. It is proposed that the cost for the new framework be based on activity levels of year three (as year four are not complete at this stage). This will give an estimated value (for a four-year framework contract) of £4m (for the maximum number of participating authorities – 24) allocation (a known sum of money) with which they can plan to meet their needs.

2. FINANCIAL INFORMATION

The total value over the lifetime of the contract (two years plus two possible annual extensions) is estimated to be up to £142,032 (£36,306 for the first year and £35,242 for the life of the contract thereafter).

The level of funding available for this service is part of the LRCVG. H&F received for 2016/7: £94,996 of which £34,000 is allocated for IHCAS is allocated for IHCAS. The funding available for IHCAS is not ring-fenced and it is for the council to determine how much spend there should be on IHCAS.

The approved budget for this contract for H&F has reduced from £54,000 per annum in 2013/15 to £36,400 in 2015/6, reducing further to £34,000 for 2016/17.

Participating boroughs have agreed that a proposed fee of £55,000 will be payable in total to Southwark Council for carrying out the procurement. The proportion each Council will be required to pay will be determined by the number of boroughs participating e.g. if 24 boroughs participate, H&F's contribution will amount to £2,306.

It has also been agreed across all those participating boroughs for a contribution (fee) to be paid to Southwark to cover the costs of managing and monitoring this contract. This fee is £29,830 per annum and will be evenly split across all participating boroughs. If 24 boroughs participate for example, then H&F's contribution will be £1,242.

The proportion each Council will be required to pay will be determined by the number of boroughs participating.

Financial implications verified by Cheryl Anglin-Thompson, Principal Officer, 020 8753 4022 email:cheryl.anglin-thompson@lbhf.gov.uk

3. OPTIONS APPRAISAL AND RISK ASSESSMENT

The following options have been considered in relation to the procurement of this service:

Option 1. Pan-London procurement, excluding boroughs that go independently
This will allow the continuation of the current successful model, continue to deliver economies of scale through a single point of access and more efficient use of staff within the contract and drive better professional standards across the service provider. This is considered to provide the most cost effective option based on the potential economies of scale available.

Option 2. Other joint procurement agreements (e.g. neighbouring boroughs only)
This would break up the current arrangement, lead to potentially a more expensive and duplicated service model across a greater number of local areas. It could however give a more local provider that would have better links into local services.

Option 3. Single borough approach, merging with other established local advocacy services. This would break up the current arrangement, lead to potentially a more expensive and replicated service model across a greater number of local areas.

The preference from the options above is Option 1 (Pan-London procurement, excluding those boroughs that decide to go independently).

Risks and Mitigating Factors

The lead authority (Southwark) will be managing the risks in consultation with all signed up partners. The table below sets out the risks and mitigation.

| Risks | Mitigation or control | Likelihood |
|--|---|------------|
| Failure by boroughs to reach agreement to pursue a joint Pan-London approach | Boroughs to seek their own legal advice. Discussions to be progressed through the commissioner's network. Majority decision will stand or individual procurement is pursued | Low |
| TUPE implications cause a delay in timetable for implementation of any new contract | Ensure any new and outgoing providers are in contact at the earliest opportunity and supported to engage all staff at the earliest opportunity | Medium |
| Low response of tenders returned | Ensure all opportunities to advertise the procurement are taken to ensure potential providers are aware | Medium |
| Impact on the service of a major NHS crisis e.g. North Staffordshire. Some boroughs could end up subsidising others. | Contingencies written into the contract. Funds withheld for such an event | High |
| A Pan-London provider may not have sufficient local knowledge | A requirement to be set out in the contract. Providers could address this by sub-contracting and advocates required to have knowledge of and travel into boroughs | Low |
| The council could incur legal costs/damages through no fault of its own through a procurement challenge | Advice is currently being sought in order to ensure the Council is fully covered for its role in this procurement | Low |
| Boroughs that may subsequently want to withdraw from the contract could jeopardise the entire service | The framework agreement will address this. | Low |
| Could be difficult to agree changes to provision if services are not working in some boroughs but are in others | Contract monitoring (including cluster approach) of performance to address this. | Low |
| The Pan-London procurement is not completed in time | Adherence to the timeline or revised timeline and late commencement. | Medium |

4. THE MARKET

The market consists of a range of organisations with knowledge of health service and social care services and structures. It is estimated there are seven organisations capable of supplying this service. The procurement exercise in 2012 resulted in four tenders being received. It is anticipated that this procurement exercise will result in a similar number of returned tenders.

Providers will need to demonstrate local knowledge and the ability to deliver a client centred, flexible service that supports and empowers anyone who wishes to resolve a complaint about healthcare commissioned and/or provided by the NHS in England.

5. PROCUREMENT STRATEGY

CONTRACT PACKAGE, LENGTH AND SPECIFICATION

The strategy recommends that the service is procured as one complete service and not broken down into smaller lots. The current configuration of the services and feedback from other commissioners and boroughs is that this model works extremely well, and adding in complexity of additional lots (and potentially more providers) would make the contract management and provider management task more onerous.

A specification for the independent health complaints advocacy service has been developed in consultation with other London boroughs. It is proposed to use the majority of documentation from the 2012 process with minimal updating and bringing in line with Southwark's processes as required.

It is recommended that the contract length is for two years, with an option to extend up to a further two years if beneficial. The exact terms of the contract will be 1 April 2017 to 31 March 2019, with the provision to extend for a further two years.

A break clause will be added to the contract, allowing for any borough to withdraw from the framework, having given the required notice period of six months. If any one borough pulls out of the contract, the 'core element cost' will be recalculated to be shared among the remaining boroughs. The tariff element is not affected unless the number of boroughs goes below a certain level.

Officers have consulted with Southwark Council in regards to having input into the service model design and procurement process. This was to ensure H&F values are embedded in the contract documentation. Also that those delivering the service have a detailed local knowledge of the borough, its specific needs and the objectives of the administration.

