

Cabinet

Agenda

MONDAY
4 FEBRUARY 2019
7.00 pm

COURTYARD ROOM
HAMMERSMITH
TOWN HALL
KING STREET
LONDON W6 9JU

Membership

Councillor Stephen Cowan, Leader of the Council
Councillor Sue Fennimore, Deputy Leader
Councillor Larry Culhane, Cabinet Member for Children and Education
Councillor Andrew Jones, Cabinet Member for the Economy and the Arts
Councillor Wesley Harcourt, Cabinet Member for the Environment
Councillor Max Schmid, Cabinet Member for Finance and Commercial Services
Councillor Ben Coleman, Cabinet Member for Health and Adult Social Care
Councillor Lisa Homan, Cabinet Member for Housing
Councillor Adam Connell, Cabinet Member for Public Services Reform
Councillor Sue Macmillan, Cabinet Member for Strategy

Date Issued
25 January 2019

If you require further information relating to this agenda please contact:
Katia Neale, Committee Coordinator, tel: 020 8753 2368 or email:
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Reports on the open Cabinet agenda are available on the Council's website: www.lbhf.gov.uk/councillors-and-democracy

PUBLIC NOTICE

The Cabinet hereby gives notice of its intention to hold part of this meeting in private to consider items (23 to 28) which are exempt under paragraph 3 of Schedule 12A to the Local Government Act 1972, in that they relate to the financial or business affairs of any particular person, including the authority holding the information.

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

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

DEPUTATIONS

Members of the public may submit a request for a deputation to the Cabinet on non-exempt item numbers **4-19** on this agenda using the Council's Deputation Request Form. The completed Form, to be sent to Kayode Adewumi at the above address, must be signed by at least ten registered electors of the Borough and will be subject to the Council's procedures on the receipt of deputations. **Deadline for receipt of deputation requests: Wednesday 30 January 2019.**

COUNCILLORS' CALL-IN TO SCRUTINY COMMITTEES

A decision list regarding items on this agenda will be published by **Wednesday 6 February 2019**. Items on the agenda may be called in to the relevant Accountability Committee.

The deadline for receipt of call-in requests is: **Monday 11 February 2019 at 3.00pm**. Decisions not called in by this date will then be deemed approved and may be implemented.

A confirmed decision list will be published after 3:00pm on **Monday 11 February 2019**.

Cabinet Agenda

4 February 2019

<u>Item</u>	<u>Pages</u>
1. MINUTES OF THE CABINET MEETING HELD ON 14 JANUARY 2019	6 - 13
2. APOLOGIES FOR ABSENCE	
3. DECLARATION OF INTERESTS	
<p>If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.</p> <p>At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken.</p> <p>Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.</p> <p>Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Audit, Pensions and Standards Committee.</p>	
4. REVENUE BUDGET AND COUNCIL TAX LEVELS 2019/20	14 - 93
5. CORPORATE REVENUE MONITOR 2018/19 MONTH 7 - 31ST OCTOBER 2018	94 - 144
6. CAPITAL PROGRAMME MONITOR & BUDGET VARIATIONS, 2018/19 (THIRD QUARTER)	145 - 163

7.	FOUR YEAR CAPITAL PROGRAMME 2019/20 AND CAPITAL STRATEGY 2019/20	164 - 192
8.	TREASURY MANAGEMENT STRATEGY STATEMENT 2019/20	193 - 225
9.	CLOSURE OF ON-SITE PRINT SERVICES	226 - 233
10.	AWARD OF A SUPPORT CONTRACT FOR INFORMATION@WORK	234 - 241
11.	LINFORD CHRISTIE OUTDOOR SPORTS STADIUM - PUBLIC CONSULTATION ON OPTIONS	242 - 262
12.	BUSINESS CASE & PROCUREMENT STRATEGY FOR THE PROCUREMENT OF LEGAL ADVICE SERVICES TO SUPPORT THE COUNCIL ON THE EARL'S COURT REGENERATION SCHEME	263 - 275
13.	APPROVAL TO WAIVE CONTRACT STANDING ORDERS AND TO APPOINT ARKBUILD PLC. AS MAIN CONTRACTOR FOR THE CONSTRUCTION OF 10 GENUINELY AFFORDABLE NEW HOMES AT SPRING VALE ESTATE	276 - 284
14.	MODERNISATION OF 6 PASSENGER LIFTS, SPRINGVALE ESTATE W14 (THACKERAY COURT A&B, ELGAR COURT, CALCOTT COURT, BRONTE COURT, WALPOLE COURT)	285 - 292
15.	DETAILS OF THE INTERIM HOUSING REPAIRS DELIVERY MODEL	293 - 318
16.	FINANCIAL PLAN FOR COUNCIL HOMES: THE HOUSING REVENUE ACCOUNT FINANCIAL STRATEGY, 2019/20 HOUSING REVENUE ACCOUNT BUDGET AND 2019/20 RENT REDUCTION	319 - 350
17.	HEALTHWATCH - EXTENSION AND PROCUREMENT STRATEGY FOR FUTURE PROVISION	351 - 370
18.	APPROVAL TO TENDER AND PROCURE RAPID EV CHARGE POINTS	371 - 391
19.	PARKING MANAGEMENT AND CONTROL REVIEW	392 - 405
20.	FORWARD PLAN OF KEY DECISIONS	406 - 417
21.	EXCLUSION OF PRESS AND PUBLIC	

The Cabinet is invited to resolve, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the

public interest in disclosing the information.

