

# **COUNCIL AGENDA**

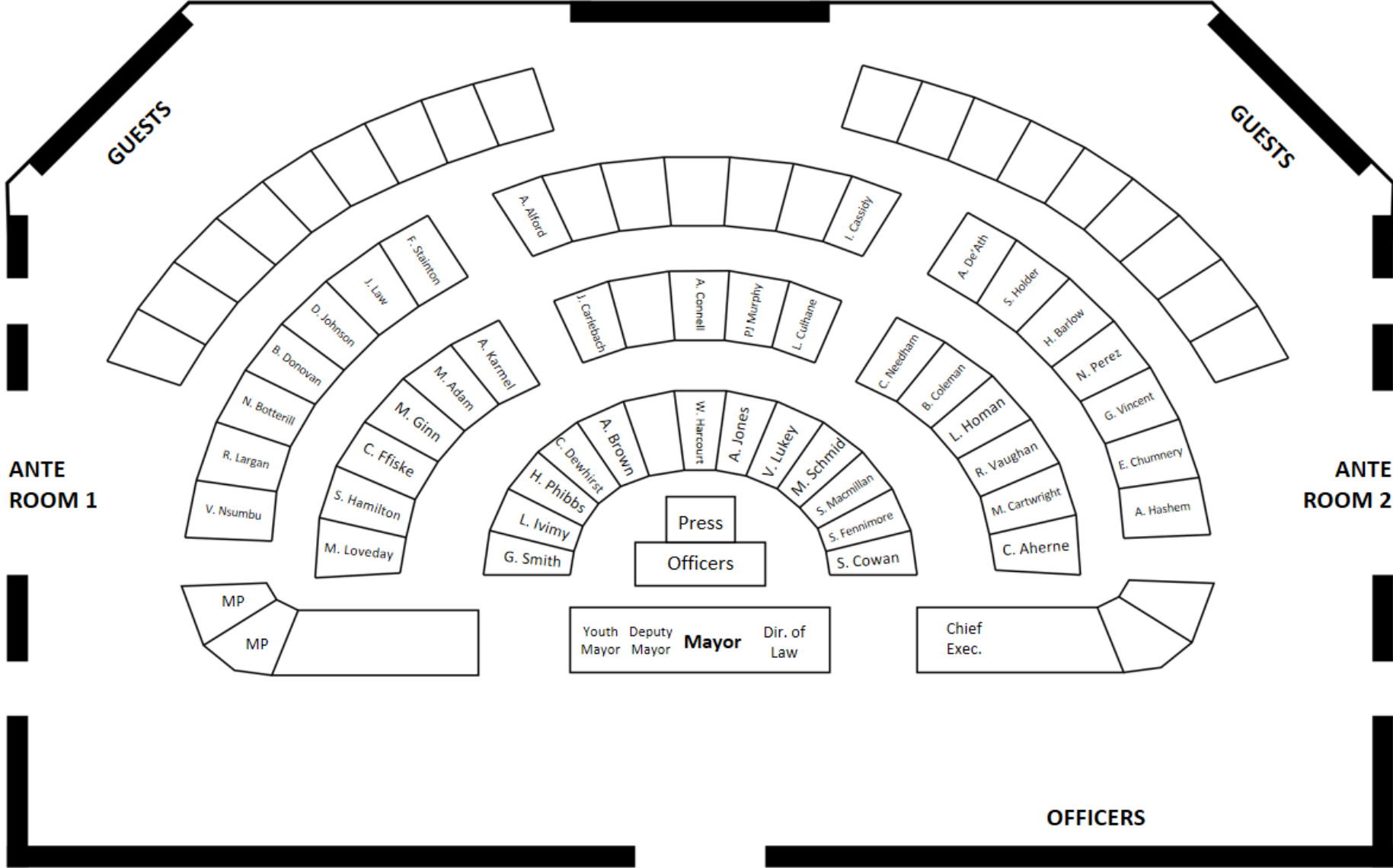
**BUDGET COUNCIL MEETING**

**Wednesday 22 February 2017**

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# COUNCIL CHAMBER SEATING 2016/17



GUESTS

GUESTS

ANTE ROOM 1

ANTE ROOM 2

Press

Officers

Youth Mayor Deputy Mayor **Mayor** Dir. of Law

Chief Exec.

OFFICERS

COUNCIL CHAMBER FOYER



The Mayor Councillor Mercy Umeh  
Deputy Mayor Councillor Daryl Brown

ADDISON

Adam Connell (L)  
Belinda Donovan (C)  
Sue Fennimore (L)

HAMMERSMITH  
BROADWAY

Michael Cartwright (L)  
Stephen Cowan (L)  
PJ Murphy (L)

RAVENS COURT PARK

Charlie Dewhurst (C)  
Lucy Ivimy (C)  
Harry Phibbs (C)

ASKEW

Lisa Homan (L)  
Caroline Needham (L)  
Rory Vaughan (L)

MUNSTER

Michael Adam (C)  
Adronie Alford (C)  
Alex Karmel (C)

SANDS END

Steve Hamilton (C)  
Robert Largan (C)  
Jane Law (C)

AVONMORE &  
BROOK GREEN

Hannah Barlow (L)  
Joe Carlebach (C)  
Caroline Ffiske (C)

NORTH END

Daryl Brown (L)  
Larry Culhane (L)  
Ali Hashem (L)

SHEPHERDS BUSH  
GREEN

Andrew Jones (L)  
Natalia Perez (L)  
Mercy Umeh (L)

COLLEGE PARK &  
OLD OAK

Elaine Chumnerly (L)  
Wesley Harcourt (L)

PALACE RIVERSIDE

Marcus Ginn (C)  
Donald Johnson (C)

TOWN

Andrew Brown (C)  
Viya Nsumbu (C)  
Greg Smith (C)

FULHAM BROADWAY

Ben Coleman (L)  
Alan De'Ath (L)  
Sharon Holder (L)

PARSONS GREEN AND  
WALHAM

Nicholas Botterill (C)  
Mark Loveday (C)  
Frances Stainton (C)

WORMHOLT AND  
WHITE CITY

Colin Aherne (L)  
Sue Macmillan (L)  
Max Schmid (L)

FULHAM REACH

Iain Cassidy (L)  
Vivienne Lukey (L)  
Guy Vincent (L)

# SUMMONS

Councillors of the London Borough of  
Hammersmith & Fulham  
are requested to attend the  
Meeting of the Council on  
Wednesday 22 February 2017  
at Hammersmith Town Hall, W6

The Council will meet at 7.00pm

13 February 2017  
Town Hall  
Hammersmith W6

Nigel Pallace  
Chief Executive

# Full Council Agenda

22 February 2017

<u>Item</u>		<u>Pages</u>
1.	<b>MINUTES</b> To approve and sign as an accurate record the minutes of the Council meeting held on 25 January 2017.	1 - 11
2.	<b>APOLOGIES FOR ABSENCE</b>	
3.	<b>YOUTH MAYOR</b> To receive a speech from the outgoing Youth Mayor and welcome the newly elected Youth Mayor, Deputy Youth Mayor, and members of the Youth Parliament.	
4.	<b>MAYOR'S/CHIEF EXECUTIVE'S ANNOUNCEMENTS</b>	
5.	<b>DECLARATIONS OF INTERESTS</b> 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.  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.  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.  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.	
6.	<b>PUBLIC QUESTIONS</b> No public questions were submitted.	

## **7. ITEMS FOR DISCUSSION/COMMITTEE REPORTS**

- 7.1 REVENUE BUDGET AND COUNCIL TAX LEVELS** 12 - 83  
This report sets out the 2017/18 revenue budget proposals - including:
- Council tax levels
  - Savings and growth proposals
  - Changes to fees and charges
  - Budget risks, reserves and balances
  - Equalities Impact Assessments
- 7.2 FOUR YEAR CAPITAL PROGRAMME 2017-21** 84 - 108  
This report presents the Council's four-year Capital Programme for the period 2017-21. The programme for this period totals £253.2m.
- 7.3 TREASURY MANAGEMENT STRATEGY REPORT 2017-18** 109 - 135  
The report sets out the Council's Treasury Management Strategy for 2017/18.
- 7.4 PAY POLICY OF THE LONDON BOROUGH OF HAMMERSMITH AND FULHAM 2017-18** 136 - 161  
This report sets out the Council's pay policy statement for the financial year 2017/18. The pay policy statement includes the Council's approach to the publication of and access to information relating to the remuneration of chief officers.
- 7.5 MEMBERS' ALLOWANCES SCHEME: ANNUAL REVIEW 2017** 162 - 169  
This report is the statutory annual review of members' allowances for the 2017/18 financial year. The review takes into account the recommendations made in the Independent Remuneration report to London Councils in June 2014.
- 7.6 COUNCIL CALENDAR OF MEETINGS 2017-18** 170 - 172  
This report sets out the Council's meetings for the municipal year 2017/18.



# **COUNCIL MINUTES**

**ORDINARY COUNCIL MEETING**

**WEDNESDAY 25 JANUARY 2017**





## PRESENT

The Mayor Councillor Mercy Umeh  
Deputy Mayor Councillor Daryl Brown

### Councillors:

Ali Hashem  
Adronie Alford  
Colin Aherne  
Hannah Barlow  
Nicholas Botterill  
Andrew Brown  
Joe Carlebach  
Iain Cassidy  
Ben Coleman  
Adam Connell  
Stephen Cowan  
Larry Culhane  
Alan De'Ath

Charlie Dewhirst  
Sue Fennimore  
Caroline Ffiske  
Marcus Ginn  
Steve Hamilton  
Wesley Harcourt  
Lisa Homan  
Lucy Ivimy  
Donald Johnson  
Andrew Jones  
Alex Karmel  
Robert Largan  
Jane Law

Mark Loveday  
Vivienne Lukey  
Sue Macmillan  
PJ Murphy  
Caroline Needham  
Viya Nsumbu  
Natalia Perez  
Harry Phibbs  
Max Schmid  
Greg Smith  
Rory Vaughan  
Guy Vincent

## 1. MINUTES

### **7.04pm – RESOLVED**

That the minutes of the Council meetings held on 19 October 2016 were confirmed and signed as an accurate record.

## 2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Sharon Holder, Elaine Chumnerly, Michael Cartwright, Michael Adam, Belinda Donovan, and Frances Stainton.

Apologies for lateness were received from Councillors Charlie Dewhirst, Jane Law, and Hannah Barlow.

### **3. MAYOR'S/CHIEF EXECUTIVE'S ANNOUNCEMENTS**

The Mayor congratulated the following people who were recognised for their achievements by Her Majesty The Queen in the New Year's Day honours list 2017.

- Mr Seamus Oates CBE, Chief Executive of The Bridge and Courtyard Academies in Fulham.
- Clare Chamberlain CBE, Executive Director of Children's Services.
- Professor Andrew George MBE, (former) Chair of the Hammersmith Research Ethics Committee.

The Mayor also congratulated Councillor Sue Macmillan on the birth of her son and Councillor Max Schmid on his recent marriage.

### **4. DECLARATIONS OF INTERESTS**

Councillor Robert Largan declared a pecuniary interest in item 6.3, Appointment of External Auditors, as his employer was a supplier of auditing services. He left the meeting for discussion and voting on the item.

### **5. PUBLIC QUESTIONS (20 MINUTES)**

The Mayor noted that all three public questions on the agenda had been withdrawn prior to the meeting.

### **6. ITEMS FOR DISCUSSION/COMMITTEE REPORTS**

It was noted that item 6.2, Council Tax Support Scheme 2017-18, should be taken before 6.1, Council Tax Base and Collection Rate 2017-18, because Council Tax support was included in the calculation of the Band D Council Tax in section 8.3 of item 6.1.

#### **6.2 Council Tax Support Scheme 2017-18**

The report and recommendations were formally moved for adoption by The Cabinet Member for Finance, Councillor Max Schmid.

Speeches on the report were made by Councillors Nicholas Botterill and Harry Phibbs (for the Opposition) and Councillors Max Schmid and Stephen Cowan, Leader of the Council (for the Administration).

The report and recommendations were then put to the vote:

<b>FOR</b>	<b>Unanimous</b>
AGAINST	0
NOT VOTING	0

#### **7.23pm – RESOLVED**

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.

2. It is recommended a continuation of the assessment of in work Universal Credit cases as agreed in our scheme last year.
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 of the report), 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.

#### 6.1 **Council Tax Base and Collection Rate 2017-18**

The report and recommendations were formally moved for adoption by The Cabinet Member for Finance, Councillor Max Schmid.

Speeches on the report were made by Councillor Nicholas Botterill (for the Opposition) and Councillors Max Schmid and Andrew Jones (for the Administration).

The report and recommendations were then put to the vote:

<b>FOR</b>	<b>Unanimous</b>
AGAINST	0
NOT VOTING	0

#### **7.33pm – RESOLVED**

1. That the estimated numbers of properties for each Valuation Band as set out in this 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 note that authority has been delegated to the Cabinet Member for Finance, in consultation with the Strategic Finance Director, to determine the business rates tax base for 2017/18.

#### 6.3 **Appointment of External Auditors**

Councillor Robert Largan declared an interest and left the chamber for the duration of this item.

The report and recommendations were formally moved for adoption by The Leader of the Council, Councillor Stephen Cowan.

Speeches on the report were made by Councillors PJ Murphy and Iain Cassidy (for the Administration).

The report and recommendations were then put to the vote:

<b>FOR</b>	<b>Unanimous</b>
AGAINST	0
NOT VOTING	0

### **7.36pm – 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 for five financial years commencing 1 April 2018.

## **7. SPECIAL MOTIONS**

### **7.1 Special Motion 1 - Labour's Diesel Stealth Tax**

7.37pm – Under Standing Order 15(m), Councillor Mark Loveday moved an alteration to the special motion as follows:

“In paragraph 2, delete ‘28,729’ and insert ‘10,860’.”

Councillor Greg Smith moved, seconded by Councillor Steve Hamilton, the (altered) special motion in their names:

“This Council:

1. Recognises the importance of improving air quality in Hammersmith & Fulham and all the health benefits associated with cleaner air.
2. Notes the Labour administration’s proposal to introduce a surcharge for parking permits to apply to 10,860 diesel cars in the borough with an escalator to increase the level of charges in future years.

This Council condemns Labour’s Diesel Tax, which:

1. Is not supported by any scientific evidence to show it will do anything to improve the level of air quality in our Borough.
2. Is a stealth tax.
3. Will disproportionately punish residents of low income and restricted financial means in our Borough.

This Council therefore:

1. Calls for the immediate suspension of Labour’s Diesel Tax until a full and proper study is undertaken to examine the impact on air quality and the implications of this tax on the financial wellbeing of low income households.
2. Further commits to work with the government and TfL to identify measures which will actually improve the borough's air quality.”

Speeches on the special motion were made by Councillors Greg Smith and Steve Hamilton (for the Opposition).

Under Standing Order 15(e)(6), Councillor Wesley Harcourt moved, seconded by Councillor Larry Culhane, an amendment to the special motion as follows:

“Delete all after:

“This Council:”

And insert:

“Notes that on 6 June 2014, the then CEO of LBHF, advised senior administration councillors that the former Conservative administration had been proposing to increase parking charges, mid-year and following the local elections, by a 14.7% and urged the new Labour administration to follow this plan. This proposed increase in charges has been confirmed through documents received under a Freedom of Information Act request. This council agrees that the Labour administration was right to reject that proposal and notes that it has successfully kept parking rates low.

The council also notes that the former Conservative administration increased parking charges by 25.3% during their term in office.

The Council is alarmed by London’s air pollution levels and is deeply concerned that this borough has some of the most polluted sites in the country. It therefore welcomes the report from the resident-led Independent Air Quality Commission and notes one of its recommendation is to suggest the Council increases parking permit charges for diesel vehicles.

The Council congratulates the administration for freezing parking charges for a third year in a row.

This Council rejects the rank hypocrisy of the Conservative councillors who brought in record increased stealth taxes to the borough’s motorists during their time in office.””