A procurement evaluation panel will be set up with representatives from the commissioners' network. It will include, procurement and finance and will carry out evaluation of the tenders. Southwark have requested volunteers from boroughs to take part in the evaluation.

6. SOCIAL VALUE, LOCAL ECONOMIC AND COMMUNITY BENEFITS

The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well-being of the local area can be secured. The details of how social value will be incorporated within the tender are set out in the following paragraphs.

The procurement of a joint contract is a cost effective way of dealing with complaints management. It will be a demand led service and provide one single point of contact for people wishing to bring complaints about the delivery of NHS services. Joint procurement of a Pan-London service also supports a cost effective commissioning approach achieving economies of scale and lower transaction costs of commissioning for each individual borough.

This service supports council policy objectives to promote independence and well-being by funding activities and services to facilitate community representation and voice in the areas of health and social care. This will further the aim of promoting inclusive and representative community participation in the planning, commissioning, delivery and quality of these services in Southwark.

The successful contractor will be expected to meet the London Living Wage (LLW) requirements. Given the need to recruit and retain high quality staff, it is considered that best value will be achieved by including this requirement. As part of the tender process, bidders will be required to confirm that they will be paying LLW and the benefits that this will provide to the council. On award, the quality improvements and cost implications will be monitored as part of the annual review of each contract.

7. OTHER STRATEGIC POLICY OBJECTIVES

The award of this contract supports the national policy framework. In April 2009 DH published the Local Authority Social Services and National Health Service Complaints (England) Regulations which introduced a key change where for the first time social services and NHS complaints were aligned and subject to the same complaints process. Social care complaints are incorporated into the council's corporate complaints policy.

The Health & Social Care Act 2012 introduces a number of changes including the transfer of public health accountabilities from the NHS to local authorities, the abolition of PCTs to be replaced by GP led clinical commissioning groups (CCGs) and the creation of patient champion groups known as LHW. The Act also includes a requirement for the establishment of local Health and Wellbeing Boards with a duty on the council to co-ordinate.

8. STAKEHOLDER CONSULTATION

The range of options have been developed to date through discussions with commissioners, and the current provider. Boroughs have been consulted as to their preferred route of procurement. Future stakeholder meetings will involve engagement with customer groups and providers.

9. PROCUREMENT PROCEDURE

There is an opportunity for Southwark Council to lead the Pan-London procurement of an independent health complaints advocacy service.

It is proposed to run this procurement in a similar way as it was by Hounslow back in 2012. In order to participate in this procurement a Council will need to sign-up to a Participation Agreement that governs and regulates the relationships between the participating Boroughs and the lead procurement authority (Southwark Council).

The Participation Agreement was finalised through learning from the present contract.

Boroughs have notified Southwark of an in principle commitment to signing-up. There is the potential of 24 London boroughs participating in this procurement.

Under the terms of the Agreement, the participating boroughs agree to share the costs of carrying out the procurement. Each Council will be required to pay a proportion of the fee that Southwark Council has proposed (£55,350). The proportion each Council will be required to pay will be determined by the number of boroughs participating e.g. if 24 boroughs participate, H&F's contribution will amount to £2,306.

The fee is to cover the staffing resource required to run the procurement and any management costs, including any additional insurance costs required to cover Southwark Council to run a procurement on behalf of a large number of other authorities (advice is currently being sought in order to ensure the Council is fully covered for its role in this procurement).

Individual Local Authorities will have needed to have gained approval within their own organisations to proceed with a Pan-London procurement approach and to make a commitment about the funding (based on the level of funding they receive through the Local Reform and Community Voices Grant they wish to commit).

Southwark Council as the lead borough for the joint procurement of independent health complaints advocacy will facilitate meetings of commissioners and developing proposals for discussion and agreement by commissioners. At its last meeting (24 August 2016) it was decided:

- To keep the specification for the service as it currently is with a core service and tariffs for face to face and remote advocacy.
- To discuss the financial model for the split of core costs for the service at the next meeting (based on current model and a revised model based on activity of current contract).
- The service will only be for NHS complaints Advocacy (however providers will be expected to deal with joint NHS/Social Care complaints and the latter will not be explicitly excluded. There is an expectation that the provider will work with and refer to locally commissioned services).

A project group has been established to oversee the procurement. This group includes legal, procurement and finance representatives from Southwark.

The Council has used the Open procedure to maximise interest in the contract opportunity from a relatively small market.

The opportunity will be notified by the participating authorities to their respective local providers.

The contract falls within the category of social and other specific services which are subject to a “light touch” regime under the Public Contracts Regulations. A contract notice has been published in OJEU and the Contracts Finder.

A Framework Agreement will be the mechanism through which local authorities are able to call off the service.

A ‘call off’ service contract will be developed to enable local authorities to call off the service as required once the procurement process has been completed and a service provider appointed.

The individual borough ‘call off’ service contracts will start on 01 April 2017 for a period of 2 years in the first instance and subject to the continuation of funding and satisfactory performance with provision to extend for up to a further 2 years (2 single year extensions).

10. CONTRACT AWARD CRITERIA

It is recommended that the price/quality split is 40:60 respectively. This is because economies have already been made with this procurement though savings made by reducing the annual contract value. In order to achieve the best value elements of efficiency and effectiveness, it is necessary to have more qualitative evaluation indicators to thoroughly assess these elements.

PROJECT MANAGEMENT AND GOVERNANCE

11. PROJECT MANAGEMENT

Southwark Council as the lead borough has established a project management group to oversee the procurement. This group includes legal, procurement and finance representatives from Southwark. Meetings with commissioners from participating boroughs will be scheduled regularly.