22. **EXEMPT MINUTES OF THE CABINET MEETING HELD ON 14 JANUARY 2019 (E)**
23. **CLOSURE OF ON-SITE PRINT SERVICES: EXEMPT ASPECTS (E)**
24. **LINFORD CHRISTIE OUTDOOR SPORTS STADIUM - PUBLIC CONSULTATION ON OPTIONS: EXEMPT ASPECTS (E)**
25. **BUSINESS CASE & PROCUREMENT STRATEGY FOR THE PROCUREMENT OF LEGAL ADVICE SERVICES TO SUPPORT THE COUNCIL ON THE EARL'S COURT REGENERATION SCHEME: EXEMPT ASPECTS (E)**
26. **APPROVAL TO WAIVE CONTRACT STANDING ORDERS AND TO APPOINT ARKBUILD PLC. AS MAIN CONTRACTOR FOR THE CONSTRUCTION OF 10 GENUINELY AFFORDABLE NEW HOMES AT SPRING VALE ESTATE: EXEMPT ASPECTS (E)**
27. **MODERNISATION OF 6 PASSENGER LIFTS, SPRINGVALE ESTATE W14 (THACKERAY COURT A&B, ELGAR COURT, CALCOTT COURT, BRONTE COURT, WALPOLE COURT): EXEMPT ASPECTS (E)**
28. **DETAILS OF THE INTERIM HOUSING REPAIRS DELIVERY MODEL: EXEMPT ASPECTS (E)**

Agenda Item 1

London Borough of Hammersmith & Fulham

Cabinet Minutes



Monday 14 January 2019

PRESENT

Councillor Sue Fennimore, Deputy Leader
Councillor Ben Coleman, Cabinet Member for Health and Adult Social Care
Councillor Adam Connell, Cabinet Member for Public Services Reform
Councillor Larry Culhane, Cabinet Member for Children and Education
Councillor Wesley Harcourt, Cabinet Member for the Environment
Councillor Max Schmid, Cabinet Member for Finance and Commercial Services

ALSO PRESENT

Councillor Victoria Brocklebank-Fowler
Councillor Frances Stainton

98. MINUTES OF THE CABINET MEETING HELD ON 3 DECEMBER 2018

RESOLVED:

That the minutes of the meeting of the Cabinet held on 3 December 2018 be confirmed and signed as an accurate record of the proceedings, and that the outstanding actions be noted.

99. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Stephen Cowan, Lisa Homan, Andrew Jones and Sue Macmillan.

100. DECLARATION OF INTERESTS

There were no declarations of interest.

101. TREASURY MANAGEMENT STRATEGY MID-YEAR REVIEW REPORT 2018/19

RESOLVED:

To note the Annual Treasury Management Strategy 2018/19 mid-year review.

Reason for decision:

As set out in the report.

Alternative options considered and rejected:

As outlined in the report.

Record of any conflict of interest:

None.

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

None.

102. CAPITAL PROGRAMME MONITOR & BUDGET VARIATIONS, 2018/19 (SECOND QUARTER)

RESOLVED:

1. To approve the proposed budget variations to the capital programme totalling £15m (summarised in Table 1 and detailed in Appendix 2).
2. To approve use of £42k of Short Breaks capital grant to reduce the funding shortfall for the Queen's Manor project.
3. To approve capitalisation of ICT desktop strategy costs of £3.7m of which £3.3m is to be funded from GF mainstream resources and £0.4m from HRA contributions.
4. To approve write-off of capitalised expenditure to date of £0.383m for Becklow Gardens and £0.547m for Jepson House as these schemes will now be delivered through the Affordable Housing Delivery Framework rather than directly by the Council. The write-off will be funded from HRA earmarked reserves.

Reason for decision:

As set out in the report.

Alternative options considered and rejected:

As outlined in the report.

Record of any conflict of interest:

None.

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

None.

103. CORPORATE REVENUE MONITOR 2018/19 MONTH 6 - 30 SEPTEMBER 2018

RESOLVED:

1. To note the forecast General Fund outturn and require Directors and Cabinet to identify further mitigating actions that offset the forecast overspend.
2. To note the HRA forecast underspend.
3. To agree the virements detailed in appendix 10.

Reason for decision:

As set out in the report.

Alternative options considered and rejected:

As outlined in the report.

Record of any conflict of interest:

None.

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

None.

104. COUNCIL TAX SUPPORT SCHEME 2019/20

RESOLVED:

That the Council agrees the changes to the Council Tax Scheme for 2019/20 as set out in this report.

Reason for decision:

As set out in the report.

Alternative options considered and rejected:

As outlined in the report.

Record of any conflict of interest:

None.

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

None.

105. COUNCIL TAX BASE AND COLLECTION RATE 2019-20 AND DELEGATION OF THE BUSINESS RATE ESTIMATE

RESOLVED:

That Cabinet approves the following recommendations for the financial year 2019/20:

- (i) That the Council charge a 100% council tax premium on empty properties equating to 200% of the council tax payable from the 1st April 2019 and agree to include the full subsequent increases in the premium in each future year.
- (ii) That the estimated numbers of properties for each Valuation Band as set out in this report be approved.
- (iii) That an estimated Collection rate of 97.5% be approved.
- (iv) That the Council Tax Base of 79,257 Band “D” equivalent properties be approved
- (v) To delegate authority to the Strategic Director of Finance and Governance in consultation with the Cabinet Member for Finance and Commercial Services, to determine the business rates tax base for 2019/20.
- (vi) Cabinet will also be required to approve the recommendations in the Council Tax Support Scheme 2019/20 report, prior to the recommendations in this report, as they are reflected as Band “D” equivalents in the Council’s Tax base calculations in section 4.5 in the report.

Reason for decision:

As set out in the report.

Alternative options considered and rejected:

As outlined in the report.

Record of any conflict of interest:

None.

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

None.

106. BUSINESS CASE & PROCUREMENT STRATEGY FOR THE HOUSING MANAGEMENT SYSTEM

RESOLVED:

1. That Cabinet approves the divergence from the Integrated Management Systems Procurement Strategy and Business Case approved by it in January 2018 to permit the separate tendering of Lot 2,

Housing Management Systems, and the Business Case and Procurement Strategy as defined in Appendix 1.

2. That Cabinet delegates to the Strategic Director of Growth and Place, in consultation with the Cabinet Member for Housing, operational decision relating to starting the procurement process, before 31 July 2019, leading to a subsequent contract award by Cabinet.

Reason for decision:

As set out in the report.

Alternative options considered and rejected:

As outlined in the report.

Record of any conflict of interest:

None.

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

None.

107. BUSINESS CASE & PROCUREMENT STRATEGY IN RELATION TO URGENT REPAIR OF DISTRICT AND COMMUNAL HEATING SYSTEMS

RESOLVED:

1. That in accordance with the Council's Contracts Standing Orders the Cabinet approves the Business Case & Procurement Strategy for District and Communal Heating Systems as set out in Appendix 1 in the report.
2. That delegated authority be given to the Strategic Director of Growth and Place in consultation with the Cabinet Member for Housing to award the contract.

Reason for decision:

As set out in the report.