Speeches on the amendment to the special motion were made by Councillors Wesley Harcourt, Larry Culhane, Max Schmid, and Stephen Cowan (for the Administration) and Nicholas Botterill, Joe Carlebach, Andrew Brown, and Caroline Ffiske (for the Opposition). The amendment was then put to the vote.

<b>FOR</b>	<b>22</b>
AGAINST	17
NOT VOTING	1

The amendment was declared **CARRIED**.

Councillor Greg Smith then made a speech on the motion as amended winding up the debate. The motion as amended was then put to the vote.

<b>FOR</b>	<b>22</b>
AGAINST	18

The substantive motion was declared **CARRIED**.

### **8.27pm – RESOLVED**

This Council:

Notes that on 6 June 2014, the then CEO of LBHF, advised senior administration councillors that the former Conservative administration had been proposing to increase parking charges, mid-year and following the local elections, by a 14.7% and urged the new Labour administration to follow this plan. This proposed increase in charges has been confirmed through documents received under a Freedom of Information Act request. This council agrees that the Labour administration was right to reject that proposal and notes that it has successfully kept parking rates low.

The council also notes that the former Conservative administration increased parking charges by 25.3% during their term in office.

The Council is alarmed by London's air pollution levels and is deeply concerned that this borough has some of the most polluted sites in the country. It therefore welcomes the report from the resident-led Independent Air Quality Commission and notes one of its recommendation is to suggest the Council increases parking permit charges for diesel vehicles.

The Council congratulates the administration for freezing parking charges for a third year in a row.

This Council rejects the rank hypocrisy of the Conservative councillors who brought in record increased stealth taxes to the borough's motorists during their time in office.

### **7.2 Special Motion 2 - Fulham Pools**

This special motion was withdrawn.

### **7.3 Special Motion 3 - Our NHS Faces a Humanitarian Crisis**

8.28pm – Councillor Adam Connell moved, seconded by Councillor Colin Aherne, the special motion in their names:

“The British Red Cross has said that “The NHS is facing a humanitarian crisis as hospitals and ambulance services struggle to keep up with rising demand”.

Doctors leaders have said that more patients could die because of the chaos engulfing the NHS.

This crisis is detrimentally affecting the health and wellbeing of many residents of Hammersmith & Fulham.

This Council recognises that there are serious flaws in the government's approach to our NHS and that those are putting lives at risk including those of people living in Hammersmith & Fulham."

Speeches on the special motion were made by Councillors Adam Connell and Rory Vaughan (for the Administration).

Under Standing Order 15(e)(6), Councillor Andrew Brown moved, seconded by Councillor Joe Carlebach, an amendment to the special motion as follows:

"Delete all after "rising demand" and add:

This Council:

- Recognises the multiple challenges facing the NHS in all parts of the U.K., including an ageing population and seasonal pressures.
- Condemns the use of inappropriate and inflammatory language describing the current situation within the NHS.
- Laments the poor record of this administration in integrating housing, health and Adult Social Care which has added significantly to the burden on already stretched local NHS resources.
- Calls on the council to work more closely with the NHS to help them by relieving pressure during periods of increased seasonal demand."

Speeches on the amendment to the special motion were made by Councillors Joe Carlebach, Andrew Brown, and Harry Phibbs (for the Opposition) and Councillors Vivienne Lukey and Lisa Homan (for the Administration).

The amendment was then put to the vote.

FOR	18
<b>AGAINST</b>	<b>22</b>
NOT VOTING	1

The amendment was declared **LOST**.

Speeches on the substantive motion were made by Councillors Colin Aherne and Max Schmid (for the Administration) and Councillors Robert Largan and Andrew Brown (for the Opposition).

Councillor Adam Connell then made a speech on the substantive motion winding up the debate. The substantive motion was then put to the vote.

<b>FOR</b>	<b>22</b>
AGAINST	17
NOT VOTING	1

The substantive motion was declared **CARRIED**.

## **9.13pm – RESOLVED**

The British Red Cross has said that “The NHS is facing a humanitarian crisis as hospitals and ambulance services struggle to keep up with rising demand”.

Doctors leaders have said that more patients could die because of the chaos engulfing the NHS.

This crisis is detrimentally affecting the health and wellbeing of many residents of Hammersmith & Fulham.

This Council recognises that there are serious flaws in the government’s approach to our NHS and that those are putting lives at risk including those of people living in Hammersmith & Fulham.

### **7.4 Special Motion 4 - The Danger of Climate Change**

9.14pm – Councillor Wesley Harcourt moved, seconded by Councillor Larry Culhane, the special motion in their names:

“This Council recognises that global warming and climate change poses a clear and present danger and is one of the greatest threats facing the world. This Council therefore agrees that action is needed at an international, national, regional and local level.

We call upon the Government to work constructively with the London Mayor and take all necessary steps to combat these dangers which should include complying with the European Union regulations with regard to these matters and to implement the 2015 Paris agreement on climate change.

Locally, the residents of Hammersmith & Fulham face significant dangers which includes the potential of increased flooding, damage to the local environment, worsening air quality and more premature deaths because of air pollution.

The Council agrees it has a duty to provide investment and take actions to protect and improve the environment; That should include: increasing the use of electric cars; improving cycling lanes and making the roads safer; reducing flooding; insisting more developers build carbon positive buildings; improving bio-diversity and cutting its use of pesticides; and taking measures to improve air quality.”

Speeches on the special motion were made by Councillors Wesley Harcourt, Caroline Needham, and Iain Cassidy (for the Administration).

Under Standing Order 15(e)(6), Councillor Robert Largan moved, seconded by Councillor Viya Nsumbu, an amendment to the special motion as follows:

“In paragraph 4, insert after “pesticides”:

“(where practical without leading to lower standards of street cleanliness)”.

After paragraph 5, insert:



“The Council further resolves:

1. To introduce smart metering across the entire of the Council’s estate and to make all the information, including CO2 emissions, publicly available.
2. To work with the Mayor of London to meet his pledge to increase the number of trees across London by 5% by 2025.”

Speeches on the amendment to the special motion were made by Councillors Robert Largan (for the Opposition) and Councillor Stephen Cowan (for the Administration). The amendment was then put to the vote.

FOR	16
<b>AGAINST</b>	<b>22</b>
NOT VOTING	1

The amendment was declared **LOST**.

Speeches on the substantive motion were made by Councillor Robert Largan and Andrew Brown (for the Opposition) and Councillors Stephen Cowan and Larry Culhane (for the Administration).

Councillor Wesley Harcourt then made a speech on the substantive motion winding up the debate. The substantive motion was then put to the vote.

<b>FOR</b>	<b>22</b>
AGAINST	0
NOT VOTING	18

The substantive motion was declared **CARRIED**.

### **9.53pm – RESOLVED**

This Council recognises that global warming and climate change poses a clear and present danger and is one of the greatest threats facing the world. This Council therefore agrees that action is needed at an international, national, regional and local level.

We call upon the Government to work constructively with the London Mayor and take all necessary steps to combat these dangers which should include complying with the European Union regulations with regard to these matters and to implement the 2015 Paris agreement on climate change.

Locally, the residents of Hammersmith & Fulham face significant dangers which includes the potential of increased flooding, damage to the local environment, worsening air quality and more premature deaths because of air pollution.

The Council agrees it has a duty to provide investment and take actions to protect and improve the environment; That should include: increasing the use of electric cars; improving cycling lanes and making the roads safer; reducing flooding;

insisting more developers build carbon positive buildings; improving bio-diversity and cutting its use of pesticides; and taking measures to improve air quality.

7.5 **Special Motion 5 - Homelessness**

This special motion was withdrawn.


7.6 **Special Motion 6 - Mental Health**

This special motion was withdrawn.

Meeting started: 7.00 pm  
Meeting ended: 9.55 pm

Mayor .....

# Agenda Item 7.1

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

## 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	248.91	280.02	342.25	404.47	466.70	560.04
<b>c) Total</b>	<b>671.89</b>	<b>783.86</b>	<b>895.85</b>	<b>1,007.83</b>	<b>1,231.80</b>	<b>1,455.75</b>	<b>1,679.72</b>	<b>2,015.66</b>

- 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 and 7.3% below the level modelled for both 2016/17 and 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 base<sup>1</sup>. The 2017/18 council tax requirement is **£55.268m**. The medium-term forecast, to 2020/21 is set out in Appendix B.

<b>Table 1: The Council Tax Requirement</b>	<b>£'000s</b>
Base gross budget rolled forward from 2016/17 <sup>2</sup>	<b>160,373</b>
<b>Plus/Minus:</b>	
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)
<b>Gross Budget Requirement</b>	<b>158,137</b>
Specific unringfenced grants (section 8)	(11,932)
Use of developer contributions (section 8)	(2,000)
<b>Net Budget Requirement for 2017/18</b>	<b>144,205</b>
<b>Less:</b>	
Revenue Support Grant (section 8)	(29,499)
Locally retained business rates (section 8)	(58,421)
One off Collection Fund Surplus	(1,017)
<b>2017/18 Council Tax Requirement</b>	<b>55,268</b>

<sup>1</sup> 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.

<sup>2</sup> 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**

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

**Table 3: Categorisation of Growth**

<b>Service Area/ Outcome</b>	<b>£'m</b>
Government burden/related	0.650
Increase in demand/demographic growth	1.390
<b>Council Priority</b>	<b>2.034</b>
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
<b>Total Growth</b>	<b>7.268</b>

- 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**

<b>Service Area/Outcome</b>	<b>Savings £'000s</b>
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
<b>Total All savings</b>	<b>14,966</b>
Less savings accounted for in the grant/resource forecast <sup>3</sup>	(475)
<b>Net Savings</b>	<b>14,491</b>

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

<sup>3</sup> 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**

	<b>Savings £'m</b>
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	(2.202)
<b>Total All Savings</b>	<b>(14.966)</b>
Less savings accounted for in the grant/resource forecast <sup>4</sup>	0.475
<b>Net Savings</b>	<b>(14.491)</b>

## **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. The grant figures are provisional pending the release of the Final Local Government Finance Settlement. Should grant figures change any adjustments will be reported in the first 2017/18 Budget Monitoring Report.
- 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.

<sup>4</sup> 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.

- 8.4 Property developments over recent years have placed increased pressure on council services.
- 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 £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:

$\frac{\text{Total Council Tax Requirement}}{\text{Tax Base}} = \frac{\underline{\pounds 55.2685m}}{75,938} = \pounds 727.81$
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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	<b>£000s</b> 55,268.5
Greater London Authority	21,264.2
<b>Total Requirement for Council Tax</b>	<b>76,532.7</b>

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**

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

Appendix G – Draft Equalities Impact Assessment

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

Appendix I – Reduction in Spending Power

## APPENDIX A

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

		<u>£'s</u>
(a)	Being the aggregate of the amounts which the Council estimates for the items set out in section 31A (2) (a) to (f) of the Act.	645,438,700
(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.	568,906,000
(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:

<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>
186.68	217.79	248.91	280.02
<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
342.25	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:

<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>
671.89	783.86	895.85	1,007.83
<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
1,231.80	1,455.75	1,679.72	2,015.66

	Year 1 2017/18 £'000	Year 2 2018/19 £'000	Year 3 2019/20 £'000	Year 4 2020/21 £'000
<b>General Fund Base Budget</b>	<b>164,373</b>	<b>164,373</b>	<b>164,373</b>	<b>164,373</b>
One off budget adjustments	(4,000)	(4,000)	(4,000)	(4,000)
<b>Net General Fund Base Budget</b>	<b>160,373</b>	<b>160,373</b>	<b>160,373</b>	<b>160,373</b>
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)
<b>Gross Budget Requirements</b>	<b>158,137</b>	<b>147,802</b>	<b>143,654</b>	<b>142,060</b>
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)
<b>Revenue Grants</b>	<b>(13,932)</b>	<b>(10,609)</b>	<b>(10,346)</b>	<b>(10,346)</b>
<b>Net Budget Requirement</b>	<b>144,205</b>	<b>137,193</b>	<b>133,308</b>	<b>131,714</b>
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			
<b>Gross Resources</b>	<b>144,205</b>	<b>137,193</b>	<b>133,308</b>	<b>131,714</b>
<b>Budget Gap</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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	The current employer contribution rate will be in place until 31st March 2017. The triennial valuation of the Fund will require an 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
<b>Growth Total</b>		<b>1,768</b>	<b>2,018</b>	<b>2,018</b>	<b>2,018</b>

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)
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)
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)
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)

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)
Planning	Planning applications efficiencies	(180)	(180)	(180)	(180)
H&F Direct	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 tablets to register people at point of contact	(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)
<b>Savings Total</b>		<b>(6,553)</b>	<b>(15,667)</b>	<b>(25,338)</b>	<b>(33,202)</b>
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)
<b>Savings Shown Within Gross Resources</b>		<b>(475)</b>	<b>(475)</b>	<b>(475)</b>	<b>(475)</b>
<b>Total Enabling Savings</b>		<b>(7,028)</b>	<b>(16,142)</b>	<b>(25,813)</b>	<b>(33,677)</b>



**Income opportunities from adult learning and skills**

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

**Childrens Services**

<b>MTFS Growth</b>		<b>Budget Change</b>			
<b>Service</b>	<b>Description</b>	<b>2017-18 Budget Change (£000's)</b>	<b>2018-19 Budget Change Cumulative (£000's)</b>	<b>2019-20 Budget Change Cumulative (£000's)</b>	<b>2020-21 Budget Change Cumulative (£000's)</b>
Unaccompanied asylum seeking children - 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
<b>MTFS Growth Held Corporately</b>					
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
<b>Growth Total</b>		<b>739</b>	<b>1,189</b>	<b>1,189</b>	<b>1,189</b>

<b>Savings for Including In the MTFS</b>		<b>Budget Change</b>			
<b>Service</b>	<b>Description</b>	<b>2017-18 Budget Change (£000's)</b>	<b>2018-19 Budget Change Cumulative (£000's)</b>	<b>2019-20 Budget Change Cumulative (£000's)</b>	<b>2020-21 Budget Change Cumulative (£000's)</b>
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)
<b>Savings Total</b>		<b>(1,870)</b>	<b>(3,559)</b>	<b>(3,663)</b>	<b>(3,663)</b>

**Libraries**

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

**Housing**

<b>MTFS Growth</b>		<b>Budget Change</b>			
<b>Service</b>	<b>Description</b>	<b>2017-18 Budget Change (£000's)</b>	<b>2018-19 Budget Change Cumulative (£000's)</b>	<b>2019-20 Budget Change Cumulative (£000's)</b>	<b>2020-21 Budget Change Cumulative (£000's)</b>
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
<b>Growth Total</b>		<b>230</b>	<b>230</b>	<b>230</b>	<b>230</b>

<b>MTFS Savings</b>		<b>Budget Change</b>			
<b>Service</b>	<b>Description</b>	<b>2017-18 Budget Change (£000's)</b>	<b>2018-19 Budget Change Cumulative (£000's)</b>	<b>2019-20 Budget Change Cumulative (£000's)</b>	<b>2020-21 Budget Change Cumulative (£000's)</b>
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**

<b>MTFS Growth</b>		<b>Budget Change</b>			
<b>Service</b>	<b>Description</b>	<b>2017-18 Budget Change Cumulative (£000's)</b>	<b>2018-19 Budget Change Cumulative (£000's)</b>	<b>2019-20 Budget Change Cumulative (£000's)</b>	<b>2020-21 Budget Change Cumulative (£000's)</b>
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 increase in prices to improve quality of service and increase in demand.	1,030	1,030	1,030	1,030
Home Care	New 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
<b>Growth Total</b>		<b>4,413</b>	<b>3,491</b>	<b>3,491</b>	<b>3,491</b>

<b>MTFS Savings</b>		<b>Budget Change</b>			
<b>Service</b>	<b>Description</b>	<b>2017-18 Budget Change Cumulative (£000's)</b>	<b>2018-19 Budget Change Cumulative (£000's)</b>	<b>2019-20 Budget Change Cumulative (£000's)</b>	<b>2020-21 Budget Change Cumulative (£000's)</b>
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)