12. INDICATIVE TIMETABLE

H&F Governance

| Stage | Deadline | Governance Stage (indicative Dates) |
|------------------------|------------------|--|
| CoCo Board | TBC | TBC |
| Business Delivery Team | 18 December 2016 | 22 December 2016 |
| HFBB | | 28 December 2016 |

| | | |
|---|------------------|-----------------|
| | 23 December 2016 | |
| Cabinet Member Board | 3 January 2017 | 5 January 2017 |
| H & F Political Cabinet | 9 January 2017 | 16 January 2017 |
| Cabinet Approval (H & F) | 23 January 2017 | 6 February 2017 |
| CoCo Board | TBC | TBC |
| H & F Cabinet Member Digest: Contract Award | TBC | TBC |

Indicative Procurement Table (Southwark Leading)

| | | |
|---|----------------------|---|
| Development of contract specification | 25 November 2016 | |
| Advert and OJEU notice for Flexible Support Contract | Use CapitalEsourcing | 4 December 2016 TBC |
| Issue PQQ | Use CapitalEsourcing | 4 December 2016 NB Single Stage Process |
| Deadline for return of PQQ | N/A | |
| Evaluate PQQ | N/A | |
| Invite eligible providers to begin competitive dialogue | N/A | |
| Request final submissions | N/A | |
| Deadline for return of final submissions | Use CapitalEsourcing | 10 January 2017 |
| Evaluation of final submissions | 20 January 2017 | |
| Contract award | 1 April 2017 | |
| Implementation Period | April – June 2017 | |

13. CONTRACT MANAGEMENT

To be developed in consultation with the boroughs signed up to the Participation Agreement. It has been agreed across all those participating boroughs for a contribution (fee) to be paid to Southwark to cover the costs of managing and monitoring this contract. This fee is £29,830 per annum and will be evenly split across all participating boroughs. If 24 boroughs participate for example, then H&F's contribution will be £1,242.

Each individual borough will be responsible for payment of invoices related to the costs attributed to their Local Authority directly with the provider.

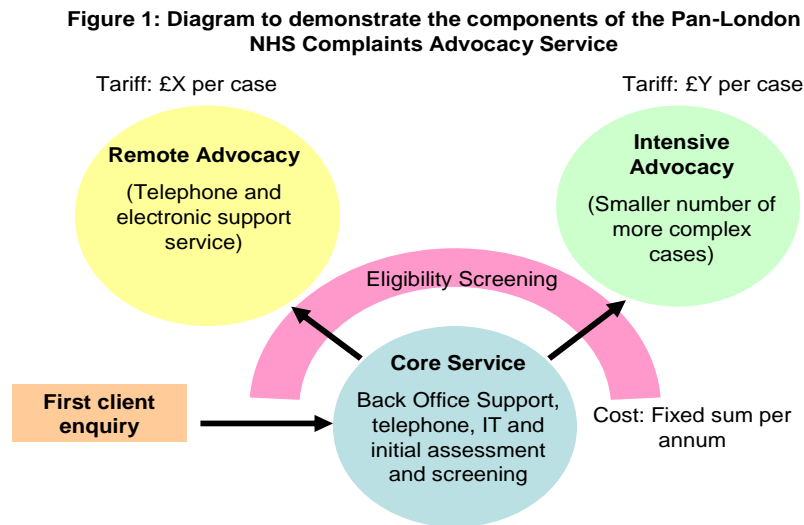
Participating boroughs will be expected to engage and participate in quarterly monitoring meetings with the provider. It will be expected that each local

Healthwatch (LHW) will have an overview of the issues and outcomes from the delivery of the contract in order to inform the work and direction of LHW.

All participating boroughs have agreed to contribute towards the cost of management and monitoring of the contract. As set out in the participation agreement each participating authority will be charged a fee proportionate to the number of authorities participating.

APPENDIX B: MODELS OF FUNDING FOR CORE SERVICE FOR NEW CONTRACT

The model is based on a framework which has been developed in consultation with the 26 participating London Boroughs. The framework (Figure 1) is structured around a core service which it is intended the majority of clients will use and will be a fixed cost to the participating councils. There will also be two tariff based services, a remote advocacy service and an intensive advocacy service. Access to these services will be through a screening process based on criteria to establish the client's eligibility, the assessment criteria will be defined as part of the contract mobilisation.



The current Pan-London IHCAS contract used a financial model to split the costs of the Core service element. This model was built using the DH allocations that were assigned to each participating Local Authority through the LRCVG.

This model was developed as there was no robust monitoring or performance data available to Commissioners to develop a model based on usage of the service. For the new procurement discussion within the Commissioners group has revolved around the development of a new financial model for the split of the core service as there is now robust monitoring and performance data through the life of the current contract.

The following two models of funding have been proposed for the new contract:

Model 1

This model builds on the original model from the original procurement and is based on a proportional split of the core service by allocation of funding from the LRCVG. The allocation of DH funding has been taken from the Local Authority Social Services Letter (LASSL (DH)(2016)) dated April 2016. This letter clarifies

the specific revenue funding for the financial year 2016/7 that has been allocated per Local Authority for the LRCVG of which a proportion is allocated for IHCAS.

That proportion has been calculated as follows (for all LA's):

(National Allocation IHCAS / National LRCVG) = % proportion

(£14.41m / £32.83m = 43.89%)

This proportion has then been multiplied against the allocated DH LRCVG to give an allocation for IHCAS. The total of all the allocations for IHCAS for LA's interested in participating has then been calculated and a proportion then calculated for those LA's.

Model 2

This model is built from the activity within the current IHCAS contract. Activity from the first 3 years (2013/14 – 2015/6) has been averaged.

This model has two main weaknesses:

- Harrow were not within the contract, so no data on which to calculate a proportion.
- Wandsworth were only engaged for the last two years, so only 1 year of data (2015/6) used.

The preference is for Model 1 for the following reasons:

- Data readily available and comparable for all Participating Boroughs - covers all London boroughs irrespective of whether they were part of framework at all or just for a few years, so no need for different calculations for new framework borough joiners or late joiners.
- The proportion splits are relatively similar to the model currently used, so this will not extensively change what each participating borough is already spending on the core service.
- Funding allocations agreed by Central Government - so independent of any local authority.