Alternative options considered and rejected:

As outlined in the report.

Record of any conflict of interest:

None.

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

None.

108. AWARD OF WARDEN CALL CONTRACT

RESOLVED:

1. That approval be given to accept the tender submitted by SCCI Alphatrack Limited and award a contract for the supply and installation of a Warden Call and Door Entry System in the sum stated in the exempt report.
2. That SCCI Alphatrack also be awarded a subsequent 5-year Maintenance Contract in the sum stated in the exempt report.

Reason for decision:

As set out in the report.

Alternative options considered and rejected:

As outlined in the report.

Record of any conflict of interest:

None.

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

None.

109. BUSINESS CASE & PROCUREMENT STRATEGY FOR THE PROCUREMENT OF A CONTRACTOR FOR LANDSCAPING WORKS AT HAMMERSMITH PARK

RESOLVED:

1. That in accordance with the Council's Contracts Standing Orders 8.12 and 10.2 Cabinet approves the Business Case & Procurement Strategy for the procurement of a contractor to complete the landscaping design and works at the disused bowling green in Hammersmith Park as set out in Appendix 1. The works have an estimated value of £120,000.
2. To approve allocation of £311,000 from the annual parks capital budget to fund Hammersmith Park improvement works.

Reason for decision:

As set out in the report.

Alternative options considered and rejected:

As outlined in the report.

Record of any conflict of interest:

None.

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

None.

110. FORWARD PLAN OF KEY DECISIONS

RESOLVED:

The Key Decision List was noted.

111. EXCLUSION OF PRESS AND PUBLIC

RESOLVED:

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

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

112. EXEMPT MINUTES OF THE CABINET MEETING HELD ON 3 DECEMBER 2018 (E)

RESOLVED:

That the minutes of the meeting of the Cabinet held on 3 December 2018 be confirmed and signed as an accurate record of the proceedings, and that the outstanding actions be noted.

113. BUSINESS CASE & PROCUREMENT STRATEGY IN RELATION TO URGENT REPAIR OF DISTRICT AND COMMUNAL HEATING SYSTEMS: EXEMPT ELEMENTS (E)

RESOLVED:

That the report be noted.

Reason for decision:

As set out in the report.

Alternative options considered and rejected:

As outlined in the report.

Record of any conflict of interest:

None.

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

None.

114. AWARD OF WARDEN CALL CONTRACT - EXEMPT ASPECTS (E)

RESOLVED:

That the recommendations contained in the exempt report be approved.

Reason for decision:

As set out in the report.

Alternative options considered and rejected:

As outlined in the report.

Record of any conflict of interest:

None.


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

None.

Meeting started: 7.00 pm
Meeting ended: 7.05 pm

Chair

Agenda Item 4

London Borough of Hammersmith & Fulham CABINET 4 FEBRUARY 2019	
REVENUE BUDGET AND COUNCIL TAX LEVELS 2019/20	
Report of the Leader of the Council: Councillor Stephen Cowan	
Open Report.	
Classification - For Decision	
Key Decision: Yes	
Wards Affected: All	
Accountable Director: Hitesh Jolapara, Strategic Director Finance and Governance	
Report Author: Hitesh Jolapara – Strategic Director, Finance and Governance Emily Hill- Assistant Director, Corporate Finance.	Contact Details: Tel: 020 8753 3145 E-mail: emily.hill@lbhf.gov.uk

1. EXECUTIVE SUMMARY

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

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

2. RECOMMENDATIONS

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

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

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

- 2.6 To note the element of council tax charged by the Greater London Authority in accordance with Section 40 of the Local Government Finance Act 1992 will be £320.51 per Band D property in 2019/20.
- 2.7 To set the Council's own total net expenditure budget for 2019/20 at £136.678m.
- 2.8 To approve £10.8m new investment on key services for residents.

- 2.9 To approve fees and charges as set out in paragraph 6.1 including freezing charges in adult social care, children's services and housing.
- 2.10 To approve the use of £2.0m from the additional benefit receivable from the 2018/19 London 100% business rates retention pilot.
- 2.11 To note the budget projections to 2022/23 made by the Strategic Director, Finance and Governance in consultation with the Strategic Leadership Team.
- 2.9 To note the statement of the Strategic Director, Finance and Governance, under Section 25 of the Local Government Act 2003, regarding the adequacy of reserves and robustness of estimates (section 14).
- 2.10 To authorise the Strategic Director, Finance and Governance to collect and recover National Non-Domestic Rate and Council Tax in accordance with the Local Government Finance Act 1988 (as amended), the Local Government Finance Act 1992 and the Council's Scheme of Delegation.
- 2.11 To require all Directors to report on their projected financial position compared to their revenue estimates in accordance with the Corporate Revenue Monitoring Report timetable.
- 2.12 To authorise Directors to implement their service spending plans for 2019/20 in accordance with the recommendations within this report and the Council's Standing Orders, Financial Regulations, relevant Schemes of Delegation and any further consultation required regarding the Equalities Impact Assessment.

3. REASONS FOR DECISION

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

4. BUDGET OVERVIEW

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

- 4.2 The government has modelled an adult social care precept since 2016/17. Government funding modelling assumes that this has been applied despite LBHF choosing not to apply it over recent budgets. Due to the continued high levels of inflation in the social care market and the Government's continued failure to propose a long-term funding solution to social care funding, for the first time the Council proposes to allow 2% of the government's adult social care levy for 2019/20. This compares to the 8% precept assumed, by the government, over the four years to 2019/20.
- 4.3 In accordance with the administration's policy of keeping the council tax low while protecting and improving services, the Council's budgeted council tax increase is restricted to an inflationary increase of 2.7%. This is pegged to the August 2018 increase in the Consumer Price Index and below the August Retail Price Index increase of 3.5%.
- 4.4 **Government grant funding** has been cut in each year since 2010/11. The total reduction in general grant, since April 2010 to April 2019, has been £73m. This is a cash terms reduction of 47% and real terms reduction of 59%. A fuller explanation of the funding forecast and spending power calculation is set out in Appendix I.
- 4.5 Growth of **£10.8m** has been provided to meet statutory obligations, demographic, service pressures and key resident priorities.
- 4.6 Savings of **£10.3m** are put forward to balance the 2019/20 budget.
- 4.7 The 2.7% inflation-linked increase in Council Tax will generate additional income of £6.3m over 4 years and £1.56m in the first year. The **adult social care precept** of 2% will generate additional income of £4.6m over 4 years and £1.15m in the first year. The Council will use such funding to support adult social care.