<b>MTFS Savings</b>		<b>Budget Change</b>			
<b>Service</b>	<b>Description</b>	<b>2017-18 Budget Change Cumulative (£000's)</b>	<b>2018-19 Budget Change Cumulative (£000's)</b>	<b>2019-20 Budget Change Cumulative (£000's)</b>	<b>2020-21 Budget Change Cumulative (£000's)</b>
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)
<b>Savings Total</b>		<b>(1,885)</b>	<b>(4,022)</b>	<b>(4,902)</b>	<b>(4,977)</b>

**Environmental Services**

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

<b>MTFS Savings</b>		<b>Budget Change</b>			
<b>Service</b>	<b>Description</b>	<b>2017-18 Budget Change (£000's)</b>	<b>2018-19 Budget Change Cumulative (£000's)</b>	<b>2019-20 Budget Change Cumulative (£000's)</b>	<b>2020-21 Budget Change Cumulative (£000's)</b>
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)
<b>Savings Total</b>		<b>(450)</b>	<b>(676)</b>	<b>(705)</b>	<b>(710)</b>



**Public Health**

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

**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)	
<b>Adult Social Care</b>						
Integrated Care	Demographic pressures on Adult Social Care services will 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.
<b>Adult Social Care Total</b>		<b>2,636</b>	<b>4,562</b>	<b>5,130</b>	<b>5,130</b>	
<b>Centrally Managed Budgets</b>						
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 within Centrally Managed Budgets
<b>Centrally Managed Budgets Total</b>		<b>2,150</b>	<b>2,150</b>	<b>2,150</b>	<b>2,150</b>	
<b>Children's' Services</b>						
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"> <li>• Demand management – the review of the internal application of the travel assistance policy to ensure robust application and review processes in place</li> <li>• Establish clear process and mechanism for the identification of children and adults suitable for Independent Travel Training</li> <li>• The procurement of an effective Independent Travel Training contractor</li> <li>• Potential extension of the use of alternative travel options – e.g. personal transport budgets / mileage allowances – where more cost effective to do so.</li> <li>• Route optimisation</li> </ul>
<b>Children's' Services Total</b>		<b>3,041</b>	<b>4,112</b>	<b>4,780</b>	<b>4,844</b>	
<b>Corporate Services</b>						
Innovation and Change Management	Risk of achieving the commercial income target by selling Business Intelligence to other organisations	-	250	250	250	
<b>Corporate Services Total</b>		<b>-</b>	<b>250</b>	<b>250</b>	<b>250</b>	
<b>Environmental Services ( Inc CPA)</b>						
Buildings and Property Management	Increase in advertising revenue 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.
Environmental Services	Income falls in event of a drop in economic activity	500	500	500	500	Regular budget monitoring of income

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.
<b>Environmental Services (Inc CPA) Total</b>		<b>1,997</b>	<b>2,110</b>	<b>2,218</b>	<b>2,325</b>	
<b>Libraries &amp; Archives Shared Service</b>						
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 sponsors
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
<b>Libraries &amp; Archives Shared Service Total</b>		<b>215</b>	<b>215</b>	<b>215</b>	<b>215</b>	

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)	
<b>Housing Dept</b>						
1. Overall Benefit Cap		452	452	452	452	<p>The following activities will help mitigate the Housing Department risks:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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</li> <li>• Use of the Temporary Accommodation reserve (3.1m forecast reserve level at 1st April 2017)</li> </ul>
2. Direct Payment		560	1,233	1,653	1,811	
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	
11. SFA funding		174	174	174	174	
<b>Housing Dept Total</b>		<b>10,587</b>	<b>12,899</b>	<b>14,156</b>	<b>15,532</b>	
	<b>Grand Total</b>	<b>20,626</b>	<b>26,298</b>	<b>28,899</b>	<b>30,446</b>	

<b>Government Resources Summary</b>				
<b>Unringfenced resources</b>	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000
<b>Revenue Support Grant</b>	<b>38,453</b>	<b>29,499</b>	<b>23,427</b>	<b>17,131</b>
<b>Other Unringfenced grants</b>				
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
<b>Total Other Unringenced Grants</b>	<b>11,906</b>	<b>11,932</b>	<b>8,609</b>	<b>8,346</b>
<b>Total Unringfenced Grants</b>	<b>50,359</b>	<b>41,431</b>	<b>32,036</b>	<b>25,477</b>
<b>Reduction in Unringenced grants</b>		<b>8,928</b>	<b>9,395</b>	<b>6,559</b>
<b>Ringfenced Grants allocated within Departmental Budgets</b>				
<b>Better Care</b>				
2017/18 Better Care Increase	0	831	831	831
<b>Public Health</b>	<b>22,903</b>	<b>22,338</b>		
<b>Total Specific Grants</b>	<b>22,903</b>	<b>23,169</b>		

## Fees &amp; 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 has reduced from £4.50 from 2015/16 .	
<b>1. Careline Alarm Gold Service (Pendant)</b>	<b>Monthly Charges</b>					
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 broadband solution.	
Council Non-Sheltered or Housing Association (RSL) Tenants	£17.21	£17.21	→ 0.0%	£15,600		
<b>2. Careline Alarm Silver Service (Pendant) - Monitoring Service only</b>						
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		
<b>3. Careline Alarm Gold Service (Pull cord) - Emergency Response &amp; Monitoring Service</b>						
(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
<b>Parking Permits</b>					
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%	
<b>Parking Pay and Display</b>					
Zone A		2.80	2.80	0.0%	
Zone A - Visitor's		1.80	1.80	0.0%	
<b>Suspension of Parking Bay</b>					
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%	
<b>Community Safety</b>					
Stray Dogs	Return of Stray Dogs to Owners	25.00	25.00	0.0%	Price freeze
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%	
<b>Neighbourhood Wardens</b>					
Patrols	Neighbourhood Warden Patrols (per hour)	100.00	100.00	0.0%	Price freeze to remain competitive.
<b>Anti Social Behaviour</b>					
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%	
<b>CCTV</b>					
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
<b>Housing &amp; Regeneration</b>					
<b>Private Sector Leasing</b>					
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.
<b>Bed and Breakfast Temporary Accommodation</b>					
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%		
<b>Adult Education</b>					
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%		
<b>Libraries</b>					
No Proposed Increases					

# 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 £4.413m, 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.

There 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 focuses 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 <sup>st</sup> of April 2016 for anyone working and aged <b>25 or over</b> and not in the first year of an apprenticeship who are legally entitled to at least <b>£7.20 per hour</b> . 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.
<b>Improved Better Care Fund (IBCF)</b>	£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.
<b>Adult Social Care support grant</b>	£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.
<b>Total Growth</b>	<b>£4.413m</b>	

#### 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**

<b>Children's Services Budget Growth 2017/18 Proposed</b>	<b>H&amp;F 2017/18 Growth</b>
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: £956k**

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								
<b>Age of mother at birth</b>								
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		
<b>Marital Status</b>	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 legally dissolved	11,386	7.4

Widowed or surviving partner from a same-sex civil partnership	5,628	3.7
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Table 12: Living arrangements

QS108EW, ONS		
<b>Living Arrangement</b>	<b>2011</b>	
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 legally 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 legally 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 is 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 LBGT people, it appears that the majority of the population is heterosexual. Data on transgendered or transitioning people was not available.

## 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%			
<b>Overall Totals</b>	<b>10,557</b>	<b>5,015</b>	<b>15,572</b>	<b>£160,823</b>	<b>£52,077</b>	<b>£212,900</b>

**Table 2: Council Tax bands of LCTS claimants**

	A	B	C	D	E	F	G	H	Totals
<b>Pensioners</b>	294	719	1459	1459	761	330	207	3	5232
<b>Working age</b>	834	1334	2628	3311	1523	507	182	9	10328
<b>Total</b>	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 non-pensioner claims where households have a disabled adult and the disability premium has been awarded, by male and female only, and by couple.

<b>Total number of claims</b>	<b>15,455</b>			
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 <b>56%</b>	Number of male only claimants = 1652 or <b>31%</b>	Number of claiming couples = 686 or <b>13%</b>
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 <b>55%</b>	Number of male only claimants = 3082 or <b>30%</b>	Number of claiming couples = 1545 OR <b>15%</b>
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 <b>55%</b>	Number of male only claimants = 1579 or <b>45%</b>	Number of claiming couples = 342 or <b>10%</b>

## 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:

[www.lbhf.gov.uk/council-tax/contact-us](http://www.lbhf.gov.uk/council-tax/contact-us)

## Appendix H

### 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 - Business Rates Funding Baseline	29,499 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)
	<b>76,481</b>
Less tariff payable to Government (step 4)	(18,060)
<b>Locally Retained Share</b>	<b>58,421</b>



## 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
<b>Confirmed Allocations</b>	£'000s	£'000s
Revenue Support Grant	38,453	29,499
New Homes Bonus Grant	8,096	7,831
Other Unringfenced Grants	3,810	4,101
<b>Total</b>	<b>50,359</b>	<b>41,431</b>
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
	<b>22,903</b>	<b>23,169</b>

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
<b>Government Spending Power Calculation 2016/17</b>	<b>157.0</b>
<b>Government Spending Power Calculation 2017/18</b>	<b>154.5</b>
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)
<b>Adjusted LBHF Spending Power Calculation 2017/18</b>	<b>146.4</b>
<b>Adjusted Reduction</b>	<b>6.8%</b>

# Agenda Item 7.2

<b>London Borough of Hammersmith &amp; Fulham</b> <b>FULL COUNCIL</b> <b>22 February 2017</b>	 hammersmith & fulham
<b>FOUR YEAR CAPITAL PROGRAMME 2017-21</b>	
<b>Report of the Leader of the Council – Councillor Stephen Cowan</b>	
<b>Open Report</b>	
<b>Classification:</b> For decision <b>Key Decision:</b> Yes	
<b>Wards Affected:</b> ALL	
<b>Accountable Director:</b> Hitesh Jolapara, Strategic Finance Director	
<b>Report Author:</b> Christopher Harris, Head of Corporate Accountancy and Capital	<b>Contact Details:</b> Tel: 0208 753 6440 <a href="mailto:christopher.harris@lbhf.gov.uk">christopher.harris@lbhf.gov.uk</a>

## 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
<b>Total</b>	<b>5.48</b>

- 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
<b>Total</b>	<b>0.544</b>

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

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

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

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)**

<b>General Fund CFR Forecast</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>
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

	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
<b>Approved Expenditure</b>				
Decent Neighbourhood Schemes	21,061	18,129	10,423	13,672
HRA Debt Repayment	-	-	-	-
HRA Schemes	33,523	29,634	28,826	32,475
<b>Total Housing Programme - Approved Expenditure</b>	<b>54,584</b>	<b>47,763</b>	<b>39,249</b>	<b>46,147</b>
<i>Adjustment for deferred costs</i>	<i>(1,406)</i>	<i>(4,530)</i>	<i>(2,761)</i>	<i>(4,359)</i>
<b>Total Expenditure after deferred costs</b>	<b>53,178</b>	<b>43,233</b>	<b>36,488</b>	<b>41,788</b>

	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
<b>Available and Approved Resource</b>				
Capital Receipts - Unrestricted	8,455	372	9,115	5,448
Capital Receipts - RTB (141)	2,608	-	-	-
Capital Receipts - Sale of new build homes	-	-	-	-
Earls Court Receipts recognisable	-	16,581	4,460	12,384
Housing Revenue Account (revenue funding)	2,464	6,028	-	1,313
Major Repairs Reserve (MRR)	18,174	17,404	19,794	19,794
Contributions Developers (S106)	8,171	-	-	-
Repayment of NHHT loan	270	-	270	-
Contributions from leaseholders	2,849	2,849	2,849	2,849
Internal Borrowing	10,187	-	-	-
<b>Total Funding</b>	<b>53,178</b>	<b>43,233</b>	<b>36,488</b>	<b>41,788</b>

## Housing Capital Resource Balances

### Indicative Budgets

	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
<b>Usable Capital Receipts</b>				
Capital Receipts B/f	35,366	31,743	38,957	37,574
Generated in year	7,710	24,167	12,462	33,622
Used in Year	(11,333)	(16,953)	(13,845)	(17,832)
<b>Capital Receipts C/f</b>	<b>31,743</b>	<b>38,957</b>	<b>37,574</b>	<b>53,364</b>
<i>Of Which '141' Restricted</i>	<i>31,742</i>	<i>33,867</i>	<i>36,050</i>	<i>38,233</i>

<i>Associated deferred costs</i>	480	480	480	480
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	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
<b>Deferred Capital Receipts</b>				
Balance B/f	44,800	59,700	58,019	68,459
Receipts in Year	14,900	14,900	14,900	
Recognition Profile		(16,581)	(4,460)	(25,991)
<b>Balance C/f</b>	<b>59,700</b>	<b>58,019</b>	<b>68,459</b>	<b>42,468</b>

<i>Associated deferred costs</i>	6,790	11,218	13,917	18,179
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*\*\*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**

<b>HRA CFR Forecast</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>
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 6<sup>th</sup> 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](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 1<sup>st</sup> 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
<b>Scheme Expenditure Summary</b>					
Schools Organisational Strategy	19,074	501	-	-	19,575
Schools Window Replacement Project	9,184	6,833	-	-	16,017
<b>Total Expenditure</b>	<b>28,258</b>	<b>7,334</b>	<b>-</b>	<b>-</b>	<b>35,592</b>
<b>Capital Financing Summary</b>					
<b>Specific/External or Other Financing</b>					
Capital Grants from Central Government	7,518	-	-	-	7,518
Grants and Contributions from Private Developers (includes S106)	10,749	501	-	-	11,250
<b>Sub-total - Specific or Other Financing</b>	<b>18,267</b>	<b>501</b>	<b>-</b>	<b>-</b>	<b>18,768</b>
<b>Mainstream Financing (Internal Council Resource)</b>					
Capital Receipts	807	-	-	-	807
<b>Sub-total - Mainstream Funding</b>	<b>807</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>807</b>
<b>Borrowing</b>	<b>9,184</b>	<b>6,833</b>	<b>-</b>	<b>-</b>	<b>16,017</b>
<b>Total Capital Financing</b>	<b>28,258</b>	<b>7,334</b>	<b>-</b>	<b>-</b>	<b>35,592</b>

### 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
<b>Scheme Expenditure Summary</b>					
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
<b>Total Expenditure</b>	<b>865</b>	<b>450</b>	<b>1,387</b>	<b>450</b>	<b>3,152</b>
<b>Capital Financing Summary</b>					
<b>Specific/External or Other Financing</b>					
Capital Grants from Central Government	115	-	937	-	1,052
Capital Grants/Contributions from Non-departmental public bodies	300	-	-	-	300
<b>Sub-total - Specific or Other Financing</b>	<b>415</b>	<b>-</b>	<b>937</b>	<b>-</b>	<b>1,352</b>
<b>Mainstream Financing (Internal Council Resource)</b>					
Capital Receipts	450	450	450	450	1,800
<b>Sub-total - Mainstream Funding</b>	<b>450</b>	<b>450</b>	<b>450</b>	<b>450</b>	<b>1,800</b>
<b>Borrowing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Financing</b>	<b>865</b>	<b>450</b>	<b>1,387</b>	<b>450</b>	<b>3,152</b>

## APPENDIX 1 – Detailed Analysis by Service /cont.

### Environmental Services

### Indicative Budgets

2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000	Total Budget (All years) £'000
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#### 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
<b>Total Expenditure</b>	<b>16,486</b>	<b>7,831</b>	<b>7,731</b>	<b>7,731</b>	<b>39,779</b>

#### Capital Financing Summary

<b>Specific/External or Other Financing</b>					
Capital Grants and Contributions from GLA Bodies	2,157	2,157	2,157	2,157	8,628
<b>Sub-total - Specific or Other Financing</b>	<b>2,157</b>	<b>2,157</b>	<b>2,157</b>	<b>2,157</b>	<b>8,628</b>
<b>Mainstream Financing (Internal Council Resource)</b>					
Capital Receipts	13,533	3,390	3,390	3,390	23,703
General Fund Revenue Account (revenue funding)	544	544	544	544	2,176
<b>Sub-total - Mainstream Funding</b>	<b>14,077</b>	<b>3,934</b>	<b>3,934</b>	<b>3,934</b>	<b>25,879</b>
<b>Borrowing</b>	<b>252</b>	<b>1,740</b>	<b>1,640</b>	<b>1,640</b>	<b>5,272</b>
<b>Total Capital Financing</b>	<b>16,486</b>	<b>7,831</b>	<b>7,731</b>	<b>7,731</b>	<b>39,779</b>

## 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
<b>Subtotal HRA</b>	<b>33,523</b>	<b>29,634</b>	<b>28,826</b>	<b>32,475</b>	<b>124,458</b>

#### 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
<b>Subtotal Decent Neighbourhoods</b>	<b>21,061</b>	<b>18,129</b>	<b>10,423</b>	<b>13,672</b>	<b>63,285</b>
<b>Total Expenditure</b>	<b>54,584</b>	<b>47,763</b>	<b>39,249</b>	<b>46,147</b>	<b>187,743</b>

#### Adjustment for deferred costs

(1,406)	(4,530)	(2,761)	(4,359)	(13,056)
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#### Total Net Expenditure

53,178	43,233	36,488	41,788	174,687
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### 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
<b>Sub-total - Specific or Other Financing</b>	<b>11,290</b>	<b>2,849</b>	<b>3,119</b>	<b>2,849</b>	<b>20,107</b>

#### 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
<b>Sub-total - Mainstream Funding</b>	<b>31,701</b>	<b>40,384</b>	<b>33,369</b>	<b>38,939</b>	<b>144,393</b>

#### Borrowing (Internal Borrowing)

10,187	-	-	-	10,187
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#### Total Capital Financing

53,178	43,233	36,488	41,788	174,687
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## APPENDIX 2 – Anticipated General Fund Capital Receipts

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

## **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 2<sup>1</sup>) – 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.