For information purposes, what follows is the total of all the allocations for IHCAS for LA's interested in participating. This has then been calculated and a proportion then calculated for those LA's.

| Borough | LRCVG | multiplier | IHCAS funding | Proportion |
|-------------------------------|--------------|------------|---------------|------------|
| Barking & Dagenham | £ 124,828.00 | 43.89% | £ 54,790.48 | 3.06% |
| Barnet | £ 197,890.00 | 43.89% | £ 86,859.42 | 4.85% |
| Brent | £ 183,610.00 | 43.89% | £ 80,591.54 | 4.50% |
| Bromley | £ 162,750.00 | 43.89% | £ 71,435.50 | 3.99% |
| Camden | £ 175,780.00 | 43.89% | £ 77,154.73 | 4.30% |

| | | | | |
|---------------------------------|--------------|--------|-------------|-------|
| Croydon | £ 191,581.00 | 43.89% | £ 84,090.23 | 4.69% |
| Ealing | £ 193,799.00 | 43.89% | £ 85,063.77 | 4.75% |
| Enfield | £ 177,540.00 | 43.89% | £ 77,927.24 | 4.35% |
| Greenwich | £ 181,866.00 | 43.89% | £ 79,826.05 | 4.45% |
| Hackney | £ 192,083.00 | 43.89% | £ 84,310.57 | 4.70% |
| Hammersmith & Fulham | £ 125,554.00 | 43.89% | £ 55,109.14 | 3.07% |
| Haringey | £ 156,974.00 | 43.89% | £ 68,900.25 | 3.84% |
| Harrow | £ 132,587.00 | 43.89% | £ 58,196.12 | 3.25% |
| Havering | £ 137,489.00 | 43.89% | £ 60,347.75 | 3.37% |
| Hillingdon | £ 142,333.00 | 43.89% | £ 62,473.91 | 3.49% |
| Islington | £ 175,798.00 | 43.89% | £ 77,162.63 | 4.30% |
| Kensington | £ 118,502.00 | 43.89% | £ 52,013.82 | 2.90% |
| Kingston | £ 78,361.00 | 43.89% | £ 34,394.82 | 1.92% |
| Lambeth | £ 206,289.00 | 43.89% | £ 90,545.98 | 5.05% |
| Merton | £ 102,249.00 | 43.89% | £ 44,879.93 | 2.50% |
| Redbridge | £ 152,568.00 | 43.89% | £ 66,966.34 | 3.74% |
| Southwark | £ 214,727.00 | 43.89% | £ 94,249.65 | 5.26% |
| Tower Hamlets | £ 200,280.00 | 43.89% | £ 87,908.46 | 4.90% |
| Wandsworth | £ 177,379.00 | 43.89% | £ 77,856.58 | 4.34% |
| Westminster | £ 180,893.00 | 43.89% | £ 79,398.97 | 4.43% |

NOTICE OF CONSIDERATION OF A KEY DECISION

In accordance with paragraph 9 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, the Cabinet hereby gives notice of Key Decisions which it intends to consider at its next meeting and at future meetings. The list may change between the date of publication of this list and the date of future Cabinet meetings.

NOTICE OF THE INTENTION TO CONDUCT BUSINESS IN PRIVATE

The Cabinet also hereby gives notice in accordance with paragraph 5 of the above Regulations that it intends to meet in private after its public meeting to consider Key Decisions which may contain confidential or exempt information. The private meeting of the Cabinet is open only to Members of the Cabinet, other Councillors, and Council officers.

Reports relating to key decisions which the Cabinet will take at its private meeting are indicated in the list of Key Decisions below, with the reasons for the decision being made in private. Any person is able to make representations to the Cabinet if he/she believes the decision should instead be made in the public Cabinet meeting. If you want to make such representations, please e-mail Katia Richardson on katia.richardson@lbhf.gov.uk. You will then be sent a response in reply to your representations. Both your representations and the Executive's response will be published on the Council's website at least 5 working days before the Cabinet meeting.

KEY DECISIONS PROPOSED TO BE MADE BY CABINET ON 6 FEBRUARY 2017 AND AT FUTURE CABINET MEETINGS UNTIL MAY 2017

The following is a list of Key Decisions which the Authority proposes to take at the above Cabinet meeting and future meetings. The list may change over the next few weeks. A further notice will be published no less than 5 working days before the date of the Cabinet meeting showing the final list of Key Decisions to be considered at that meeting.

KEY DECISIONS are those which are likely to result in one or more of the following:

- Any expenditure or savings which are significant (i.e. in excess of £100,000) in relation to the Council's budget for the service function to which the decision relates;
- Anything affecting communities living or working in an area comprising 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 Key Decisions List will be updated and published on the Council's website on a monthly basis.

NB: Key Decisions will generally be taken by the Executive at the Cabinet.

If you have any queries on this Key Decisions List, please contact

Katia Richardson on 020 8753 2368 or by e-mail to katia.richardson@lbhf.gov.uk

Access to Cabinet reports and other relevant documents

Reports and documents relevant to matters to be considered at the Cabinet's public meeting will be available on the Council's website (www.lbhf.org.uk) a minimum of 5 working days before the meeting. Further information, and other relevant documents as they become available, can be obtained from the contact officer shown in column 4 of the list below.

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 list by contacting the officer shown in column 4. 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) will be shown in the Cabinet agenda.

LONDON BOROUGH OF HAMMERSMITH & FULHAM: CABINET 2016/17

| | |
|--|--------------------------------------|
| Leader: | Councillor Stephen Cowan |
| Deputy Leader: | Councillor Michael Cartwright |
| Cabinet Member for Commercial Revenue and Resident Satisfaction: | Councillor Ben Coleman |
| Cabinet Member for Social Inclusion: | Councillor Sue Fennimore |
| Cabinet Member for Environment, Transport & Residents Services: | Councillor Wesley Harcourt |
| Cabinet Member for Housing: | Councillor Lisa Homan |
| Cabinet Member for Economic Development and Regeneration: | Councillor Andrew Jones |
| Cabinet Member for Health and Adult Social Care: | Councillor Vivienne Lukey |
| Cabinet Member for Children and Education: | Councillor Sue Macmillan |
| Cabinet Member for Finance: | Councillor Max Schmid |

Key Decisions List No. 52 (published 26 January 2017)

KEY DECISIONS LIST - CABINET ON 6 FEBRUARY 2017

The list also includes decisions proposed to be made by future Cabinet meetings

Where column 3 shows a report as EXEMPT, the report for this proposed decision will be considered at the private Cabinet meeting. Anybody may make representations to the Cabinet to the effect that the report should be considered at the open Cabinet meeting (see above).