5. THE COUNCIL TAX REQUIREMENT

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

Table 1 - 2018/19 Budget requirement

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

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

Table 2: The Council Tax Requirement

	£'000s
Base gross budget rolled forward from 2018/19	151,765
Plus/Minus:	
Inflation (section 6)	2,984
Growth (section 6)	10,783
Savings and additional income (section 7)	-10,305
Gross Budget Requirement	155,227
Unringfenced grants (section 8)	-12,568
Specific Adults Social Care Grant	-2,681
Use of developer contributions (section 8)	-3,300
Net Budget Requirement for 2019/20	136,678
Less:	
Locally retained business rates (section 8)	-74,095
One off Collection Fund Surplus	-188
One-off share of 2018/19 100% Business Rates Pilot Growth Surplus	-2,000
2019/20 Council Tax Requirement (includes 2% adult social care precept)	60,395

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

6. INFLATION AND GROWTH

Inflation

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

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

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

Growth

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

Table 3: 2019/20 Growth Proposals

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

Table 4: Categorisation of Growth

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

7. SAVINGS AND INCOME GENERATION

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

Table 5: 2019/20 Savings Proposals

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

Table 6: Categorisation of 2019/20 Savings

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

8. EXTERNAL, DEVELOPER AND BUSINESS RATES FUNDING

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

Table 7 – Business Rates Retention Scheme

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

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

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

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

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

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

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

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

9 HAMMERSMITH AND FULHAM'S COUNCIL TAX REQUIREMENT

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

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

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

Table 9: Liability for Council Tax

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

- 9.4 **The government's modelled adult social care precept** levy of 2% will generate additional income of £4.6m over 4 years and £1.15m in 2019/20. This will increase the Band D Council Tax charge by £14.56 (4p per day).
- 9.5 The overall increase in the LBHF element of the Band D charge, including the government's modelled 2% adult social care precept, is £34.21 (9.4p per day).

10. PRECEPTOR'S COUNCIL TAX REQUIREMENTS

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

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

<u>Preceptors Budget Requirement</u>	= <u>£25.403m</u> = £320.51
Tax Base	79,257

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

11. OVERALL COUNCIL TAX REQUIREMENT 2019/20

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

Table 10 – Overall 2019/20 Council Tax Requirement

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

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

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

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

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

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

14. COMMENTS OF THE STRATEGIC DIRECTOR, FINANCE AND GOVERNANCE

The Robustness of the Budget Estimates

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

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

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

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

Risk, Revenue Balances and Earmarked Reserves

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

General Fund Balances

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

Earmarked Reserves

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

Table 11: Reserves Forecast to 2021/22

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

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

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

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

Council Tax Setting

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

Prior Year Collection Fund Surplus

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

The Hammersmith and Fulham share of this surplus is £0.188m and this is included within the 2019/20 budget proposals. The balance is payable to the Greater London Authority.

15. LEGAL IMPLICATIONS

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

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

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

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

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

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

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

(a) tackle prejudice, and

(b) promote understanding.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16. EQUALITY IMPLICATIONS

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

17. IMPLICATIONS FOR BUSINESS

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

18. COMMERCIAL IMPLICATIONS

- 18.1 There are no direct implications resulting from this report.
- 18.2 It is recommended that further emphasis is established on Forward Planning to avoid direct awards and overspending due to lack of planning and identify new efficiencies and opportunities, delivering best value for residents.
- 18.3 It is important the Council's Contracts Register is used by officers to keep records of their contracts. Having a Council overview of all contracts will help planning, modelling and ultimately deliver savings for the Council through procurement.
- 18.3 It is recommended that Social Value is sought as part of the delivery of contracts the Council is procuring.
- 18.2 Implications completed by: Andra Ulianov, Procurement Consultant, tel. 020 8753 2284.

19. IT IMPLICATIONS

- 19.1 There are no IT implications in this report.

19.2 Implications completed by: Veronica Barella (Chief Information Officer), tel. 020 8753 2927.

20. RISK MANAGEMENT

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

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

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

- 20.3 The report sets out a number of risks facing the Council, along with other local authorities in terms of previous reductions in local government funding and future prospects for funding, increases in demand for key services and the need to maintain adequate levels of reserves in the face of these pressures and the significant investment which the Council is applying or seeking to apply to a range of key programmes. The report clearly sets out the increased level of financial risk from the 2018/19 budget and the known and planned reductions in the level of reserves, which include the significant investment proposed in respect of the regeneration of West King Street, including the Town Hall and Town Hall Extension. Strong programme governance and oversight is important to ensure that key objectives and outcomes are being delivered within approved budgets.
- 20.4 Appendix D sets out the financial risks against which the 2019/20 budget and MTFs are being proposed for approval. There are significant financial risks around ongoing demand for High Needs Block and School Grant funding, funding for social care services, increases in the demand for and cost of temporary accommodation, the reliability of a range of income and funding streams needed to support the delivery of front line services, along with inflationary pressures on staffing costs and contracts. The appendix contains high level mitigating actions in many cases. It is vital that clear mitigation plans are developed for all risks identified, which will then be implemented, monitored and reported on to ensure that the Council is able to deliver vital services within its overall cost envelope.
- 20.5 Similarly, Appendix C sets out a range of growth and savings proposals which will need to be appropriately planned, implemented, managed, monitored and reported on. Robust controls and governance will need to be applied to ensure that key activities support the delivery of the Council's objectives while ensuring that costs are appropriately controlled, savings delivered and growth investment achieves the required outcomes. Where actions are not delivering savings or mitigating financial pressures, prompt and appropriate action will need to be identified and taken.
- 20.6 Implications completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

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

LIST OF APPENDICES:

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

Appendix B – Medium Term Financial Forecast

Appendix C – Growth and Savings Proposals

Appendix D – Budget Risks

Appendix E – Government Grant Funding

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

Appendix G – Equalities Impact Assessment

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

Appendix I – Reduction in Spending Power

APPENDIX A

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

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

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

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

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

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

Medium Term Budget Requirement

Appendix B

All Figures are Cumulative	Year 1 2019/20 £'000	Year 2 2020/21 £'000	Year 3 2021/22 £'000	Year 4 2022/23 £'000
General Fund Base Budget	152,385	152,385	152,385	152,385
One off and historic budget adjustments	(620)	(620)	(620)	(620)
Net General Fund Base Budget	151,765	151,765	151,765	151,765
Contract and Income Inflation	1,284	4,785	8,285	11,785
New Burdens from Government				
Growth	10,783	10,683	10,683	10,683
Pay Award Contingency. (2% per annum)	1,700	3,400	5,100	6,800
Savings (1)	(10,305)	(10,799)	(10,873)	(10,903)
Current headroom	0	6,000	12,000	18,000
Gross Budget Requirements	155,227	165,834	176,960	188,130
Less:				
Developer Contributions	(3,300)	(3,300)	0	0
New Homes Bonus Grant and Other Revenue Grants	(15,249)	(10,449)	(9,926)	(9,430)
Revenue Grants	(18,549)	(13,749)	(9,926)	(9,430)
Net Budget Requirement	136,678	152,085	167,034	178,700
Resources				
Council Resources	136,490	136,582	138,703	140,854
Collection fund surplus	188	0	0	0
Gross Resources	136,678	136,582	138,703	140,854
Budget Gap	0	15,503	28,331	37,846
Risks	23,769	33,687	34,499	35,349

Children's Services

Financial Strategy Growth		Budget Change			
Service	Description	2019-20 Budget Change Cumulative (£000's)	2020-21 Budget Change Cumulative (£000's)	2021-22 Budget Change Cumulative (£000's)	2022-23 Budget Change Cumulative (£000's)
	Looked After Children and Care Leavers Growth Pressure	2,050	2,050	2,050	2,050
	DUBs Cases Growth Pressure	232	232	232	232
	Ongoing investment in teams working to prevent escalation of cases through early intervention	612	612	612	612
	Family Support and Child Protection - new team	350	350	350	350
	Disabled Children direct payments London Living Wage growth	16	16	16	16
Total Growth		3,260	3,260	3,260	3,260

Financial Strategy Savings		Budget Change				
Service	Description (max 15 words)	Delivery Risk (H-M-L)	2019-20 Budget Change Cumulative (£000's)	2020-21 Budget Change Cumulative (£000's)	2021-22 Budget Change Cumulative (£000's)	2022-23 Budget Change Cumulative (£000's)
Savings						
Children's Services	Increased and earlier provision of Housing for Care Leavers	Medium	(159)	(318)	(382)	(382)
Children's Services	Working with users of the travel service to promote independent travel training. Making sure all of our routes are well planned and efficient . Savings from the Crown Commercial Tickets Contract. Working with Adults Social Care to better plan arrangements for 19+	Medium	(95)	(95)	(95)	(95)
Children's Services	More users receive support and Independent Taxi Travel Training. The contract for travel to Jack Tizard school is renegotiated Effective preparation for adulthood pathways delivered by SEND service reducing demand for post 19 travel care support.	High	(165)	(165)	(165)	(165)
Children's Services	Improving the way we organise and manage spending on providing escorts, to support children travelling to contact meetings/appointments that are part of their care plan.	Low	(40)	(40)	(40)	(40)
Children's Services	Giving children the security of a Special Guardianship order where they are long term placed with foster carers, reduced Agency costs.	Low	(105)	(205)	(205)	(205)
Children's Services	Enhanced placement Oversight & Management ,	Medium	(50)	(50)	(50)	(50)
Children's Services	Building a new improved approach/service for adolescents through relationship building, tackling knives, gang and youth violence	Medium	(50)	(50)	(50)	(50)
Children's Services/Corporate Finance	Better finance information to managers through Finance dashboards and business intelligence	Low	Will support overall budget management	Will support overall budget management	Will support overall budget management	Will support overall budget management
Children's Services	Enhanced Fostering/secure base - Developing a scheme for the most experienced foster carers with high support from the LA to take children with higher needs currently in residential care.	Medium	(599)	(599)	(599)	(599)
Total Savings			(1,263)	(1,522)	(1,586)	(1,586)

Corporate Services

Financial Strategy Savings			Budget Change			
Service	Description	Delivery Risk (H-M-L)	2019-20 Budget Change Cumulative (£000's)	2020-21 Budget Change Cumulative (£000's)	2021-22 Budget Change Cumulative (£000's)	2022-23 Budget Change Cumulative (£000's)
Savings						
HR	HR Staffing	Low	(156)	(156)	(156)	(156)
HR	Decommissioning of Midland License	Medium	(45)	(45)	(45)	(45)
HR	HR School Traded Model	Medium	(30)	(50)	(50)	(50)
HR	Data Maximisation to develop customer application	Low	(25)	(40)	(50)	(80)
Communications	LBHF Website Advertising	Medium	(30)	(30)	(30)	(30)
Executive Services	Leaders Office Reduction	Low	(50)	(50)	(50)	(50)
Total Savings			(336)	(371)	(381)	(411)

Finance & Governance

Financial Strategy Savings			Budget Change			
Service	Description	Delivery Risk (H-M-L)	2019-20 Budget Change Cumulative (£000's)	2020-21 Budget Change Cumulative (£000's)	2021-22 Budget Change Cumulative (£000's)	2022-23 Budget Change Cumulative (£000's)
Savings						
Legal and Democratic Services	Efficiencies in Member printing through digitisation	Low	(30)	(30)	(30)	(30)
Legal and Democratic Services	Efficiencies in Mayor's catering spend	Medium	(5)	(5)	(5)	(5)
Legal and Democratic Services	Efficiencies in Election staffing	Low	(4)	(4)	(4)	(4)
IT Services	Renegotiation of Virtual Desktop Interface Contract	Low	(200)	0	0	0
IT Services	Renegotiation and rationalisation of contracts in IT services	Medium	(1,000)	(1,400)	(1,400)	(1,400)
IT Services	Internal audit provision efficiencies	Medium	(10)	(10)	(10)	(10)
Finance	Review of Contingency Budgets - Pension Auto Enrolment has identified a saving.	Low	(250)	(250)	(250)	(250)
Finance	A review of the payments made to the pension fund to cover unfunded pension costs from historic redundancy decisions shows that there is a current underspend. This is a cost that is likely to reduce over time so the realignment of the budget is low risk.	Low	(100)	(100)	(100)	(100)
Finance	Review of external spending and income has identified underspends in relation to Levy payments and income from the London Residual Body (for the LBHF share of income from the London Eye site)	Low	(40)	(40)	(40)	(40)
Total Savings (excluding savings in gross resources)			(1,639)	(1,839)	(1,839)	(1,839)