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<sup>1</sup> 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 re-phase 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:

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

### 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.

	<b>Actual 2015/16 £'000</b>	<b>Forecast 2016/17 £'000</b>	<b>Estimate 2017/18 £'000</b>	<b>Estimate 2018/19 £'000</b>	<b>Estimate 2019/20 £'000</b>
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
<b>TOTAL</b>	<b>255,428</b>	<b>258,545</b>	<b>279,296</b>	<b>291,681</b>	<b>295,087</b>
Other Items – Leases etc*	12,148	12,000	11,800	11,600	11,400
<b>TOTAL (inc. Leases etc.)</b>	<b>267,576</b>	<b>270,545</b>	<b>291,096</b>	<b>303,281</b>	<b>306,487</b>

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:

	<b>Actual 2015/16 £'000</b>	<b>Forecast 2016/17 £'000</b>	<b>Estimate 2017/18 £'000</b>	<b>Estimate 2018/19 £'000</b>	<b>Estimate 2019/20 £'000</b>
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.

	<b>Actual 2015/16 £'000</b>	<b>Forecast 2016/17 £'000</b>	<b>Estimate 2017/18 £'000</b>	<b>Estimate 2018/19 £'000</b>	<b>Estimate 2019/20 £'000</b>
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.

	<b>Estimate 2017/18 £</b>	<b>Estimate 2018/19 £</b>	<b>Estimate 2019/20 £</b>
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><b>London Borough of Hammersmith &amp; Fulham</b></p> <p><b>FULL COUNCIL</b></p> <p><b>22 February 2017</b></p>	
<b>TREASURY MANAGEMENT STRATEGY REPORT 2017/18</b>	
<b>Report of the Cabinet Member for Finance – Councillor Schmid</b>	
<b>Open Report</b>	
<b>Classification – For Decision</b> <b>Key Decision: Yes</b>	
<b>Wards Affected: ALL</b>	
<b>Accountable Executive Director:</b> Hitesh Jolapara, Strategic Finance Director	
<b>Report Author:</b> Halfield Jackman, Treasury Manager	<b>Contact Details:</b> Tel: 0207 641 4354 E-mail: <a href="mailto:hjackman@westminster.gov.uk">hjackman@westminster.gov.uk</a>

## 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 31<sup>st</sup> 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 CIPFA<sup>1</sup> 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-specified<sup>2</sup> 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.

## **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.

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<sup>1</sup> Chartered institute of Public Finance and Accountancy

<sup>2</sup> Specified and non-specified investments are defined in Section 7.17 to 7.19

## 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 CFR<sup>3</sup> with the DSG-funded Schools Windows will be £ 49.37m.

### Forecast Movement in the General Fund Capital Financing Requirement (CFR) <sup>4</sup>

£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.
- 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.

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

<sup>4</sup> 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.

## 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
<b>TOTAL CFR</b>	<b>255,428</b>	<b>258,545</b>	<b>279,296</b>	<b>291,681</b>	<b>295,087</b>	<b>300,040</b>

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 Swaps<sup>5</sup> (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.

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<sup>5</sup> 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)



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

<b>Institution Type</b>	<b>Minimum Long Term Credit Rating Required 2017/18 (S&amp;P / Moodys / Fitch)</b>	<b>Maximum Individual Counterparty Investment limit 2017/18 (£m)</b>	<b>Maximum tenor of deposit / investment 2017/18</b>	<b>Changes from the 2016/17 Strategy</b>
<b>Money Market Funds MMF</b>	AAA by at least one of the credit agencies	£30m per fund manager, £200m in aggregate	Up to three day notice	No change
<b>Enhanced Money Funds</b>	AAA by at least one of the credit agencies	£20m per fund manager, £60m in aggregate	Up to seven day notice	No change
<b>UK Bank Fixed Deposits / Certificates of Deposit / Short Dated Bonds</b>	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
<b>UK Bank Fixed Deposits / Certificates of Deposit / Short Dated Bonds</b>	Long Term A- / A3 / A- Short Term F2/ P-2 /A-3	£50m	3 years	No change
<b>Non-UK Bank Fixed Deposits / Certificates of Deposit / Short Dated Bonds</b>	Long term AA- / Aa2 / AA- Short Term F2/ P-2 /A-3	£50m	3 years	No change
<b>Non-UK Bank Fixed Deposits / Certificates of Deposit / Short Dated Bonds</b>	Long Term A / A2 / A Short Term F2/ P-2 /A-3	£30m	1 year	No change
<b>Building Societies Fixed Deposits / Short Dated Bonds</b>	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 Types<sup>6</sup>

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.

<sup>6</sup> Appendix E provides more detail on the various asset classes.

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 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).

<b>Institution Type</b>	<b>Minimum Credit Rating Required (S&amp;P / Moodys / Fitch)</b>	<b>Maximum Individual Counterparty Investment limit (£m)</b>	<b>Maximum tenor of deposit / investment</b>
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:

- 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
<b>Total</b>	<b>345</b>	<b>345</b>	<b>345</b>	<b>345</b>	<b>345</b>	<b>345</b>

- 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
<b>Total</b>	<b>290</b>	<b>290</b>	<b>290</b>	<b>290</b>	<b>290</b>	<b>290</b>

- 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 6<sup>th</sup> 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 7<sup>th</sup> 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**

None.

**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.

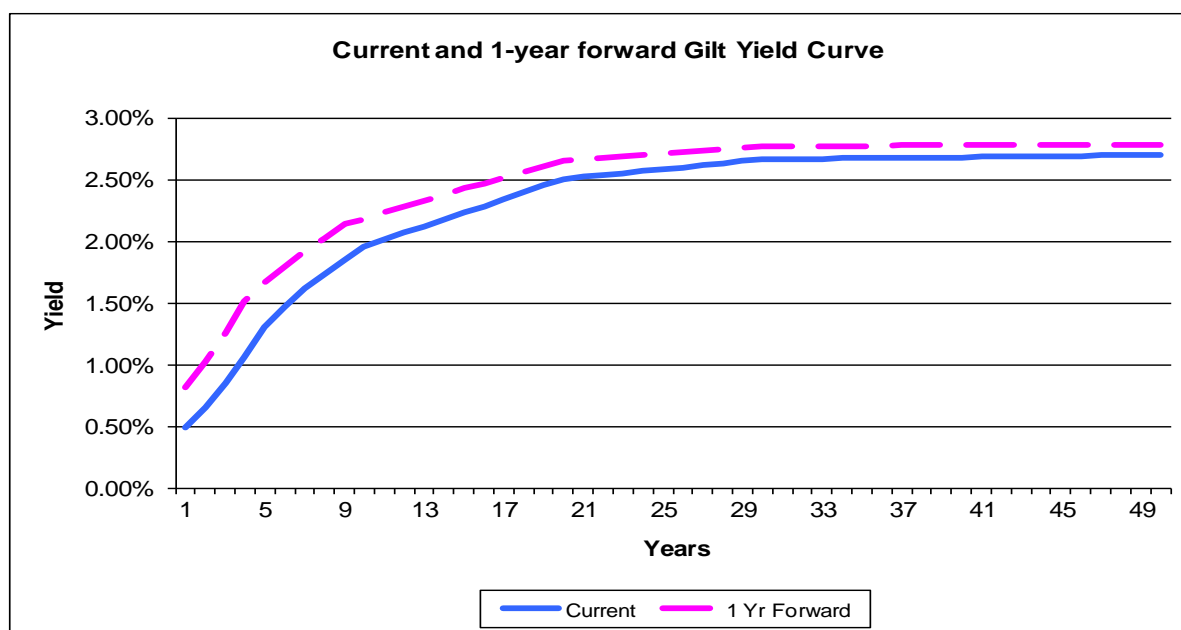
This Council acknowledges that effective Treasury Management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance.

**Interest Rate Forecast dated 15<sup>th</sup> 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
<b>BANK RATE</b>	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
<b>3 month LIBID</b>	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
<b>6 month LIBID</b>	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
<b>12 month LIBID</b>	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
<b>5 yr PWLB</b>	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
<b>10 yr PWLB</b>	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
<b>25 yr PWLB</b>	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
<b>50 yr PWLB</b>	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**

## 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 through 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 newsflashes 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 1<sup>st</sup> 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.

## CREDIT RATINGS

<b>Long term ratings</b>	<b>Fitch</b>	<b>Moody's</b>	<b>S&amp;P</b>
<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

<b>Short term ratings</b>	<b>Fitch</b>	<b>Moody's</b>	<b>S&amp;P</b>
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

## 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 7.4

<p><b>London Borough of Hammersmith &amp; Fulham</b></p> <p><b>FULL COUNCIL</b></p> <p>22 February 2017</p>	 <p>h&amp;f hammersmith &amp; fulham</p>
<b>PAY POLICY OF THE LONDON BOROUGH OF HAMMERSMITH AND FULHAM 2017/18</b>	
<b>Report of the Cabinet Member of Finance – Councillor Max Schmid</b>	
<b>Open Report</b>	
<b>Classification - For Decision</b> <b>Key Decision: No</b>	
<b>Wards Affected: None</b>	
<b>Accountable Executive Director: Nigel Pallace, Chief Executive</b>	
<b>Report Author:</b> Debbie Morris – Shared Director for Human Resources (LBHF & RBKC)	<b>Contact Details:</b> Tel: 020 8753 3068 <a href="mailto:Debbie.Morris@lbhf.gov.uk">Debbie.Morris@lbhf.gov.uk</a>

## 1. EXECUTIVE SUMMARY

The Council is required to prepare a pay policy statement for each financial year.

## 2. RECOMMENDATIONS

- 2.1 That Council is recommended to approve the pay policy statement for 2017/18 as set out in the attached document.
- 2.2 That Council endorses the pay schemes attached as Appendices 1, 2 and 3 to the Pay Policy Statement.

## 3 REASONS FOR DECISION

- 3.1 A decision is required in order for the council to approve the pay policy statement and its appendices and for the policy to be published on the council's website, as required by the Localism Act 2011.

## **4 INTRODUCTION AND BACKGROUND**

- 4.1 Under Section 38(1) of the Localism Act 2011, the council is required to prepare a pay policy statement for each financial year. This pay policy statement must be approved by Council. The provisions of the Act do not apply to local authority schools.
- 4.2 Approved pay policy statements must be published on the council's website as soon as reasonably practicable after being approved. The Act also requires that the council includes in its pay policy statement, its approach to the publication of and access to information relating to the remuneration of chief officers. Remuneration includes salary or payment for a contract for services, expenses, bonuses, and performance related pay as well as severance payments. The definition of chief officers includes the head of paid service, statutory chief officers, non-statutory chief officers, and those who report to them.
- 4.3 Section 38(1) of the Act also requires the council to set out its policy on remuneration for its highest paid staff alongside its policies towards its lowest paid employees. In particular, it requires the council to explain what it thinks the relationship should be between the remuneration of its chief officers and other employees and to set out policy on the lowest paid (outlined in the paragraph on 'Definitions' within the pay policy). The council must include its current policy towards maintaining or reaching a specific pay multiple, within its broader policy on how pay and reward should be fairly dispersed across its workforce.
- 4.4 So far as other elements of senior remuneration are concerned, including bonuses, performance related pay (PRP), severance payments and the payment of fees for election duties, the council must also make it clear what approach it takes to the setting and publishing of these.
- 4.5 The pay policy statement must also deal with a number of aspects of re-employment of staff. The council must explain its policy in relation to the payment of salary and pension to the same individual. It must also set out its policy in relation to the re-employment of chief officers who have retired and may be re-employed on a contract for services.
- 4.6 The council must in setting pay policy statements, have regard to the guidance issued by the Secretary of State for Communities and Local Government. This includes the Local Government Transparency Code 2015 issued pursuant to section 2 of the Local Government, Planning and Land Act 1980 and guidance under section 40 of the Localism Act of February 2012 and February 2013 which requires relevant authorities to prepare pay policy statements. Due regard has been had to the guidance in the preparation of this policy.
- 4.7 The pay policy statement must be approved by a resolution of Council. Once in force, it must be complied with although it may be amended by Council during the financial year. It must always be published on the council's website as soon as reasonably practicable after approval or amendment.



## **5 PROPOSAL AND ISSUES**

- 5.1 The Government guidance for local authorities on the preparation of a pay policy statement recommends the calculation and publication of an authority's pay multiple. That is the relationship between the median earnings figure in the organisation and the remuneration of its highest paid officer.
- 5.2 The median is defined as that earnings figure at which there are an equal number of officers' earnings figures above and below it. The highest paid officer in H&F is the Chief Executive.
- 6 The remuneration of the highest paid officer is divided by the median earnings figure to arrive at the pay multiple. At the start of 2017 this multiple is 5.5.

## **7 OPTIONS AND ANALYSIS OF OPTIONS**

Not applicable

## **8 CONSULTATION**

None

## **9 EQUALITY IMPLICATIONS**

- 9.1 As mentioned, this report has been produced so that the Council approves the pay policy statement. There are no actions that impact on equalities and as a result, the report's equalities impact assessment (EIA) is rated as low. Therefore, an EIA has not been completed.

## **10 LEGAL IMPLICATIONS**

- 10.1 The statutory requirements set out in Chapter 8 of Part 1 of the Localism Act 2011 (Sections 38-43) are summarised in the report and the pay policy statement. The pay policy statement complies with the statutory requirements.
- 10.2 Implications verified/completed by LeVerne Parker, Chief Solicitor (Planning and Property). Tel: 0207 361 2180

## **11 FINANCIAL AND RESOURCES IMPLICATIONS**

- 11.1 This report sets out the status quo on pay within the council, therefore there are no additional financial implications arising from the report as resultant costs can be contained within existing budgets.
- 11.2 Implications verified/completed by Hitesh Jolapara, Strategic Director for Corporate Financial Services.

**12 RISK MANAGEMENT**

None.

**13 PROCUREMENT AND IT STRATEGY IMPLICATIONS**

None.