* 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.

| Decision to be Made by (Cabinet or Council) | Date of Decision-Making Meeting and Reason | Proposed Key Decision Most decisions are made in public unless indicated below, with the reasons for the decision being made in private. | Lead Executive Councillor(s), Wards Affected, and officer to contact for further information or relevant documents | Documents to be submitted to Cabinet (other relevant documents may be submitted) |
|---|--|---|--|---|
| 6 February 2017 | | | | |
| Cabinet | 6 Feb 2017 | <p>Business Intelligence Infrastructure</p> <p>This document sets out the business case for investment in the Business Intelligence infrastructure in LBHF.</p> <p>The urgency of decision is driven by both the need to have a solution in place as part of the Council's commercial offer so that the Council can maintain its leading position in the market as well as address the organisation's need to have more timely access to data and analysis.</p> <p>PART OPEN</p> <p>PART PRIVATE</p> <p>Part of this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p> <p>Information relating to the financial or business affairs of any particular person (including the</p> | Cabinet Member for Finance | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| | Reason: Expenditure more than £100,000 | | <p>Ward(s): All Wards</p> <p>Contact officer: Martin Nottage, Duncan Smith Tel: 020 8753 2368, Tel: 020 8753 2551 martin.nottage@lbhf.gov.uk, duncan.smith@lbhf.gov.uk</p> | |

| Decision to be Made by (Cabinet or Council) | Date of Decision-Making Meeting and Reason | Proposed Key Decision Most decisions are made in public unless indicated below, with the reasons for the decision being made in private. | Lead Executive Councillor(s), Wards Affected, and officer to contact for further information or relevant documents | Documents to be submitted to Cabinet (<i>other relevant documents may be submitted</i>) |
|---|--|---|---|---|
| | | authority holding that information) | | |
| Cabinet Full Council | 6 Feb 2017 22 Feb 2017 | FOUR YEAR CAPITAL PROGRAMME 2017/18 TO 2020/21 | Cabinet Member for Finance | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| | Reason: Expenditure more than £100,000 | This report presents the Council's four-year Capital Programme for the period 2017-21. | Ward(s): All Wards | |
| | | | Contact officer: Hitesh Jolapara, Christopher Harris Tel: 020 8753 2501, Tel: 020 8753 6440 hitesh.jolapara@lbhf.gov.uk, Harris.Christopher@lbhf.gov.uk | |
| Cabinet | 6 Feb 2017 | CAPITAL PROGRAMME MONITOR & BUDGET VARIATIONS, 2016/17 (THIRD QUARTER) | Cabinet Member for Finance | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| | Reason: Expenditure more than £100,000 | This report provides a financial update on the Council's Capital Programme and seeks approval for budget variations as at the end of the third quarter, 2016/17 | Ward(s): All Wards | |
| | | | Contact officer: Hitesh Jolapara, Christopher Harris Tel: 020 8753 2501, Tel: 020 8753 6440 hitesh.jolapara@lbhf.gov.uk, Harris.Christopher@lbhf.gov.uk | |
| Cabinet Full Council | 6 Feb 2017 22 Feb 2017 | Revenue Budget and Council Tax Levels 2017/18 | Leader of the Council | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| | Reason: Expenditure more than £100,000 | This report sets the revenue budget and council tax for 2017/18 | Ward(s): All Wards | |
| | | | Contact officer: Hitesh Jolapara Tel: 020 8753 2501 hitesh.jolapara@lbhf.gov.uk | |
| Cabinet | 6 Feb 2017 | Section 278 - 28 - 36 Glenthorne Road | Cabinet Member for Environment, Transport & Residents Services | A detailed report for this item will be available at least |

| Decision to be Made by (Cabinet or Council) | Date of Decision-Making Meeting and Reason | Proposed Key Decision Most decisions are made in public unless indicated below, with the reasons for the decision being made in private. | Lead Executive Councillor(s), Wards Affected, and officer to contact for further information or relevant documents | Documents to be submitted to Cabinet (<i>other relevant documents may be submitted</i>) |
|---|--|--|---|---|
| | Reason: Expenditure more than £100,000 | Highway Improvements, which include; footway improvements in Southerton Road junction with Glenthorne Road, footway improvements on both sides of Overstone Road at the junction with Glenthorne Road. Modification of the entry treatment in Overstone Road at the junction with Glenthorne Road, installation of new anti-skid road surfacing on the approach to the existing zebra crossing in Glenthorne Road | Ward(s): Hammersmith Broadway Contact officer: Stephen Daway Stephen.daway@lbhf.gov.uk | five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| Cabinet | 6 Feb 2017 Reason: Affects 2 or more wards | Article 4 Directions Three Article 4 Directions are proposed to take away permitted development rights for Basements, Pubs and Office/light industrial to residential. In order to make these directions the legal department require approval by way of a key decision. | Cabinet Member for Environment, Transport & Residents Services Ward(s): All Wards Contact officer: David Gawthorpe David.Gawthorpe@lbhf.gov.uk | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| Cabinet | 6 Feb 2017 Reason: Expenditure more than £100,000 | Procurement of water risk assessment (Legionella) Strategy report for the procurement of water risk assessment contract (Legionella) | Cabinet Member for Housing Ward(s): All Wards Contact officer: Paul Monforte, Henrietta Jacobs Tel: 020 8753 6985, Tel: 020 8753 3729 Paul.Monforte@lbhf.gov.uk, Henrietta.Jacobs@lbhf.gov.uk | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| Cabinet | 6 Feb 2017 | Proposal for an Affordable Housing Delivery Framework | Cabinet Member for Economic Development and Regeneration, Cabinet Member for | A detailed report for this item will be available at least |