Growth & Place

Financial Strategy Growth		Budget Change			
Service	Description	2019-20 Budget Change Cumulative (£000's)	2020-21 Budget Change Cumulative (£000's)	2021-22 Budget Change Cumulative (£000's)	2022-23 Budget Change Cumulative (£000's)
	Funding of Feasibility Studies on General Fund Land (to see if it can be used to provide Housing)	100	0	0	0
Total Growth		100	0	0	0

Financial Strategy Savings		Budget Change				
Service	Description	Delivery Risk (H-M-L)	2019-20 Budget Change Cumulative (£000's)	2020-21 Budget Change Cumulative (£000's)	2021-22 Budget Change Cumulative (£000's)	2022-23 Budget Change Cumulative (£000's)
Savings						
Planning	Planning staffing efficiencies	Medium	(328)	(328)	(328)	(328)
Housing Solutions	Reduced spend on temporary accommodation arising from investment in Private Rented Sector properties	Low	(250)	(250)	(250)	(250)
Housing Solutions	Housing Solutions staff savings	Low	(141)	(141)	(141)	(141)
Economic Development	Restructure of the Work Matters Service & s106 investment	Low	(60)	(60)	(60)	(60)
Total Savings			(779)	(779)	(779)	(779)

Public Services Reform

Financial Strategy Growth			Budget Change			
Service	Description		2019-20 Budget Change Cumulative (£000's)	2020-21 Budget Change Cumulative (£000's)	2021-22 Budget Change Cumulative (£000's)	2022-23 Budget Change Cumulative (£000's)
	Business Intelligence team		1,882	1,882	1,882	1,882
	Joint Venture budget realignment		600	600	600	600
	Advertising Hoardings Income budget realignment		646	646	646	646
	Residual income target for the above		(500)	(500)	(500)	(500)
Total Growth			2,628	2,628	2,628	2,628

Financial Strategy Savings			Budget Change			
Service	Description	Delivery Risk (H-M-L)	2019-20 Budget Change Cumulative (£000's)	2020-21 Budget Change Cumulative (£000's)	2021-22 Budget Change Cumulative (£000's)	2022-23 Budget Change Cumulative (£000's)
Savings						
Public Service Reform	Departmental Restructure	Medium	(500)	(500)	(500)	(500)
Adult Homelessness	Moving homeless residents from short-term hostel at Wood Lane into alternative provision	Low	(186)	(186)	(186)	(186)
Older People	End of contract at Bishops Creighton House, with provision provided instead in sheltered housing and other community provision	Low	(70)	(70)	(70)	(70)
Total Savings			(756)	(756)	(756)	(756)

Residents Services

Financial Strategy Savings			Budget Change			
Service	Description	Delivery Risk (H-M-L)	2019-20 Budget Change Cumulative (£000's)	2020-21 Budget Change Cumulative (£000's)	2021-22 Budget Change Cumulative (£000's)	2022-23 Budget Change Cumulative (£000's)
Savings						
Highways Projects	Cycle street furniture advertising	High	(25)	(25)	(25)	(25)
Parks & Open Spaces	Events income	Medium	(30)	(30)	(30)	(30)
Parks & Open Spaces	Licensing for companies using parks for large exercise groups	Medium	(10)	(10)	(10)	(10)
Leisure Centres	Improved leisure facilities contract	Medium	(30)	(30)	(30)	(30)
Parks & Open Spaces	Various small initiatives including 17/18 underspends, sponsorship, sustainable planting	Medium	(18)	(18)	(18)	(18)
Street Scene Enforcement	Increase legal disbursements income	Medium	(10)	(10)	(10)	(10)
Commercial Waste	Increase commercial waste income	Medium	(20)	(20)	(20)	(20)
Waste Action	Targeted increase in recycling	High	(116)	(116)	(116)	(116)
Business Support	Deletion of Business Support posts	Low	(50)	(50)	(50)	(50)
CCTV	CCTV staff - investment of applicable S.106	Medium	(80)	(80)	(80)	(80)
CCTV	CCTV maintenance - investment of applicable S.106	Medium	(40)	(40)	(40)	(40)
Highways Maintenance and Park & Leisure	Better procurement in parks	High	(50)	(50)	(50)	(50)
Environmental Health Licensing	A review of the Licensing team.	Medium	(10)	(10)	(10)	(10)
Public Conveniences	End subsidy for Shepherds Bush convenience used by TfL bus drivers	Medium	(24)	(24)	(24)	(24)
Waste & Enforcement	More robust enforcement strategy for night time waste	High	(83)	(83)	(83)	(83)
Parking	Realign budgets with current income and expenditure levels	Low	(1,850)	(1,850)	(1,850)	(1,850)
Total Savings			(2,446)	(2,446)	(2,446)	(2,446)

Social Care

Financial Strategy Growth		Budget Change			
Service	Description	2019-20 Budget Change Cumulative (£000's)	2020-21 Budget Change Cumulative (£000's)	2021-22 Budget Change Cumulative (£000's)	2022-23 Budget Change Cumulative (£000's)
	Investment in Adult Social Care offering for Disabled persons and Older	3,631	3,631	3,631	3,631
Total Growth		3,631	3,631	3,631	3,631