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

<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext of holder of file/copy</b>	<b>Department/ Location</b>
1.	Council Pension Policy	Debbie Morris, Shared Director for Human Resources (LBHF & RBKC)	Hammersmith Town Hall
2.	Council guidance on performance related pay	Tel: 020 8753 3068	

**LIST OF APPENDICES:**

Appendix 1 - NJC Salary Scales and SMG Pay Ranges

Appendix 2 - Senior Manager Performance Scheme (SMG 3)

Appendix 3 - Senior Manager Performance Scheme (SMG 1 and 2)

Appendix 4 - Statement of Local Employer Pension Policy April 2014

## **PAY POLICY STATEMENT**

### **London Borough of Hammersmith and Fulham (H&F)**

#### **1. Fairness and Transparency**

H&F is committed to paying its staff on a fair basis to reflect the work that they do. At the same time, it recognises that there is public interest in both the remuneration of its staff and the way in which that remuneration is set. It is therefore publishing this statement to ensure transparency and fulfil its obligations under section 38 (1) of the Localism Act 2011.

#### **2. Vision and Behaviours**

- 2.1 The council's vision is to be the best council in the country. In order to ensure leadership and management of the highest standards, managers have a document that sets out the behaviours which the council requires employees to demonstrate.
- 2.2 The vision, desired behaviours and guide to good management are used during recruitment to vacant posts, discussions on learning and development needs, performance appraisal and the determination of performance related pay (PRP).
- 2.3 The council recognises that as an organisation which expects high standards from its staff, it should reward them accordingly, both to recruit the best and to continue to motivate them.

#### **3. Pay Design**

- 3.1 Most staff salaries are set by national pay bargaining through the Greater London Provincial Council (GLPC). Progression through the range is by increments and is related to satisfactory service. All staff have an annual performance appraisal.
- 3.2 In addition, the most senior staff at Chief Officer level, have separate, locally determined salary ranges, which include an element of PRP. Each year subject to an assessment of overall performance, these staff can receive a performance related consolidated base salary increase and thus move up through their pay range until the maximum of their pay range is reached. At this point, any balance in the recommended pay increase is paid as a one-off, non-consolidated payment. In addition, achievement of targets set can result in a further one off non-consolidated payment. There is the potential to earn up to 10% of existing salary based on performance against targets. However, in exceptional circumstances a higher award can be paid, where sustained exceptional performance can be evidenced.
- 3.3 The performance related pay (PRP) schemes for Chief Officers was reviewed in the first half of 2016 and revised arrangements were introduced in time for the 2016/17 appraisal year. Individual performance is assessed in two ways:

- against the Council's values and behaviours, including the new senior manager behavioural indicators that were introduced as part of the refresh of the PRP arrangements
  - on the basis of an overall assessment of achievements against targets, the numbers on which there are no longer any caps.
- 3.4 The pay ranges for all staff and the senior manager performance schemes are set out in the attached Appendices 1, 2 and 3.
- 3.5 The Chief Executive implemented a new corporate structure in 2015 which deleted the Executive Director tier (grade SMG1) in all departments other than the two large departments shared with RBKC and Westminster City Council (Adult Social Care and Children's Services). To avoid the Chief Executive having to directly manage all other directors, Lead directors (to whom other service directors report) have been selected in Housing & Regeneration and Environmental Services, while some corporate services directors now report to the Strategic Finance Director. A smaller core Strategic Leadership Team (SLT) of nine was established in 2016, comprising the Chief Executive, the two shared Executive Directors, the Strategic Finance Director, two Lead directors and three corporate services directors. Individual pay arrangements have been made with SLT directors (who, like all directors, were graded SMG2). The remuneration of the SLT directors consequently sits between Directors' scale SMG2 and the Executive Directors' scale SMG1.
- 3.6 Following a review of directors' pay arrangements, a new pay zone was introduced to rationalise the ad-hoc nature of the current arrangements, through the removal of existing pay additions/supplements and their consolidation into basic salary. No change to the remuneration of any individuals has resulted, but an additional pay zone has been created for Directors comprising the Council's Strategic Leadership Team (SLT). This new pay zone bridges the gap between SMG2 and SMG1, being a lower SMG1 zone with a lower ceiling than the (renamed) upper SMG zone for Executive Directors. This has enabled all SLT directors to move into this new pay band, replacing the ad hoc individual pay arrangements previously in place. Only the Strategic Finance Director remains outside this new pay band, reflecting the market conditions for statutory S151 officers among London boroughs. As a consequence, the new SLT now comprises capable officers on, for the most part, substantially lower salaries than the previous Business Board of Executive Directors.
- 3.7 There are a number of additional performance related pay schemes for certain other groups of staff that pay up to 10% of salary. These groups are:
- Civil Enforcement
  - Commercial Waste
  - Corporate Anti-Fraud Service
  - Development Management
  - Pest Control
  - Rental Income

- Commercial Director
- Strategic Commissioners and Service Managers in Adult's Commissioning Services

Market supplements have been agreed for Heads of Service in ICT reviewable every two years and for Heads of Service in Adult's Commissioning Services.

- 3.8 The pay ranges for all posts in the council are determined through job evaluation to ensure fairness and equality. In respect of nationally negotiated ranges, this is done through the Greater London Provincial Council Job Evaluation Scheme developed some years ago for all councils in London. In relation to the senior pay ranges for Chief Officers, the scheme devised by Hay management consultants is used.
- 3.9 In addition to these annual salaries, the council can choose to pay extra sums to staff to recognise market pressures or additional work undertaken. These may be pay supplements, acting-up allowances or honoraria. These are most likely to apply to staff below senior management level.
- 3.10 Starting salaries within pay ranges are determined by reference to market rates and an individual's existing salary.
- 3.11 Those officers who have statutory positions in relation to elections i.e. Returning Officer/ Acting Returning Officer and deputies also receive a fee in recognition of these roles. This fee reflects the advisory fee set for each election by the Ministry of Justice. There are also fees paid to staff who carry out the annual canvass of the electoral register and who undertake additional work at the time of the election – poll staff, inspectors, count staff, etc.
- 3.12 The council has a number of shared senior management posts and where these are in place, the remuneration is shared between the parties to the shared service agreement.

#### **4. Other Rewards**

The council tries to adopt best practice and allow for market forces when determining additional benefits for its staff. In addition, it acknowledges that benefits are an important part of a recruitment package. All staff are therefore eligible to receive a range of benefits which the council either provides or has negotiated. Such as interest free travel loan; childcare and bike to work salary sacrifice schemes; training support and outplacement support including career counselling for staff in jobs that have been made redundant.

#### **5. Pension and Severance Payments**

- 5.1 A week's pay for the purpose of calculating a statutory redundancy payment is calculated in accordance with sections 220 to 229 of the Employment Rights Act 1996 and the council exercises discretion to waive the statutory weekly pay limit. Under the provisions of the Local Government (Early Termination of Employment) Discretionary Compensation (England and Wales) Regulations

2006, the actual amount of a week's pay is used. A week's pay is the amount of pay that the employee is entitled to, for working their normal contractual hours and any variable items of pay are averaged over the last 12 weeks ending on the calculation date.

- 5.2 Calculation of a full-time week's pay is subject to a locally agreed minimum, currently £526.50. This is equal to 1.5 x London Living Wage, a local policy which ensures that no employee earns less than £351.00 per week, based on an hourly basic rate of pay of £9.75 effective from 1<sup>st</sup> April 2017.
- 5.3 The number of weeks redundancy is based on age and length of service at leaving and is subject to a statutory limit of 30 week's pay.
- 5.4 Staff are entitled to join the Local Government Pension Scheme (LGPS) and will receive their pension at their normal retirement age, with an additional entitlement to leave with a reduced pension at age 55. Pension payments will be released early in certain circumstances including redundancy and ill health retirements provided the appropriate criteria of the local pension policy are met. There is a separate, published policy on pension payments. This is updated from time to time in line with any changes to pension regulations.
- 5.5 Arising from the auto-enrolment regulations, a change took effect to joining arrangements from 1 April 2013; new starters are enrolled into the LGPS, subject to certain conditions, unless they choose to opt out. Staff who opted out of the LGPS before 1 April 2013 will not be auto-enrolled until 1<sup>st</sup> October 2017 but may opt to join the LGPS at any time.
- 5.6 Under the LGPS, certain staff may request flexible retirement whereby they can retire early and continue to work on a part-time basis or on a reduced salary. The council retains the discretion to agree such arrangements as they are not a right.
- 5.7 The fact that an individual is already receiving a pension under the LGPS regulations does not prevent the council from appointing them. However if an employee is in receipt of a pension from a previous employer that is a member of the LGPS and they are recruited by the council, they must notify their existing pension provider of re-employment, even if they elect not to join the pension scheme here. It is the existing pension provider's responsibility to review their pension and if necessary make any reduction due to the level of earnings.
- 5.8 The Government has announced that it proposes to bring in a cap of £95,000 on exit payments for public sector organisations including Local Government. The proposed regulations are made under powers conferred on them by section 153A (1) of the Small Business, Enterprise and Employment Act 2015. However, the Government has confirmed that the cap will not come into effect from 1 October 2016 and instead it issued draft Public Sector Exit Payment Regulations for consultation in July 2016. The proposals have yet to be implemented and are not expected to be so before April 2017, but may be sometime in 2017.

5.9 The core elements of the proposal are to:

- Apply a £95,000 cap on the total value of exit payments to someone leaving employment
- Apply the cap to all forms of voluntary and compulsory exit payments; ex gratia payments and special severance payments; other benefits granted as part of the exit process; employer costs in providing early unreduced access to pension and payments of compensation in lieu of notice and payments relating to cashing up of outstanding entitlements.

5.10 Excluded from the cap are compensation payments in respect of litigation for breach of contract or unfair dismissal, death or injury attributable to the employment as well as serious ill health and ill health retirement.

5.11 The draft regulations grant a power to relax the restriction on payment of exit payments, i.e. to waive the cap. That power can only be exercised by Full Council. It is anticipated that a report will be taken to Full Council seeking a decision to waive the cap where appropriate. However the terms of the waiver are not yet known as the draft regulations in respect of this have not yet been published . There are separate proposals in the Small Business, Enterprise and Employment Act 2016 to recover ‘qualifying’ public sector exit payments from high earning individuals who will be required to pay back their exit payment if they return to the public sector within 12 months of their departure and earn £80,000 or more a year. However, these proposals have also not yet come into law although the Government says they will be introduced “shortly”.

## **6. Publication and Access to Remuneration of Chief Officers and Other Senior Staff**

The council publishes details of remuneration of chief officers in the Annual Statement of Accounts and on the council’s website. The council also publishes information about the level of remuneration of other senior staff on its website. This information is published for all senior staff on annual earnings of £50,000 or more.

## **7. Definitions**

7.1 The pay ranges for senior staff reflect the need to recruit and retain good staff. Annual increases for these staff reflect the nationally agreed salary increases.

7.2 The Localism Act requires the council to define its lowest paid employees. The Council became an accredited Living Wage Employer in February 2016. Under the terms of the Council’s accreditation, this means that no directly employed Council staff will earn less than the London Living Wage. This includes any directly employed interns, or apprentices. Separately, the Council used to also operate a minimum earnings guarantee (MEG) policy. However, with the changes to the NJC pay spine in April 2016 and those

planned in April 2017, as consequence of the introduction of the National Living Wage in April 2016, coupled with the Council's accreditation as a Living Wage Employer In February 2016, means that the need for a separate MEG policy will no longer be necessary from 1<sup>st</sup> April 2017, when the hourly rate for the London Living Wage (LLW) will then be higher. The MEG policy served the Council well, as it helped to ensure that earnings of Council employees, particularly manual workers, would not fall below an overall level of weekly earnings, which at the time approximately equated to the Council of Europe's decency threshold.

- 7.3 In addition, the council is required to publish the pay multiple between the highest paid employee and the median salary of the workforce. The current multiple is 5.5. At present, the council deems this multiple to be appropriate and within an acceptable ratio of 10:1. The policy with regard to the pay multiple will be kept under review.
- 7.4 The council has workers on zero hours contracts. This is an employment contract between an employer and a worker, where the employer is not obliged to provide the worker with any minimum, working hours and the worker is not obliged to accept any of the hours that are offered. This is entered into by written, mutual agreement and by understanding. The arrangement is not an exclusive one and people are free to work elsewhere, should they so choose.

## **8 Remuneration Committee**

The council does not have a remuneration committee to advise on pay policy including the setting of senior salaries and the level of Members' allowances.

## **9. Council Role**

- 9.1 Council will agree all proposed salary ranges, including performance related pay and fees methodologies, for staff paid in excess of £100,000.
- 9.2 Severance payments made by the Council will be in accordance with Section 5 of this policy statement and the Statement of Local Employer Pension Policy published separately.



**NJC SALARY SCALES**

<b>Grade</b>	<b>Spine Point</b>	<b>Basic Salary p.a. 01/04/2017 - 31/03/2018 - £</b>
Scale 1B	6	18,222
	7	18,384
Scale 1C	8	18,747
	9	19,050
Scale 2	10	19,311
	11	19,347
	12	19,665
Scale 3	13	20,001
	14	20,310
	15	20,580
Scale 4	16	20,907
	17	21,252
	18	21,546
Scale 5	19	22,218
	20	22,902
	21	23,610
Scale 6	22	24,135
	23	24,738
	24	25,437
SO1	25	26,136
	26	26,865
	27	27,654
SO2	28	28,440
	29	29,424
	30	30,294
PO1	31	31,140
	32	31,953
	33	32,802
PO2	34	33,627
	35	34,254
	36	35,070
PO3	37	35,961
	38	36,912
	39	38,007
PO4	40	38,919
	41	39,855
	42	40,785
PO5	43	41,718
	44	42,651
	45	43,530
PO6	46	44,496
	47	45,438
	48	46,377
PO7	49	47,292
	50	48,234
	51	49,176
PO8	52	50,115
	53	51,069
	54	52,071
PO9	55	53,088
	56	54,102
	57	55,107
PO10	58	56,112
	59	57,114

**SMG PAY RANGES**

<b>Senior Management Grade</b>	<b>Pay Range Minimum - 1st April 2017 - 31st March 2018 - £</b>	<b>Pay Range Maximum - 1st April 2017 - 31st March 2018 - £</b>
SMG3 (Heads of Service)	56,337	74,062
SMG2 - Zone 1 (Director)	81,987	102,874
SMG2 - Zone 2 (Director)	89,221	106,910
SMG1-lower (SLT)	107,060	121,200
SMG1-upper (Executive Director)	120,095	161,808



### Senior Manager Behavioural Indicators:

**Cross-functional collaboration; Resident/Customer Focus; Innovation; Leadership; Action orientation and delivery of the Administration's programme**

## SENIOR MANAGER PERFORMANCE SCHEME (SMG3)

### 1. Introduction

The Senior Manager Appraisal Performance Scheme was revised in April 2016 and provides managers with clear objectives, regular feedback and opportunities for development. The revised performance related pay scheme arrangements will continue to have two elements, although the way in which these are assessed will change, with achievement of targets affecting **both**.

The two elements are:

- Non-Consolidated Annual Performance Bonus – based on assessment of your overall achievement against all targets for your role.
- Consolidated Base Salary Pay Progression – based on an assessment of the consistent demonstration of the desired senior manager behavioural indicators, using evidence based examples:

**The scheme has been designed to ensure that we have arrangements that:**

- Underpin and support business needs;
- Encourage high performance and service delivery; and
- Deliver value for money

**The scheme will also:**

- Ensure that everyone knows what they are required to do and how this helps us to achieve the organisation's objectives and deliver the community strategy, as well as how their performance will be assessed.
- Ensure that a fair and objective assessment is made of performance, especially where it affects salary progression.
- Provide a means by which individual development of relevant competencies and the consequent training and personal development needs can be discussed, assessed and met.
- Provide a mechanism for managers to discuss job performance, providing constructive feedback from which individuals can benefit.

### 2. The H&F Individual Performance Management cycle

The Individual Performance Management cycle comprises a 4 Step process.