| Decision to be Made by (Cabinet or Council) | Date of Decision-Making Meeting and Reason | Proposed Key Decision Most decisions are made in public unless indicated below, with the reasons for the decision being made in private. | Lead Executive Councillor(s), Wards Affected, and officer to contact for further information or relevant documents | Documents to be submitted to Cabinet (<i>other relevant documents may be submitted</i>) |
|---|---|---|---|---|
| | Reason: Affects 2 or more wards | The Council is seeking to set up an Affordable Housing Delivery Framework with local Housing Associations. | Housing Ward(s): All Wards Contact officer: David Burns David.Burns@lbhf.gov.uk | five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| Cabinet | 6 Feb 2017 Reason: Budg/pol framework | The Establishment Of A Contractual Joint Venture Partnership With Lbhf And Imperial College London THE ESTABLISHMENT OF A CONTRACTUAL JOINT VENTURE PARTNERSHIP WITH LBHF AND IMPERIAL COLLEGE LONDON | Cabinet Member for Economic Development and Regeneration Ward(s): All Wards Contact officer: David Burns David.Burns@lbhf.gov.uk | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| Cabinet | 6 Feb 2017 Reason: Affects 2 or more wards | Treasury Management Strategy 2017/18 The report sets out the Council's Treasury Management Strategy for 2017/18. It seeks approval for the Strategic Finance Director to arrange the Treasury Management Strategy in 2017/18 as set out in this report. | Cabinet Member for Finance Ward(s): All Wards Contact officer: Halfield Jackman Halfield.Jackman@lbhf.gov.uk | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| Cabinet | 6 Feb 2017 Reason: | Corporate Planned Maintenance Programme 2017/2018 The purpose of this report is to provide proposals for the delivery and funding of the 2017/2018 Corporate Planned Maintenance Programme (CPMP) for the Council's property portfolio. | Cabinet Member for Finance Ward(s): All Wards Contact officer: Sebastian Mazurczak Tel: 020 8753 1707 Sebastian.Mazurczak@lbhf.gov.uk | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background |

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|---|--|---|--|---|
| | | Information relating to the financial or business affairs of any particular person (including the authority holding that information) | | papers to be considered. |
| Cabinet | 6 Feb 2017 | H&F Procurement Strategy For An Independent Complaints Advocacy Service The Independent Health Complaints Advocacy Service is a statutory client centred, flexible service that supports and empowers anyone who wishes to resolve a complaint about healthcare commissioned and/or provided by the NHS in England. | Cabinet Member for Health and Adult Social Care | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| | Reason: Expenditure more than £100,000 | | Ward(s): All Wards | |
| Cabinet | 6 Feb 2017 | Financial Plan for Council Homes: The Housing Revenue Account Financial Strategy, 2017/18 Housing Revenue Account Budget and 2017/18 Rent Reduction This report covers the 2017/18 budget for the Council's homes (also known as the annual Housing Revenue Account (HRA) budget) including a reduction in rents for Council homes of 1% for 2017/18. | Cabinet Member for Housing | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| | Reason: Expenditure more than £100,000 | | Ward(s): All Wards | |
| 6 March 2017 | | | | |
| Cabinet | 6 Mar 2017 | Proposed Establishment of an Integrated Family Support Service This item makes proposals for the ambition to redesign provision | Cabinet Member for Children and Education | A detailed report for this item will be available at least five working days before the date of the meeting and |
| | Reason: Affects 2 or more wards | | Ward(s): All Wards | |

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|---|---|--|---|---|
| | | across universal to targeted (tiers 1, 2, 3) services as part of a whole system service strategy with specialist services, including Children's Social Care. It represents an integration of practice and workforce across a range of family and health services and budgets across the 0-18 age range (24 if the young person has a learning difficulty or disability) and across the different thresholds of support. | Contact officer: Robin Barton Robin.Barton@rbkc.gov.uk | will include details of any supporting documentation and / or background papers to be considered. |
| Cabinet | 6 Mar 2017 Reason: Expenditure more than £100,000 | <p>Children's Social Care Case Management System Upgrade</p> <p>To upgrade from the existing case management system to the latest version of the product as part of a programme of improvements to case recording practices.</p> <p>PART OPEN</p> <p>PART PRIVATE Part of this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p> | <p>Cabinet Member for Children and Education</p> <hr/> <p>Ward(s): All Wards</p> <hr/> <p>Contact officer: David Mcnamara David.Mcnamara@lbhf.gov.uk</p> | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| Cabinet | 6 Mar 2017 | Disposal of land at Lavender Court | Cabinet Member for Housing | A detailed report for this item will be available at least |

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|---|--|---|--|---|
| | Reason: Income more than £100,000 | Disposal of land at Lavender Court for delivery of affordable housing | Ward(s): Wormholt and White City Contact officer: David Burns David.Burns@lbhf.gov.uk | five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| Cabinet | 6 Mar 2017 Reason: Expenditure more than £100,000 | Rough Sleeper/Single Homeless Supported Accommodation Contract Extensions Commissioning Strategy for seven supported housing contracts for rough sleepers single homeless people with support needs PART OPEN PART PRIVATE Part of this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. | Cabinet Member for Health and Adult Social Care Ward(s): All Wards Contact officer: Julia Copeland Tel: 0208 753 1203 julia.copeland@lbhf.gov.uk | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| Cabinet | 6 Mar 2017 Reason: Expenditure more than £100,000 | Award of Impact IDVA Contract Recommendation to make direct award of Impact Project Independent Domestic Violence Advocates for a period of one year with an option to extend for a further year. | Deputy Leader Ward(s): All Wards Contact officer: Pat Cosgrave Tel: 020 8753 2810 Pat.Cosgrave@lbhf.gov.uk | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |

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|---|--|---|---|---|
| Cabinet | 6 Mar 2017 | 2016/17 Corporate Revenue Monitor for Month 8 | Cabinet Member for Finance | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| | Reason: Expenditure more than £100,000 | 2016/17 Corporate Revenue Monitor for Month 8 | Ward(s): All Wards | |
| | | | Contact officer: Hitesh Jolapara Tel: 020 8753 2501 hitesh.jolapara@lbhf.gov.uk | |
| 27 March 2017 | | | | |
| Cabinet | 27 Mar 2017 | Award of Tree Maintenance Contract Award of term contract for the maintenance of the council's trees along streets, in parks and housing estates and open spaces. PART OPEN PART PRIVATE Part of this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. | Cabinet Member for Environment, Transport & Residents Services Ward(s): All Wards Contact officer: Ian Hawthorn, Gavin Simmons Tel: 020 8753 3058, ian.hawthorn@lbhf.gov.uk, gavin.simmons@lbhf.gov.uk | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| Cabinet | 27 Mar 2017 | Contract Award Decision to appoint the construction contractor for the redevelopment of the Bridge Academy site for the provision of a range of young people | Cabinet Member for Children and Education Ward(s): Palace Riverside | A detailed report for this item will be available at least five working days before the date of the meeting and |

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|---|--|---|--|--|
| | £100,000 | <p>services</p> <p>Following a procurement exercise over the summer 2016 this decision will be to award the contract to the successful contractor</p> <p>PART OPEN</p> <p>PART PRIVATE Part of this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p> | <p>Contact officer: David Mcnamara</p> <p>David.Mcnamara@lbhf.gov.uk</p> | <p>will include details of any supporting documentation and / or background papers to be considered.</p> |
| Cabinet | <p>27 Mar 2017</p> <hr/> <p>Reason: Expenditure more than £100,000</p> | <p>Award report from Genito-Urinary Medicine</p> <p>The report recommends award to the winning tenderer following procurement process.</p> <p>PART OPEN</p> <p>PART PRIVATE Part of this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p> | <p>Cabinet Member for Health and Adult Social Care</p> <hr/> <p>Ward(s): All Wards</p> <hr/> <p>Contact officer: Gaynor Driscoll, Nicola Lockwood, Helen Byrne Tel: 0207 361 2418, Tel: 020 8753 5359, gaynor.driscoll@rbkc.gov.uk, Nicola.Lockwood@lbhf.gov.uk, Helen.Byrne@lbhf.gov.uk</p> | <p>A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.</p> |

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|---|--|--|---|---|
| Cabinet | 27 Mar 2017 | LBHF Older People's Housing Strategy | Cabinet Member for Housing | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| | Reason: Affects 2 or more wards | Report setting out framework and direction of travel for older people's housing. | Ward(s): All Wards Contact officer: Jane Martin Tel: 0208 753 5666 Jane.Martin@lbhf.gov.uk | |
| Cabinet | 27 Mar 2017 | Strengthening Community Partnerships | Cabinet Member for Social Inclusion | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| | Reason: Expenditure more than £100,000 | This report outlines the business case and recommendations for grant funding Hammersmith & Fulham based Community Legal Advice Services. | Ward(s): All Wards Contact officer: Louise Raisey Tel: 020 8753 2012 Louise.Raisey@lbhf.gov.uk | |
| Cabinet | 27 Mar 2017 | LBHF School Organisation and Investment Strategy 2017 | Cabinet Member for Children and Education | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| | Reason: Affects 2 or more wards | Annual review of HF schools and capital investment | Ward(s): All Wards Contact officer: Christine Edwards Tel: 020 7854 5865 christine.edwards@rbkc.gov.uk | |
| Cabinet | 27 Mar 2017 | Lilla Huset | Cabinet Member for Finance | A detailed report for this item will be available at least five working days before the date of the meeting and will include details |
| | Reason: Income more than £100,000 | Lilla Huset is currently occupied by Libraries and Children's Services. The existing lease expires in June 2016. This report will consider and recommend whether the Council | Ward(s): Hammersmith Broadway | |

| Decision to be Made by (Cabinet or Council) | Date of Decision-Making Meeting and Reason | Proposed Key Decision Most decisions are made in public unless indicated below, with the reasons for the decision being made in private. | Lead Executive Councillor(s), Wards Affected, and officer to contact for further information or relevant documents | Documents to be submitted to Cabinet (<i>other relevant documents may be submitted</i>) |
|---|--|---|---|--|
| | | <p>should renew its lease.</p> <p>PART OPEN</p> <p>PART PRIVATE Part of this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p> | <p>Contact officer: Nigel Brown, Lzhar Haq Tel: 020 8753 2835, Tel: 020 8753 2692 Nigel.Brown@lbhf.gov.uk, izhar.haq@lbhf.gov.uk</p> | <p>of any supporting documentation and / or background papers to be considered.</p> |
| Cabinet | <p>27 Mar 2017</p> <p>Reason: Expenditure more than £100,000</p> | <p>Confirm On Demand Business Case</p> <p>Moving Confirm From HFBP Hosting to a Hosted Solution by the software vendors Pitney Bowes (PB)</p> | <p>Cabinet Member for Environment, Transport & Residents Services</p> <p>Ward(s): Hammersmith Broadway</p> <p>Contact officer: Eustace Dunkwu Tel: 020 8753 3010 Eustace.Dunkwu@lbhf.gov.uk</p> | <p>A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.</p> |
| Cabinet | <p>27 Mar 2017</p> <p>Reason: Affects 2 or more wards</p> | <p>E services Inter Authority Agreement</p> <p>Requesting entering into an Inter Authority Agreement for participating in the pan London sexual health E services provision</p> | <p>Cabinet Member for Health and Adult Social Care</p> <p>Ward(s): All Wards</p> <p>Contact officer: Gaynor Driscoll Tel: 0207 361 2418 gaynor.driscoll@rbkc.gov.uk</p> | <p>A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.</p> |
| Cabinet | 27 Mar 2017 | <p>Industrial Growth Strategy</p> <p>A strategy to promote growth in</p> | <p>Cabinet Member for Economic Development and Regeneration</p> | <p>A detailed report for this item will be available at least</p> |