Financial Strategy Savings		Budget Change				
Service	Description	Delivery Risk (H-M-L)	2019-20 Budget Change Cumulative (£000's)	2020-21 Budget Change Cumulative (£000's)	2021-22 Budget Change Cumulative (£000's)	2022-23 Budget Change Cumulative (£000's)
Savings						
Care and Assessment	To promote independence and improved assessment of payments.	Medium	(950)	(950)	(950)	(950)
Learning Disabilities	Jointly with Children's services, Education and the NHS, improve the earlier planning of Young Disabled People transitioning into adulthood and move to an Integrated Preparation to Adulthood Service with Children's social care, Education and NHS services.	Medium	(555)	(555)	(555)	(555)
Care and Assessment	To co-produce and improve the Direct Payment system.	Low	(350)	(350)	(350)	(350)
In-House Services	Redesign of the in-house community access service.	Medium	(175)	(175)	(175)	(175)
All	Agency Savings of 50% achieved and further agency reductions.	Medium	(400)	(400)	(400)	(400)
Care and Assessment	Continued improvements in productivity and smarter working practices.	High	(300)	(300)	(300)	(300)
Commissioning - PSR	Public Health funding for meals on wheels service.	Medium	(128)	(128)	(128)	(128)
Care and Assessment	Improved productivity of the brokerage function through the use of targets and tighter controls.	Medium	(100)	(100)	(100)	(100)
Mental Health	Increased contribution for West London Mental Health Trust.	Low	(60)	(60)	(60)	(60)
Directorate	Withdrawal from the West London Alliance Social Care contributions (Social Care and PSR).	Low	(21)	(21)	(21)	(21)
In-House Services	Further promote independence through planning transport options	Medium	(11)	(11)	(11)	(11)
Commissioning - PSR	Review of benchmarking performance indicators for nursing and extra care sheltered homes.	High	(36)	(36)	(36)	(36)
Total Savings			(3,086)	(3,086)	(3,086)	(3,086)

Councilwide Budgets

Financial Strategy Growth		Budget Change			
Service	Description	2019-20 Budget Change Cumulative (£000's)	2020-21 Budget Change Cumulative (£000's)	2021-22 Budget Change Cumulative (£000's)	2022-23 Budget Change Cumulative (£000's)
	Realignment of accommodation budgets	250	250	250	250
	Reduced land charges income	200	200	200	200
	Net increase in cost of borrowings less investment income	200	200	200	200
	Investment in capacity of Zero-Based Budgeting and great financial analytical capacity to identify waste and future savings while improving services	514	514	514	514
Total Growth		1,164	1,164	1,164	1,164

Children's Services Risk/Challenges

Department & Division	Short Description of Risk	Risk				Mitigation
		2019/20 Value (£000's)	2020/21 Value (£000's)	2021/22 Value (£000's)	2022/23 Value (£000's)	
Children's Services						
Looked After Children placements	New high cost placements. Cases have occurred in 2018-19 with annual costs of up to £0.345m. In 2018-19 the top 20 placements are expected to account for 27% of the total placements spend. Contingency is built into the budget for placements growth in line with 2018-19 and 2017-18, however additional high cost placements above this are a significant risk.	500	500	500	500	Growth of £2.050m in the 2019/20 MTFs for Looked After Children and Leaving Care pressures. Investment of £0.650m in a Diversionary Team to prevent further escalation in LAC costs
Children with disabilities	New high cost placements. Individual costs are high with the most expensive package in 2018-19 forecast to cost £437k with 50% funded by health. A new placement at this level is a significant risk.	200	200	200	200	
High Needs Block and Schools Grant funding pressure	Due to the current commitments to children, it will be a significant challenge to meet children's needs within the budget envelope defined by Central Government. There is a high risk that the whole systems review of SEND will have significant lead in times resulting in a financial risk that expenditure will exceed central government funding over the medium term. The risk may be compounded by further unfunded demand growth in Education & Health Care Plans and SEN Support.	4,500	4,500	4,500	4,500	
Early Years Dedicated Schools Grant Funded Expenditure	There is a risk for 2019/20 with respect to the Early Years National Funding Formula. A change in the NFF requires all LAs to passport funding via the Early Years Dedicated Schools Grant (EY DSG) to all providers based on a participation (activity model) with standard unit rates. This will have an adverse financial impact on the budgets of Schools in LBHF who have benefitted from protected payments via lump sum payments until 2018/19. There is a particular risk around the provision for vulnerable children subject to a child in need and child protection assessment and how this can continue to be funded from Early Years DSG in line with government regulations.	500	500	500	500	
Children's Services Total		5,700	5,700	5,700	5,700	

Finance and Governance Risk/Challenges

Department & Division	Short Description of Risk	Risk	Risk	Risk	Mitigation
		2020/21 Value (£000's)	2021/22 Value (£000's)	2022/23 Value (£000's)	
Finance and Governance					
ICT Services	Savings from contracts less than anticipated	tbc	tbc	tbc	<i>Ensure tender process is run effectively and risks of delay in delivery are managed. Consider use of reserves.</i>
Finance and Governance Total		0	0	0	

Corporate Services Risk/Challenges

Department & Division	Short Description of Risk	Risk	Risk	Risk	Mitigation
		2019/20 Value (£000's)	2020/21 Value (£000's)	2021/22 Value (£000's)	
Corporate Services					
Communications	Income target from advertising on LBHF website is not realised	30	30	30	Income generation and marketing plan to be produced by the service. Regular monitoring of progress against target.
Communications	Growth to offset Hammerprint income target is not awarded	170	170	170	Service to prepare alternative ways to offset the pressure that closing the print shop would cause
Human Resources	Demands from the business result in continued reliance on agency resources	100	100	100	Ensure that the business is self serving where possible, only referring to HR where necessary.
Corporate Services Total		300	300	300	

Growth and Place Risk/Challenges

Department & Division	Short Description of Risk	Risk				Mitigation
		2019/20 Value (£000's)	2020/21 Value (£000's)	2021/22 Value (£000's)	2022/23 Value (£000's)	
Growth & Place						
Temporary Accommodation	Overall Benefit Cap	100	100	100	100	
Temporary Accommodation	Direct Payments (Universal Credit)	35	35	35	35	
Temporary Accommodation	Increase in the number of households in Temporary Accommodation - based on current forecast	-	-	103	289	
Temporary Accommodation	Large families in B&B	181	237	294	350	
Temporary Accommodation	Loss of Temporary Accommodation Management Fee on Housing Benefit Subsidy - the Flexible Homelessness Support Grant will be received in 2019/20 but Government has not confirmed whether funding will be available from 2020/21 onwards.	-	1,808	1,941	2,007	
Temporary Accommodation	Inflationary pressures on Temporary Accommodation landlord costs, based on an extra 1.5% rental inflation	260	524	791	1,063	
Temporary Accommodation	Increase in the number of households in Temporary Accommodation - extra 100 each year above current forecast	601	1,202	1,803	2,404	
Temporary Accommodation	Homelessness Reduction Act - increase in households in temporary accommodation - extra 70 each year	471	942	1,413	1,883	
Temporary Accommodation	Direct Lettings Cost Avoidance payments - risk in future years (the Cost Avoidance payments have been funded from the Temporary Accommodation earmarked reserve in 18/19)	600	600	600	600	
EDLS	Inflationary pressures on fees income from Adult Learning courses (3.2% standard inflation rate for FY 19.20) plus ongoing pressure from MTFs savings from FY 16.17 and FY 18.19. The shortfall may be met from reserves and/or NHB subject to availability of funding.	85	unknown	unknown	unknown	
EDLS	Devolution of Adult Education Budget to London Mayor	unknown	unknown	unknown	unknown	
EDLS	Economic Development Team activity contingent on Section 106 funding to be approved via Cabinet in early 2019	1,222	1,222	1,222	1,222	
EDLS	Shepherds Bush Comedy Festival: potential additional events costs	125	unknown	unknown	unknown	
Planning	There is a risk that the costs of current and future work in producing Supplementary Planning Documents will exceed the budgets and funding available.	50	50	50	50	
Planning	In recent years, the cost of judicial reviews and major planning appeals has been met from earmarked reserves but these funds are now exhausted and therefore, there is an ongoing risk of an overspend against the budget.	300	300	300	300	