<b>Step 1</b>	<b>Objective setting and development planning</b>	<ul style="list-style-type: none"> <li>• Set clear objectives to work on throughout the year</li> <li>• Create a Personal Development Plan (PDP) to ensure that you have all the knowledge, skills and support you need to succeed.</li> </ul>
<b>Step 2</b>	<b>Staying on track</b>	<ul style="list-style-type: none"> <li>• You need to have regular 1:1s with your manager in order to consider your progress and help you stay on track.</li> <li>• These meetings should take place at least once a month</li> </ul>

		for most roles.
<b>Step 3</b>	<b>Mid year review</b>	<ul style="list-style-type: none"> <li>• Consider your overall progress in preparation for your appraisal (Step 4) and to gain actionable feedback to help you succeed.</li> <li>• Consider how you are doing against your job competencies.</li> <li>• The mid year review meeting normally takes place in October.</li> </ul>
<b>Step 4</b>	<b>Appraisal</b>	<ul style="list-style-type: none"> <li>• This is an end-of-year review which helps you take stock of what you've achieved and determine how well you've done.</li> <li>• It is an opportunity to learn from your successes as well as those things that haven't gone so well – and to incorporate that learning into your work going forward.</li> <li>• Steps 2 and 3 help ensure that there are no surprises at this stage.</li> <li>• Appraisal to be conducted by 31 March for senior managers.</li> </ul>

### 3. Performance Assessment

Performance is assessed in two ways:

#### 3.1 Overall Achievement against all Targets

There is no cap on the number of targets that can be set. A rating is given based on an overall assessment of achievement against all targets which links to the payment of a non-consolidated Annual Performance Bonus payment. There is the potential to earn up to 10% of base pay and there is also discretion for a higher award for sustained exceptional performance.

The bonus awards payable are calculated as a percentage of existing salary as follows:

<b>Performance Rating</b>	<b>Percentage Award</b>
5 (exceptional performance against all targets)	8-10%
4 (targets met and some exceeded)	5-7%
3 (most targets met)	3-4%
2 (mixed performance, only some targets met)	0%
1 (limited effectiveness in meeting targets)	0%

#### 3.2 Consistent Demonstration of Senior Manager Behavioural Indicators (see Appendix A for detail)

H & F Senior Managers are required to exhibit the desired senior manager behaviours in everything they do, including the requirement to demonstrate that they are managing their service well and providing leadership to their staff.

- ✓ Cross-Functional Collaboration
- ✓ Resident/Customer Focus
- ✓ Innovation
- ✓ Action Orientation and Delivery of the Administration's Programme
- ✓ Leadership

To qualify for consolidated base salary pay progression (paid via increments) through the SMG 3 pay scale, you will have to have achieved at least a 'three' on achievement of targets and assessed

against your consistent demonstration of the five senior manager behavioural indicators, using evidence based examples.

#### 4. Pay Progression (Consolidated Increase in Base Salary)

- You will only qualify for a consolidated pay award if you score at least a 'three' on achievement of targets.
- For those that qualify, you will then be scored again against your consistent demonstration of the desired behaviours.

**For senior managers who receive either a one or two rating, they will be ineligible to receive any pay progression.**

Rating based on behaviour	Incremental progression, including cost of living (COL)
5	2 x increment
4	1.5 x increment
3	1 x increment
2	0 x increment
1	0 x increment

The purpose of the pay progression table is to enable H&F to recognise and reward senior managers on the basis of their contribution to the achievement of the organisations objectives. This means that:

- Exceptional and highly effective performers receive a higher award
- Consistently effective performers receive a standard award
- Those who are generally effective with some inconsistencies or those with limited effectiveness and below receive no progression.

#### 5. Eligibility

- **Managers appointed during the reporting year** - New appointments will normally be at a low spinal column point within the SMG3 payscale. Permanent staff become eligible for the appraisal scheme immediately they commence employment in a senior management post. An appraisal meeting should normally take place within four weeks of commencement of employment to align with the first probationary meeting. The key objectives and competency development set should be established as normal, however the assessment and eligibility to receive base salary increase and PRP payment will not take place until the full appraisal period has taken place. (i.e. if an individual starts in October 2016, they would not receive any pay progression until April 2018 (18 month period). There is however, an opportunity to receive up to 10% PRP of salary earned in the period (non-consolidated cash bonus) in exceptional circumstances subject to performance in the initial stage. Individuals must be in post at the end of the review year and when pay is awarded in order to be eligible to receive an overall salary progression and PRP.
- **Managers who leave H&F** - Managers who leave before the end of a review year (i.e. 31<sup>st</sup> March) will not receive any PRP payment i.e. no pay progression or bonus payment.

- **Managers who are unwell during the reporting period** - An assessment of overall achievement against annual targets for your role and against consistent demonstration of the five senior manager behavioural indicators will be conducted as normal. However, awards will be based on actual pay received during the assessment period. Therefore, if an officer's pay has reduced in line with the H&F sick pay scheme, any awards will be proportionate.
- **Managers who are absent on maternity leave during the reporting year** - When it is known that a manager will be absent on maternity leave, their performance targets should be reviewed and amended. Assessments for base pay increases and PRP payments should be based on the available information from the current reporting year, in conjunction with the previous year's assessment. If the officer is new to H&F and an assessment cannot be based on achievements in the present review year, base salary increase should be based on level 2 and a PRP rating be discretionary.
- **Calculation of PRP Pay** - The actual amount of the PRP or bonus payment is calculated as a percentage of total base salary plus any pay additions actually paid to the employee during the year. Hence for those who work part-time, the PRP amount is calculated against actual pay not a notional full-time salary. For those who changed grade during the year, HR will advise how the payment is made.
- **Moderation of PRP Pay** - For SMG grades there is a moderation process to ensure consistency and fairness in the rating of performance as this affects both base and bonus pay. For SMG 3 this is normally done through the H&F Senior Leadership Team (SLT).

## APPENDIX A – Behavioural Indicators for Senior Management Roles

<b>Cross-Functional Collaboration</b>	<p>Works collaboratively and effectively in partnership, across functions both internally with LBHF (e.g. matrix working) and externally with a range of partner organisations and sectors where appropriate e.g. NHS, Voluntary Third Sectors, Contractors, other boroughs</p> <p>Provides evidence and/or examples of where:</p> <ul style="list-style-type: none"> <li>• they have worked in partnership and collaboratively across departments and with external stakeholders/customers.</li> <li>• partnership/collaborative working has led to measurably improved service delivery.</li> <li>• cross-functional collaboration has delivered financial savings for the authority.</li> <li>• increased joined-up service delivery has been achieved across teams and other organisations.</li> <li>• they have influenced another borough to deliver for us</li> </ul>
<b>Resident/Customer Focus</b>	<p>Puts residents and customers at the heart of everything they do, lead by example and take pride in serving our public well</p> <p>Provides evidence and/or examples of where they:</p> <ul style="list-style-type: none"> <li>• engage meaningfully with residents and customers on service design and implementation.</li> <li>• positively learn from complaints leading to service improvements, with this culture embedded in their own service area</li> <li>• demonstrate increase in number of service compliments received and other positive feedback from residents</li> <li>• have achieved increased levels of customer satisfaction</li> <li>• put in place an expected set of minimum guaranteed standards for service delivery in their teams and have developed an improvement plan to raise standards and deliver continuous improvement</li> <li>• drive improvements and efficiencies, providing for better service delivery and customer experience, reducing failure demand</li> <li>• ensure that social inclusion is at the heart of service delivery</li> </ul>
<b>Innovation</b>	<p>Embrace change and constantly seeks ways to improve the way we work</p> <p>Provides evidence and/or examples of where:</p> <ul style="list-style-type: none"> <li>• they exhibit a positive approach to change and new ways of working</li> <li>• they encourage staff to be innovative and think creatively about how services can be delivered more effectively and efficiently.</li> <li>• they show innovative practice and where this has made a demonstrable difference in the way that services have or will be provided in the future.</li> <li>• staff ideas have been put into practice, where there is an absence of staff complaints that their ideas and suggestions are not listened to or taken seriously.</li> </ul>

<b>Action Orientation and Delivery of the Administration's Programme</b>	<p>Demonstrably seen to be auctioning/delivering on the Administration's key objectives and priorities, utilising a variety of skills, knowledge and experience to improve the delivery of the Authority's services both internally and externally, in a cost effective manner</p> <ul style="list-style-type: none"> <li>• provides evidence and/or examples to support how service delivery is meeting the Council's key priorities e.g. putting social inclusion at the heart of everything that we do.</li> <li>• provides evidence to support that they have put arrangements in place to achieve all of the actions within Service Improvement Plans as appropriate.</li> <li>• demonstrably able to evidence the use of Commercial/Business Acumen in the provision of their services.</li> <li>• evidence of delivering service transformation to meet the Administration's and key stakeholder needs.</li> <li>• positive informal member feedback.</li> </ul>
<b>Leadership</b>	<p>Leads high performing teams by engaging employees</p> <ul style="list-style-type: none"> <li>• Provides evidence and/or examples of where they:</li> <li>• know how to motivate their staff e.g. positive feedback from staff feeling motivated</li> <li>• develop and communicate a clear vision and direction for their service delivery</li> <li>• provide staff with the context for change and actively encourage them to embrace it</li> <li>• coach and build capability, capacity and resilience within their team</li> <li>• invest time in meeting and communicating with staff through 1:1s, team meetings and performance appraisals; identify and make time to understand staff's strengths and what motivates them.</li> <li>• are demonstrably seen to be acting upon the outcomes of things such as the 'Your Voice' survey.</li> <li>• consistently exhibit behaviours consistent with corporate vision to be the best</li> <li>• enjoy absence of negative feedback from staff survey regarding engagement and leadership</li> <li>• make an effective contribution to the collective executive team's leadership driving cultural change and continuous improvement across the council.</li> </ul>



### Senior Manager Behavioural Indicators:

Cross-functional collaboration; Resident/Customer Focus; Innovation; Leadership; Action orientation and delivery of the Administration's programme

## SENIOR MANAGER PERFORMANCE SCHEME (SMG1&2)

### 1. Introduction

The Senior Manager Appraisal Performance Scheme was revised in April 2016 and provides managers with clear objectives, regular feedback and opportunities for development. The revised performance related pay scheme arrangements will continue to have two elements, although the way in which these are assessed will change, with achievement of targets affecting **both**.

The two elements are:

- Non-Consolidated Annual Performance Bonus – based on assessment of your overall achievement against all targets for your role.
- Consolidated Base Salary Pay Progression – based on an assessment of the consistent demonstration of the desired senior manager behavioural indicators, using evidence based examples:

**The scheme has been designed to ensure that we have arrangements that:**

- Underpin and support business needs;
- Encourage high performance and service delivery; and
- Deliver value for money

**The scheme will also:**

- Ensure that everyone knows what they are required to do and how this helps us to achieve the organisation's objectives and deliver the community strategy, as well as how their performance will be assessed.
- Ensure that a fair and objective assessment is made of performance, especially where it affects salary progression.
- Provide a means by which individual development of relevant competencies and the consequent training and personal development needs can be discussed, assessed and met.
- Provide a mechanism for managers to discuss job performance, providing constructive feedback from which individuals can benefit.

### 2. The H&F Individual Performance Management cycle

The Individual Performance Management cycle comprises a 4 Step process.

<b>Step 1</b>	<b>Objective setting and development planning</b>	<ul style="list-style-type: none"> <li>• Set clear objectives to work on throughout the year</li> <li>• Create a Personal Development Plan (PDP) to ensure that you have all the knowledge, skills and support you need to succeed.</li> </ul>
<b>Step 2</b>	<b>Staying on track</b>	<ul style="list-style-type: none"> <li>• You need to have regular 1:1s with your manager in order to consider your progress and help you stay on track.</li> <li>• These meetings should take place at least once a month</li> </ul>



		for most roles.
<b>Step 3</b>	<b>Mid year review</b>	<ul style="list-style-type: none"> <li>• Consider your overall progress in preparation for your appraisal (Step 4) and to gain actionable feedback to help you succeed.</li> <li>• Consider how you are doing against your job competencies.</li> <li>• The mid year review meeting normally takes place in October.</li> </ul>
<b>Step 4</b>	<b>Appraisal</b>	<ul style="list-style-type: none"> <li>• This is an end-of-year review which helps you take stock of what you've achieved and determine how well you've done.</li> <li>• It is an opportunity to learn from your successes as well as those things that haven't gone so well – and to incorporate that learning into your work going forward.</li> <li>• Steps 2 and 3 help ensure that there are no surprises at this stage.</li> <li>• Appraisal to be conducted by 31 March for senior managers.</li> </ul>

### 3. Performance Assessment

Performance is assessed in two ways:

#### 3.1 Overall Achievement against all Targets

There is no cap on the number of targets that can be set. A rating is given based on an overall assessment of achievement against all targets which links to the payment of a non-consolidated Annual Performance Bonus payment. There is the potential to earn up to 10% of base pay and there is also discretion for a higher award for sustained exceptional performance.

The bonus awards payable are calculated as a percentage of existing salary as follows:

<b>Performance Rating</b>	<b>Percentage Award</b>
5 (exceptional performance against all targets)	8-10%
4 (targets met and some exceeded)	5-7%
3 (most targets met)	3-4%
2 (mixed performance, only some targets met)	0%
1 (limited effectiveness in meeting targets)	0%

#### 3.2 Consistent Demonstration of Senior Manager Behavioural Indicators (see Appendix A for detail)

H & F Senior Managers are required to exhibit the desired senior manager behaviours in everything they do, including the requirement to demonstrate that they are managing their service well and providing leadership to their staff.

- ✓ Cross-Functional Collaboration
- ✓ Resident/Customer Focus
- ✓ Innovation
- ✓ Action Orientation and Delivery of the Administration's Programme
- ✓ Leadership

#### 4. Pay Progression (Consolidated Increase in Base Salary)

- You will only qualify for a consolidated pay award if you score at least a 'three' on achievement of targets.
- For those that qualify, you will then be scored again against your consistent demonstration of the desired behaviours.

**For senior managers who receive either a one or two rating, they will be ineligible to receive any pay progression.**

SMG 1 and 2 – Pay Progression Table				
Position in Pay Band				
Rating based on behaviour	First Quartile	Second Quartile	Third Quartile	Fourth Quartile
5	5%	4%	3%	3%
4	4%	3%	2%	2%
3	3%	2%	1.5%	1.5%
2	0	0	0	0
1	0	0	0	0

The purpose of the pay progression matrix is to enable H&F to recognise and reward senior managers on the basis of their contribution to the achievement of the organisations objectives. This means that:

- Exceptional and highly effective performers receive a higher award
- Consistently effective performers receive a standard award
- Those who are generally effective with some inconsistencies or those with limited effectiveness and below receive no consolidated base salary pay progression.

#### 5. Eligibility

- **Managers appointed during the reporting year** - New appointments will normally be to the minimum of the appropriate SMG 1 or SMG 2 pay range. Permanent staff become eligible for the appraisal scheme immediately they commence employment in a senior management post. An appraisal meeting should normally take place within four weeks of commencement of employment to align with the first probationary meeting. The key objectives and competency development set should be established as normal, however the assessment and eligibility to receive base salary increase and PRP payment will not take place until the full appraisal period has taken place. (i.e. if an individual starts in October 2016, they would not receive any pay progression until April 2018 (18 month period). There is however, an opportunity to receive up to 10% PRP of salary earned in the period (non-consolidated cash bonus) in exceptional circumstances subject to performance in the initial stage. Individuals must be in post at the end of the review year and when pay is awarded in order to be eligible to receive an overall salary progression and PRP.