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|---|--|---|--|---|
| | Reason: Affects 2 or more wards | Hammersmith and Fulham | Ward(s): All Wards Contact officer: David Burns David.Burns@lbhf.gov.uk | five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| Cabinet | 27 Mar 2017 Reason: Expenditure more than £100,000 | Cycle Quietway Between East Acton and Kensington To implement a Cycle Quietway Route Improvements between East Acton and Kensington (Du Cane Rd (Wormwood Scrubs) to Scubs Lane (Mitre Way)) as part of the Transport for London Quietway Programme. | Cabinet Member for Environment, Transport & Residents Services Ward(s): College Park and Old Oak Contact officer: Richard Duffill Tel: 02087531976 Richard.Duffill@lbhf.gov.uk | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| Cabinet | 27 Mar 2017 Reason: Expenditure more than £100,000 | Procurement Strategy for Transport and Highways professional services Report setting out the approach taken to procure technical services in the Transport and Highways division. PART OPEN PART PRIVATE Part of this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. | Cabinet Member for Environment, Transport & Residents Services Ward(s): All Wards Contact officer: Nick Boyle Tel: 020 8753 3069 nick.boyle@lbhf.gov.uk | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |

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|---|--|---|--|---|
| Cabinet | 27 Mar 2017 | Procurement of Lift Maintenance Services | Cabinet Member for Housing | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| | Reason: Income more than £100,000 | Strategy report for the procurement of lifts maintenance services. | Ward(s): All Wards Contact officer: Paul Monforte Tel: 020 8753 6985 Paul.Monforte@lbhf.gov.uk | |
| Cabinet | 27 Mar 2017 | Poverty and Worklessness Commission - final report | Cabinet Member for Social Inclusion | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| | Reason: Affects 2 or more wards | The final report of the Poverty and Worklessness Commission, along with a cover report detailing the Council's process of agreement. | Ward(s): All Wards Contact officer: Tom Conniffe Tel: 020 8753 2195 Tom.Conniffe@bhf.gov.uk | |
| Cabinet | 27 Mar 2017 | 2016/17 Corporate Revenue Monitor for Month 9 | Cabinet Member for Finance | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| | Reason: Expenditure more than £100,000 | 2016/17 Corporate Revenue Monitor for Month 9 | Ward(s): All Wards Contact officer: Hitesh Jolapara Tel: 020 8753 2501 hitesh.jolapara@lbhf.gov.uk | |
| Cabinet | 27 Mar 2017 | HRA Housing Capital Programme 2017/18-2019/20 | Cabinet Member for Housing | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation |
| | Reason: Affects 2 or more wards | This report provides specific details of the proposed 2017/18 housing capital programme and proposes budget envelopes for the following two years | Ward(s): All Wards Contact officer: Vince Conway Tel: 020 8753 1915 | |

| Decision to be Made by (Cabinet or Council) | Date of Decision-Making Meeting and Reason | Proposed Key Decision Most decisions are made in public unless indicated below, with the reasons for the decision being made in private. | Lead Executive Councillor(s), Wards Affected, and officer to contact for further information or relevant documents | Documents to be submitted to Cabinet (<i>other relevant documents may be submitted</i>) |
|---|---|--|--|---|
| | | | Vince.Conway@lbhf.gov.uk | and / or background papers to be considered. |
| Cabinet | 27 Mar 2017 Reason: Expenditure more than £100,000 | <p>Planned Highway Maintenance Programme 2017-18</p> <p>To seek your approval of the annual highway maintenance work programme for 2017-2018.</p> <p>That authority be delegated to the Director for Transport and Technical Services, in consultation with the Cabinet Member for Environment, Transport and Residents Services, to make amendments to the programme as agreed for operational and cost effective reasons, in order to make the optimum use of resources.</p> <p>To note that reports and updates on programme amendments (additions and removals) to the approved scheme list be made, as and when required, during the year to the Cabinet Member for Environment, Transport and Residents Services.</p> | <p>Cabinet Member for Environment, Transport & Residents Services</p> <hr/> <p>Ward(s): All Wards</p> <hr/> <p>Contact officer: Ian Hawthorn Tel: 020 8753 3058 ian.hawthorn@lbhf.gov.uk</p> | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| Cabinet | 27 Mar 2017 Reason: Budg/pol framework | <p>Out of Hours Call Centre Services</p> <p>Recommendations on Out of Hours Call Centre Services to call off from Pan London framework and to give notice to current contract with Agilisys</p> | <p>Cabinet Member For Commercial Revenue And Resident Satisfaction</p> <hr/> <p>Ward(s): All Wards</p> <hr/> <p>Contact officer: John Cordani Tel: 020 8753 1318 john.cordani@lbhf.gov.uk</p> | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| 8 May 2017 | | | | |

| Decision to be Made by (Cabinet or Council) | Date of Decision-Making Meeting and Reason | Proposed Key Decision Most decisions are made in public unless indicated below, with the reasons for the decision being made in private. | Lead Executive Councillor(s), Wards Affected, and officer to contact for further information or relevant documents | Documents to be submitted to Cabinet (<i>other relevant documents may be submitted</i>) |
|---|--|--|--|---|
| Cabinet | 8 May 2017 | <p>Database Management & Tracking NEET</p> <p>Report to outline and seek agreement to extend Hammersmith & Fulham's current contractual arrangements for the provision of tracking young people not in education, employment or training.</p> <p>PART OPEN</p> <p>PART PRIVATE Part of this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p> <p>Information relating to the financial or business affairs of any particular person (including the authority holding that information)</p> | Cabinet Member for Social Inclusion | A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered. |
| | Reason: Income more than £100,000 | | Ward(s): All Wards | |