- **Managers who leave H&F** - Managers who leave before the end of a review year (i.e. 31<sup>st</sup> March) will not receive any PRP payment i.e. no pay progression or bonus payment.
- **Managers who are unwell during the reporting period** - An assessment of overall achievement against annual targets for your role and against consistent demonstration of the five senior manager behavioural indicators will be conducted as normal. However, awards will be based on actual pay received during the assessment period. Therefore, if an officer's pay has reduced in line with the H&F sick pay scheme, any awards will be proportionate.
- **Managers who are absent on maternity leave during the reporting year** - When it is known that a manager will be absent on maternity leave, their performance targets should be reviewed and amended. Assessments for base pay increases and PRP payments should be based on the available information from the current reporting year, in conjunction with the previous year's assessment. If the officer is new to H&F and an assessment cannot be based on achievements in the present review year, base salary increase should be based on level 2 and a PRP rating be discretionary.
- **Calculation of PRP Pay** - The actual amount of the PRP or bonus payment is calculated as a percentage of total base salary plus any pay additions, actually paid to the employee during the year i.e. the period 1<sup>st</sup> April to 31<sup>st</sup> March. Hence for those who work part-time, or part year the PRP amount is calculated against actual pay not a notional full-time salary. For those who changed grade during the year, HR will advise how the payment is made.
- **Moderation of PRP Pay** - For SMG grades there is a moderation process to ensure consistency and fairness in the rating of performance, as this affects both consolidated base salary pay increases and non-consolidated, one-off performance bonus awards. For SMG1s and SMG 2s, this is done by the Chief Executive in conjunction with the Leader.

## APPENDIX A – Behavioural Indicators for Senior Management Roles

<b>Cross-Functional Collaboration</b>	<p>Works collaboratively and effectively in partnership, across functions both internally with LBHF (e.g. matrix working) and externally with a range of partner organisations and sectors where appropriate e.g. NHS, Voluntary Third Sectors, Contractors, other boroughs</p> <p>Provides evidence and/or examples of where:</p> <ul style="list-style-type: none"> <li>• they have worked in partnership and collaboratively across departments and with external stakeholders/customers.</li> <li>• partnership/collaborative working has led to measurably improved service delivery.</li> <li>• cross-functional collaboration has delivered financial savings for the authority.</li> <li>• increased joined-up service delivery has been achieved across teams and other organisations.</li> <li>• they have influenced another borough to deliver for us</li> </ul>
<b>Resident/Customer Focus</b>	<p>Puts residents and customers at the heart of everything they do, lead by example and take pride in serving our public well</p> <p>Provides evidence and/or examples of where they:</p> <ul style="list-style-type: none"> <li>• engage meaningfully with residents and customers on service design and implementation.</li> <li>• positively learn from complaints leading to service improvements, with this culture embedded in their own service area</li> <li>• demonstrate increase in number of service compliments received and other positive feedback from residents</li> <li>• have achieved increased levels of customer satisfaction</li> <li>• put in place an expected set of minimum guaranteed standards for service delivery in their teams and have developed an improvement plan to raise standards and deliver continuous improvement</li> <li>• drive improvements and efficiencies, providing for better service delivery and customer experience, reducing failure demand</li> <li>• ensure that social inclusion is at the heart of service delivery</li> </ul>
<b>Innovation</b>	<p>Embrace change and constantly seeks ways to improve the way we work</p> <p>Provides evidence and/or examples of where:</p> <ul style="list-style-type: none"> <li>• they exhibit a positive approach to change and new ways of working</li> <li>• they encourage staff to be innovative and think creatively about how services can be delivered more effectively and efficiently.</li> <li>• they show innovative practice and where this has made a demonstrable difference in the way that services have or will be provided in the future.</li> <li>• staff ideas have been put into practice, where there is an absence of staff complaints that their ideas and suggestions are not listened to or taken seriously.</li> </ul>

<b>Action Orientation and Delivery of the Administration's Programme</b>	<p>Demonstrably seen to be auctioning/delivering on the Administration's key objectives and priorities, utilising a variety of skills, knowledge and experience to improve the delivery of the Authority's services both internally and externally, in a cost effective manner</p> <ul style="list-style-type: none"> <li>• provides evidence and/or examples to support how service delivery is meeting the Council's key priorities e.g. putting social inclusion at the heart of everything that we do.</li> <li>• provides evidence to support that they have put arrangements in place to achieve all of the actions within Service Improvement Plans as appropriate.</li> <li>• demonstrably able to evidence the use of Commercial/Business Acumen in the provision of their services.</li> <li>• evidence of delivering service transformation to meet the Administration's and key stakeholder needs.</li> <li>• positive informal member feedback.</li> </ul>
<b>Leadership</b>	<p>Leads high performing teams by engaging employees</p> <ul style="list-style-type: none"> <li>• Provides evidence and/or examples of where they:</li> <li>• know how to motivate their staff e.g. positive feedback from staff feeling motivated</li> <li>• develop and communicate a clear vision and direction for their service delivery</li> <li>• provide staff with the context for change and actively encourage them to embrace it</li> <li>• coach and build capability, capacity and resilience within their team</li> <li>• invest time in meeting and communicating with staff through 1:1s, team meetings and performance appraisals; identify and make time to understand staff's strengths and what motivates them.</li> <li>• are demonstrably seen to be acting upon the outcomes of things such as the 'Your Voice' survey.</li> <li>• consistently exhibit behaviours consistent with corporate vision to be the best</li> <li>• enjoy absence of negative feedback from staff survey regarding engagement and leadership</li> <li>• make an effective contribution to the collective executive team's leadership driving cultural change and continuous improvement across the council.</li> </ul>

## STATEMENT OF LOCAL EMPLOYER PENSION POLICY APRIL 2014

This statement applies to all employees of The London Borough of Hammersmith and Fulham, who are eligible to be members of the Local Government Pension Scheme. There are four specific matters on which the Council needs to declare its local policy as an employer and two specific matters on which the Council needs to declare its local policy as an administering authority. These are set out below.

### **1. Discretion of employer to award additional pension**

*Regulation 31 LGPS Regs 2013*

This regulation gives an employer the power to award up to £6,755 per year additional pension ( increased in April each year by the Pensions Increase Act ) to an active member or a member who is dismissed by reason of redundancy or business efficiency on retirement.

#### **Local policy:**

The Council will consider use of this regulation to award additional pension on the recommendation of the Director of Human Resource ( DHR) if the DHR finds that an employee can demonstrate that awarding additional pension will lead to actual cash saving for the Council which always fully offset the cost of awarding additional pension. If the DHR considers that this has not been demonstrated then the request will be refused and will not be referred to the relevant committee.

Where the discretion is exercised the cost to the pension fund is to be reimbursed within one month of a resolution being made

### **2. Discretion to permit flexible retirement**

*Regulation 30(6 and 30(8)) LGPS Regs 2013*

This regulation enables an employer to let an employee aged 55 or more reduce his/her hours or grade and receive immediate payment of all or part payment of the pension benefits to which that member would be entitled in respect of that employment, adjusted by the amount shown as appropriate in actuarial guidance issued by the Secretary of State.

If the employee would suffer an actuarial reduction in the pension and lump sum due to the early payment, the regulations confer a further discretion for the employer, at its own cost, to waive that reduction in any particular case.

#### **Local Policy**

The Council will consider allowing flexible retirement to an employee aged 55 or more only where no costs occur to the pension fund from flexible retirement. No waiver of actuarial reduction will be made in such a case

If flexible retirement is requested in relation to a reduction in contractual hours, requests will only be considered where the reduction in hours is at least 40%. Under this arrangement the employee would not be permitted to work more than 3 days per

week. Also, this discretion may only be used where the employing department can demonstrate that there will be no adverse impact to service users.

The Council wishes to support employees who wish to have a gradual transition to full retirement via a reduction in working hours or a reduction in responsibility, so will be minded to support applications from members who have attained age 60. In all cases, support will be required from the employing department who will need to submit a business case detailing how the service will be maintained. The DHR will consider such requests in conjunction with the Chief Executive and the Director for Finance.

### **3. Discretion to waive in whole or in part any actuarial reduction**

*Regulation 30(8) LGPS Regs 2013*

This regulation gives the employer discretion to waive in whole or in part any actuarial reduction that would be required where a LGPS CARE scheme member, who has attained age 55 or more, elects to receive immediate payment of a retirement pension in relation to an employment, if that member is not an employee in local government services in that employment

#### **Local Policy**

No waiver of actuarial reduction will be made in such a case.

### **4. Permitting additional pension contributions**

*Regulation 16 LGPS Regs 2013*

Regulation 16 gives the employer discretion to fund in whole or in part the scheme member's lump sum contribution to pay Additional Pension Contributions (APCs) to cover a period of absence from work on child-related leave, reserve forces leave or because of illness or injury. In the event of the employer exercising its discretion to fund in whole or in part the absence, it also permits the administering authority to require a medical report from the applicant, to show that he/she is in reasonably good health.

The Council will only in exceptional circumstances fund in whole or in part pension contributions to cover a period of absence with employer permission. Consideration will be given to the circumstances of each individual case and will include reasons for the absence e.g. unplanned change in circumstances or bereavement. The Council will always require a medical report from an applicant- obtained at the applicant's cost – before agreeing any additional pension contributions.

### **5. Awarding Death Grant payments**

*Regulation 40 LGPS Regs 2013*

This regulation gives an administering authority absolute discretion as to the person to whom a death grant payment should be made.

## **Local Policy**

The Council will decide to whom death grants should be paid, taking into account, but not limited to any expression of wish form. Where there is no expression of wish form or an existing nomination, which may no longer reflect the member's intentions, (for example there is a subsequent marriage, divorce or children), letter of administration or grant of probate may be requested.

## **6. Paying Child Pensions**

### *Schedule 1 LGPS Regs 2013*


Under this schedule, an administering authority has the discretion to treat a child's full-time education or vocational training as continuous, ignoring any break.

## **Local Policy**

The Council will take into account the circumstances of each individual case which will include consideration of the reasons for the break e.g. unplanned change in circumstances or bereavement.



# Agenda Item 7.5

<b>London Borough of Hammersmith &amp; Fulham</b>		 hammersmith & fulham
<b>FULL COUNCIL</b>		
<b>22 February 2017</b>		
<b>MEMBERS' ALLOWANCES SCHEME: ANNUAL REVIEW 2017</b>		
<b>Report of the Leader of the Council - Councillor Stephen Cowan</b>		
<b>Open Report</b>		
<b>Classification:</b> For Decision <b>Key Decision:</b> No		
<b>Wards Affected:</b> All		
<b>Accountable Director:</b> Kim Dero, Director of Delivery and Value		
<b>Report Author:</b> Kayode Adewumi, Head of Governance and Scrutiny	<b>Contact Details:</b> Tel: 020 8753 2499 E-mail: <a href="mailto:kayode.adewumi@lbhf.gov.uk">kayode.adewumi@lbhf.gov.uk</a>	

## 1. EXECUTIVE SUMMARY

- 1.1. This report performs the statutory annual review of Members' allowances for the 2017/18 financial year. The annual review takes into account the recommendations made in the Independent Remuneration report to London Councils (June 2014).

## 2. RECOMMENDATIONS

- 2.1. That the Members' Allowances Scheme 2017/18 as set out in Appendix 1 be adopted.

## 3. REASONS FOR DECISION

- 3.1. The Council is required under the Local Government Act 2000 and the Local Authorities (Members' Allowances) (England) Regulations 2003 to undertake an annual review of its Members' Allowances scheme and approve any amendments to the scheme.

## 4. INTRODUCTION AND BACKGROUND

### Annual Review

- 4.1. In June 2014, the Administration agreed to reduce the Special Responsibility Allowance (SRA) paid to Members by 10% and that under the scheme only

one SRA will be paid to a Councillor in respect of duties undertaken. In line with Administration's priorities, it is recommended that the basic and special responsibility allowances are frozen for the 2017/18 financial year and remain the same as the 2014/15 scheme with no additional Special Responsibility Allowance (SRA) recommended. The new scheme will take effect from 1 April 2017.

## **5. PROPOSAL AND ISSUES**

### **Independent Remuneration Panel's Report**

- 5.1. The Council is formally required to undertake a review of its members' allowances scheme each financial year. Any changes in allowances are required to take into account the recommendations of a local independent panel on remuneration for Councillors. Where a scheme includes a provision for an automatic uplift, the operation of this provision may only be relied on for a period of four years before reference must again be made to a local independent remunerator's report and recommendations.
- 5.2. The Local Authorities (Members' Allowances) (England) Regulations 2003 ('the Regulations') authorise the establishment by the Association of London Government (now London Councils) of an independent remuneration panel to make recommendations in respect of the members' allowances payable by London boroughs. Such a panel ('the Panel') was established and reported in 2001, 2003, 2006, 2010 and 2014. The Regulations requires a review of the scheme every four years as a minimum. A summary of their last recommendations and the Council's response is attached at Appendix 2.
- 5.3. The Council has formally taken into account the recommendations of the local Independent Panel on Remuneration for Councillors issued in June 2014. It was decided that the Council would continue to set its own SRA in line with local conditions and retain its own basic rate allowance.
- 5.4. In line with the Independent Remuneration Panel's recommendations:
  - only one SRA is paid to a councillor in respect of duties with the same authority. Where a Councillor is entitled to two SRAs, he or she will be paid the highest allowance.
  - the Council recognises the need for Dependent Carers payments to have regard to local circumstances and the nature of specialist care. The ordinary carer should be remunerated at not less than the London living wage hourly rate and payment should be made at a higher rate when specialist skills or care is required to attend meetings.

### **Annual Local Government Pay Settlement**

- 5.5. Although the Panel did not recommend a Councillor allowance increase, it continued to recommend that members' allowances be pegged to the annual

local government pay settlement. Such pegging will ensure that councillors can receive annual increases which are in line with those received by staff.

- 5.6. In line with administration's priorities, the Council agreed in June 2014 to reduce the Special Responsibility Allowance by 10% and freeze the basic allowance at the 2014/15 level. Both allowances will continue to be frozen in 2017/18.

### **Level of Allowances**

- 5.7. The Panel thought it appropriate that Leaders should receive an allowance approximating to the salary of a Member of Parliament. We believe that the Independent Remuneration Panel's recommendation would prove considerably more costly to local council taxpayers and be unsustainable. Set out in Appendix 3 are the SRA and Basic allowances paid by our Shared Services partners. Data shows that our Councillors in many areas receive lower allowances than their counterparts.

<b>Special Responsibility Allowance</b>	<b>LBHF</b>	<b>WCC</b>	<b>RBKC</b>
The Leader	£32,186.70	£35,000.00	£55,870.00
Policy & Accountability Committees	£5,564.70	£8,000.00	£15,812.00
Planning and Development Control Committees	£5,564.70	£4,000.00	£30,603.00
Audit, Pensions and Standards Committee	£5,564.70	£8,000.00	£6,094.00
Licensing Committee	£5,564.70	£8,000.00	£20,702.00
Lead Members	£2,700.00	£3,000.00	£4,590.00

<b>Basic Allowance</b>	<b>£8940</b>	<b>£9000</b>	<b>£10918</b>
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## **6 REVIEW OF OTHER ALLOWANCES**

- 6.1 The current scheme has provision for a wide range of other allowances.

### **Dependent Carer Allowance**

- 6.2 Dependant carer allowance is payable in respect of expenses incurred for the care of a Councillor's children or dependants in attending meetings of the authority, its Executive, Committees and Sub-Committees and in discharging the duties set out in paragraph 7 of the Regulations. The Panel had recommended payment at not less than the London living wage, and (on presentation of proof of expense) payment should be made at a higher rate when specialist nursing skills are required. This remains the same.

### **Travel & Subsistence**

- 6.3 Travel allowances are payable (at the same rates as employees) for duties undertaken away from the Town Halls when discharging duties under

paragraph 8 of the Regulations. There will be no payment for intra-borough travel under this scheme unless where a member requires assistance to discharge his or her duties due to ill health or other circumstances approved by the Monitoring Officer. Taxis can be taken by Members who attend approved outside bodies and committee meetings out of the borough. Travel allowance is not payable for intra-borough travel such as the use of Public Transport, Car mileage or payment of a Cycle allowance. It is considered that Councillors do not need an allowance to undertake journeys within the Borough to attend to their duties. Therefore, this remains unchanged.

### **Sickness, Maternity and Paternity Allowance**

- 6.5 Where a Member is entitled to a Special Responsibility Allowance, it will continue to be paid in the case of sickness, maternity and paternity leave in the same way as employees.

## **7 LEGAL IMPLICATIONS**

- 7.1 Under Regulation 5 of the Local Authorities (Members' Allowances) (England) Regulations 2003, the Council has the powers to agree the amount it pays its members. The proposals contained within the report are in line with the Local Government Act 2000 and appropriate regulations.

Implications verified by: Tasnim Shawkat, Director of Law 020 8753 2700

## **8. FINANCIAL AND RESOURCES IMPLICATION**

- 8.1 The Strategic Finance Director can confirm that there is sufficient provision in the existing budget to fund the costs as contained in this report.
- 8.2 Implications verified by: Andrew Lord. Head of Strategic Planning and Monitoring, Corporate Finance, 020 8753 2531

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

None.

## **Members' Allowances Scheme 2017-18** Effective from 1 April 2017

This scheme is made in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003 ("the Regulations") for 2017–2018 and subsequent years. The allowances scheme has been prepared having regard to the report of the Independent Panel on the Remuneration of Councillors in London established by London Councils on behalf of all London Councils, co-authored by Sir Rodney Brooke CBE DL (Chair), Steve Bundred and Anne Watts CBE, and published in June 2014.

### **1. Basic Allowance**

- 1.1 The Independent Remunerator's report suggests a flat-rate basic allowance be paid to each member of the authority of £10,703 per annum to be paid in 12 monthly instalments on the 15th of each month.
- 1.2 The Council has taken into account the independent remunerator's recommendation but has decided to retain its own basic rate allowance frozen at the 2008 – 09 level.

The basic rate allowance for all LBHF Councillors will therefore be:

- £8,940 - to be paid in 12 monthly instalments on the 15th of each month.

Councillors only receive an allowance for the period of their term of office in cases where it is less than the whole financial year.

	<b>No.</b>	<b>Basic Allowance</b>	<b>Total</b>
<b>All Councillors</b>	46	£8,940	£411,240

### **2. Special Responsibility Allowances**

- 2.1 Regard has been had to the recommendations in the independent remunerator's report for differential banding in relation to the payment of special responsibility allowances (SRAs), but in line with Administration's priorities, it has been decided to freeze the Council's own scheme of SRAs at the same level approved for 2014/15 and not to follow the independent remunerator's recommendations which would have proved considerably more costly to local council taxpayers.
- 2.2 The following Special Responsibility Allowances shall therefore be paid to Councillors holding the specified offices indicated:

<b>Position</b>	<b>No</b>	<b>SRA Entitlement</b>	<b>Total SRA</b>
The Leader	1	£32,186.70	£32,186.70
Deputy Leader	1	£26,816.40	£26,816.40
Other Cabinet members	8	£21,454.20	£171,633.6
Chief Whip (where not a member of Cabinet)	1	£21,454.20	£21,454.20
*Deputy Chief Whip (2)	1	£5,564.70	£5,564.70
Chair of Policy & Accountability Committees	5	£5,564.70	£27,823.50
Leader of the Opposition	1	£16,086.60	£16,086.60
Deputy Leader of the Opposition	1	£5,564.70	£5,564.70
Opposition Whip	1	£5,564.70	£5,564.70
Chair of Planning and Development Control Committees, Audit, Pensions and Standards Committee, Licensing Committee, and *Councillor Member on Adoption and Fostering Panel (4)	3*	£5,564.70	£16,694.10
The Mayor	1	£10,729.80	£10,729.80
Deputy Mayor	1	£5,564.70	£5,564.70
Lead Members – Contracts, and Hospitals and Health Care	2	£2,700.00	£5,400.00
<b>Total</b>			<b>£351,083.70</b>

\*This portfolio holder receives only one SRA in respect of duties undertaken.

Councillors only receive an allowance for the period of their term of office in cases where it is less than the whole financial year. A Special Responsibility Allowance would cease where the SRA entitled post ceases to exist during year.

### **3. Other Allowances**

#### **Dependent Carer Allowance**

- 3.1 Dependant carer allowance is payable in respect of expenses incurred for the care of a Councillor's children or dependants in attending meetings of the authority, its Executive, Committees and Sub-Committees and in discharging the duties set out in paragraph 7 of the Regulations.
- a) £4.70 per half hour before 10 pm; £5.31 per half hour after 10 pm (not payable in respect of a member of the Councillor's household).

#### **Travel and subsistence**

- 3.2 Travel allowances are payable (at the same rates as employees) for duties undertaken away from the Town Halls when discharging duties under paragraph 8 of the Regulations. There will be no payment for intra-borough travel under this scheme unless where a member requires assistance to discharge his or her duties due to ill health or other circumstances approved by the Monitoring Officer. Taxis can be taken by Members who attend approved outside bodies and committee meetings out of the borough

### **Public Transport**

- a) Actual travel costs (second class only) will be reimbursed.

### **Car mileage**

- b) 45 pence per mile.

### **Subsistence**

- c) Allowance payable at same rates and conditions as employees. Payment is only made for expenses incurred outside the Borough, and is subject to a maximum of £5.00 per claim.

### **Sickness, maternity and paternity allowance**

- d) Where a Member is entitled to a Special Responsibility Allowance, it will continue to be paid in the case of sickness, maternity and paternity leave in the same way as employees.

## **4. Annual increase**

- 4.1 The allowances in this scheme apply to the financial year 2017/18. All allowances have been frozen at the 2014/15 level.

## **5. Election to forego allowances**

- 5.1 In accordance with the provisions of regulation 13, a Councillor may, by notice in writing to the Chief Executive, elect to forego any part, or all, of his or her entitlement to an allowance under this scheme.

## **6. Time limit for claims**

- 6.1 The majority of allowances are payable monthly, but where allowances are the subject of claims, these claims should be made in the agreed form with the appropriate declaration within six months of the duty to which they relate.

## **7. Withholding of allowances**

- 7.1 In the event of a Councillor being suspended or partially suspended, the Audit, Pensions and Standards Committee shall have the power to withhold the allowances payable to that Councillor either in whole or in part for the duration of that suspension.

## **8. Membership of more than one authority**

- 8.1 A member may not receive allowances from more than one authority (within the meaning of the regulations) in respect of the same duties.

## **9. Non-entitlement to more than one SRA**

- 9.1 A member shall not receive more than one SRA in respect of duties undertaken with the authority. Where a Councillor is entitled to two SRAs, he or she will be paid the highest allowance.

## **10. Pensions**

- 10.1 No Members of the Council shall be entitled to membership of the Local Government Pension Scheme in accordance with Section 7 of the Superannuation Act 1972.

## **11. Allowances for co-opted members and independent members of The Audit, Pensions and Standards Committee**

### **Co-optees**


- 11.1 Co-opted members shall be paid £504.00 per annum by equal monthly instalments of £42.00 on the 15<sup>th</sup> of each month.
- 11.2 Co-opted members shall be entitled to the same travel and dependent carer allowances as Councillors, but shall not be entitled to subsistence payments.

### **Independent Members**

- 11.3 The London Borough of Hammersmith and Fulham shall pay an allowance to one of the two appointed Independent Members at a flat rate allowance of £504 per annum payable by equal monthly instalments of £42.00 on the 15<sup>th</sup> of each month.



# Agenda Item 7.6

<b>London Borough of Hammersmith &amp; Fulham</b>  <b>COUNCIL</b>  22 February 2017	 hammersmith & fulham
<b>COUNCIL'S CALENDAR OF MEETINGS 2017/18</b>	
<b>Report of the Leader of the Council - Councillor Stephen Cowan</b>	
<b>Open Report</b>	
<b>Classification:</b> For Decision <b>Key Decision:</b> No	
<b>Wards Affected:</b> All	
<b>Accountable Director:</b> Kim Dero, Director of Delivery and Value	
<b>Report Author:</b> Kayode Adewumi, Head of Governance and Scrutiny	<b>Contact Details:</b> Tel: 020 8753 2499 E-mail: <a href="mailto:kayode.adewumi@lbhf.gov.uk">kayode.adewumi@lbhf.gov.uk</a>

## 1. EXECUTIVE SUMMARY

1.1. This report is requesting approval of the 2017/18 Council calendar.

## 2. RECOMMENDATIONS

2.1 That the schedule of meetings in the 2017/18 Council calendar be approved.

## 3. REASONS FOR DECISION

3.1 The Council has the power to agree the date of its meetings.

## 4. INTRODUCTION AND BACKGROUND

4.1 The Council agrees annually its calendar of meetings. Attached at Appendix 1 are the 2017/18 meeting dates.

## 5. EQUALITY IMPLICATIONS

5.1 School and major religious holidays have been avoided while drafting this calendar.

5.2 Implications verified/completed by: Kayode Adewumi, Head of Governance and Scrutiny (020 8753 2499)

## **6. LEGAL IMPLICATIONS**

6.1 The Council may hold its meetings at such hour, on such days and at such a place as the Council may determine. This change allows the Council to continue to carry out its business lawfully.

6.2 Implications verified by: Tasnim Shawkat, Director of Law (020 8753 2700)

## **7 FINANCIAL AND RESOURCES IMPLICATIONS**

7.1 There are no direct financial implications.

7.2 Implications verified/completed by: Kayode Adewumi, Head of Governance and Scrutiny (020 8753 2499)

## **8 RISK MANAGEMENT IMPLICATIONS**

8.1 There are no significant risk management implications for this report.

8.2 Implications verified/completed by: Kayode Adewumi, Head of Governance and Scrutiny (020 8753 2499)

## **9 PROCUREMENT AND IT STRATEGY IMPLICATIONS**

9.1 There are no procurement or IT strategy implications.

9.2 Implications verified/completed by: Kayode Adewumi, Head of Governance and Scrutiny (020 8753 2499)

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

None.

# Hammersmith & Fulham Council Meetings Calendar 2017/18

Leader of the Council: Councillor Stephen Cowan.  
 The Mayor: Councillor Mercy Umeh.  
 All meetings will start at 7pm except for H&WB which starts at 6pm.

All meetings are open to the public except LG, CG, Political Cabinet and Futures Board.  
 All meetings are held at Hammersmith Town Hall except where otherwise indicated on the Statutory Notice.  
 Any queries please contact the Head of Governance and Scrutiny on 020 8753 2499.



2017	2017							2018	2018						
	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER		DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	
Monday	1 BANK HOLIDAY		3			2 National Conservative Party Conference 1st-4th			1 BANK HOLIDAY			2 BANK HOLIDAY Easter Sunday 1st		Monday	
Tuesday	2		4 HASCSIPAC	1		3			2 School Term Starts			3	1	Tuesday	
Wednesday	3		5 ERHAPAC	2		4		1	3			4	2	Wednesday	
Thursday	4	1	6	3		5		2	4	1	1	5	3 Council Elections	Thursday	
Friday	5	2 School Holidays End	7	4	1 School Holidays End	6		3	5	2	2	6	4	Friday	
Monday	8 Cabinet Political Cabinet	5 Cabinet Political Cabinet	10 Cabinet Political Cabinet	7	4 Cabinet Political Cabinet	9 Cabinet Political Cabinet	6 Cabinet Political Cabinet	4 Cabinet Political Cabinet	8	5 Cabinet Political Cabinet	5 Cabinet Political Cabinet	9	7 BANK HOLIDAY	Monday	
Tuesday	9 PADC	6 PADC	11 PADC	8	5 PADC	10 PADC	7 PADC	5 PADC	9 PADC	6 PADC	6 PADC	10 Passover Begins	8	Tuesday	
Wednesday	10 CG AGM	7 F&D PAC	12 CG	9	6 ERHAPAC F&D PAC	11 CG	8 ERHAPAC F&D PAC	6 APSC	10	7 Pensions Board	7 CSERSPAC	11	9 CG AGM	Wednesday	
Thursday	11	8	13	10	7	12	9	7	11	8	8	12	10	Thursday	
Friday	12	9	14	11	8	13	10	8	12	9	9	13 School Holidays End	11	Friday	
Monday	15 LG	12 CEPAC	17 LG	14	11 CEPAC	16 LG	13 CEPAC	11 WSCT	15 Cabinet Political Cabinet	12 School Half Term Starts	12 CEPAC	16 Cabinet Political Cabinet	14	Monday	
Tuesday	16	13 HASCSIPAC ERHAPAC	18	15	12 HASCSIPAC	17	14 HASCSIPAC	12 HASCSIPAC	16 ERHAPAC F&D PAC	13	13 HASCSIPAC	17 PADC	15	Tuesday	
Wednesday	17 Annual Council	14	19 Full Council	16	13 H&WB Pensions Board	18 Full Council	15	13 F&D PAC	17 CG	14	14 APSC WSCT	18 CSERSPAC	16	Wednesday	
Thursday	18 Futures Board	15 Futures Board	20 Futures Board	17	14 Futures Board	19 Futures Board Diwali/ Deepavali	16 Futures Board	14 Futures Board	18 Futures Board	15	15 Futures Board	19 Futures Board	17	Thursday	
Friday	19 Shavuot Begins	16	21	18	15	20	17	15	19	16 School Half Term Ends	16	20	18	Friday	
Monday	22	19	24 School Holidays Start	21	18 CSERSPAC	23 School Half Term Start	20 CSERSPAC	18	22 LG	19 LG	19 ERHAPAC	23 CEPAC	21 LG	Monday	
Tuesday	23	20 H&WB Pensions Sub	25	22	19 Pensions Sub WSCT	24	21 H&WB Pensions Sub	19	23	20	20 F&D PAC	24 HASCSIPAC	22	Tuesday	
Wednesday	24	21 APSC WSCT	26	23	20 APSC Rosh Hashana Begins	25	22	20	24 Full Council	21 Budget Council	21 H&WB	25	23 Annual Council	Wednesday	
Thursday	25	22	27	24	21	26	23	21 School Holidays Start	25	22	22	26	24	Thursday	
Friday	26 Ramadan Begins Saturday 27th	23 Eid al-Fitr Sunday 25	28	25	22	27 School Half term Ends	24	22	26	23	23	27	25	Friday	
Monday	29 BANK HOLIDAY School Hols Start	26	31	28 BANK HOLIDAY	25 National Labour Party Conference 24th-27th	30	27	25 BANK HOLIDAY Christmas Day	29 CSERSPAC CEPAC	26	26	30 Cabinet Political Cabinet	28 BANK HOLIDAY School Half Term Starts	Monday	
Tuesday	30	27		29	26	31	28	26 BANK HOLIDAY Boxing Day	30 HASCSIPAC	27 Pensions Sub	27		29	Tuesday	
Wednesday	31	28 CSERSPAC		30	27		29	27	31 PADC H&WB	28 Purim Begins	28		30	Wednesday	
Thursday		29 Annual Licensing Committee		31	28		30	28			29		31 School Half Term Ends	Thursday	
Friday		30			29 Yom Kippur Begins 30th			29			30 School Hols Start BANK HOLIDAY Good Friday			Friday	

APSC	CEPAC	CSERSPAC	ERHAPAC	F&D PAC	HASCSIPAC	H&WB	PADC	Pensions Sub	WSCT	LG	CG
Audit, Pensions and Standards Committee	Children and Education Policy and Accountability Committee	Community Safety, Environment and Residents Services Policy and Accountability Committee	Economic Regeneration, Housing and The Arts Policy and Accountability Committee	Finance and Delivery Policy and Accountability Committee	Health, Adult Social Care and Social Inclusion Policy and Accountability Committee	Health and Wellbeing Board	Planning and Development Control Committee	Pensions Sub-Committee	Wormwood Scrubs Charitable Trust	Labour Group	Conservative Group

Date	Month	Year	Date	Month	Year
Baisaikh	14 April	2017	Sukkoth	4-13 October	2017
Shavuot	19-21 May	2017	Diwali / Deepavali	19 October	2017
Ramadan begins	27 May	2017	Christmas Day	25 December	2017
Eid al-Fitr	25 June	2017	Passover	30 March to 7 April	2017
Eid al-Adha	1 September	2017	Purim	28 February	2018
Rosh Hashana	20 September	2017	Good Friday	23 March	2018
Yom Kippur	30 September	2017	Easter Sunday	1 April	2018