Department & Division	Short Description of Risk	Risk				Mitigation
		2019/20 Value (£000's)	2020/21 Value (£000's)	2021/22 Value (£000's)	2022/23 Value (£000's)	
Growth & Place						
Planning	The inherent volatility of planning income means it is difficult to predict future income expectations due to several factors including: <ul style="list-style-type: none"> • Changes to the statutory charging schedule • Economic factors such as the impact on planning activity of Brexit • Changes in legislation e.g. permitted development rights, Planning Performance Agreement regulation • Changes to pre-application charging fees and Planning Performance Agreement templates • Local and wider market conditions • Availability of development sites in the borough • Developers by-passing the pre-application process as it is not compulsory • Government schemes to encourage house building, including grant schemes • Developers' responding to current and pipeline housing supply in borough (they don't want to flood the local market) • Adverse weather conditions 	500	500	500	500	
Valuation	Unfunded repairs and maintenance costs at the Lyric Theatre	100	100	100	100	
Grand Total		4,630	7,620	9,252	10,903	

Residents Services Risk/Challenges

Department & Division	Short Description of Risk	Risk				Mitigation
		2019/20 Value (£000's)	2020/21 Value (£000's)	2021/22 Value (£000's)	2022/23 Value (£000's)	
All	Shared Services Review - Disaggregation of the bi-borough arrangements with RBKC.	TBC	TBC	TBC	TBC	Zero-based budgeting approach
Various	Budget areas dependent on Section 106--risk of slow-down of receipts in the future if there is downturn in developments	2,900	1,800	1,800	1,800	
Customer Services	£481k MTFS staffing, £150k Channel Saving, £20k OOH Contract, £90k H&F Direct Loss of Court Costs, (£tbc)-Operational cost of Ethical Debt collection (Total £741k)	741	741	741	741	Workshops being held with 1st Credit to understand costing model and a request has been made for these costs to be centralised.
Waste Disposal	Waste disposal rates and tonnages increase by more than budgeted	-	326	501	tbc	Regular finance review and reporting through DMT. Continue to progress action plans to target reductions in general waste tonnages and increase recycling.
Ducting Contract	Risk that the current ducting concession contract has reduced with no alternative provider or substitution	250	250	250	250	Work with the concession holder to identify new large contracts. Regular finance review to monitor concession holder's performance. Departmental reserves set aside.
Registrars	Loss of Nationality Checking Service income, resulting from Home Office shift to online digital services. £100k average annual income achieved since April 2016.	100	100	100	100	Identify alternative income generating potential within the service area, although this may be limited (look to other boroughs for opportunities). Seek support from the Commercial Team to increase income as far as possible.
EH Private Housing - Selective/Additional Licensing	New private housing licensing income does not cover the additional administration costs in full	300	300	300	300	Closely monitor to ensure that expenditure is reduced in line with any reductions in income. Report progress on this Commercial business case to the Commercial Board
CGCS	Waste Contract process and re-procurement	200	200			Work with contract holder to identify vfm savings and efficiencies. Regular contract monitoring to ensure that performance is maintained and expenditure reductions are aligned to targets.
Parks and Leisure	Leisure Centre Contract	70	40			Work with contract holder. Regular contract monitoring to ensure that performance is maintained and income projections are aligned to targets.
CGCS	Procurement process for cleansing contract	100	100	100	100	
Culture/ Community Safety - Commercial Savings	"Commercial income savings not achievable due to market conditions Events: Commercial services income target for markets and events £100k CCTV: Commercial services income target for deployable CCTV not being achieved £100k Professional Witnesses: Lack of uptake of this new service £20k"	220	220	220	220	Work with the Commercial Director to develop and implement plans. Regular finance review to monitor service demand. Report through DMT and Commercial Board.
Filming	Filming income budgets not delivered in full	125	125	125	125	Fully mobilise and exploit new filming and events location library. Work with the Commercial Team to maximise sales.
Street Cleansing and Street Enforcement - Waste Action Team	£671k Inflation on the SERCO has been held back by FCS whilst efforts are made to find equivalent savings on the existing contract which is due to be re-tendered by April 2021. There is a budget risk if the savings cannot be found. £84k prior year MTFS Unachievable savings	755	755	-	-	Corporate to award the contract inflation to the department in-year if the anticipated savings cannot be found through renegotiating the existing contract.
Libraries & Archives	Commercial and SmartOpen savings targets not achieved. There is uncertainty about how the full commercial savings target will be achieved. The high target stems partially from the decision in 2017/18 not to follow a trust model. Additionally the achievement of the SmartOpen savings target from 18/19 requires capital investment.	280	280	280	280	Focus on actions to improve income through Libraries Transformation Board. Agree Smart Open investment as invest to save scheme. The service could delay committing to library resource spend and delay recruitment.
Highways & Projects	Metro Wireless contract	73	73	73	73	
Parks & Open Spaces	2019/20 MTFS: Improved usage of parks for events not being delivered	30	30	30	30	Reviewing budgets and staffing- Parks are not responsible for events so savings would need to come from elsewhere not yet identified
Parks & Open Spaces	2019/20 MTFS: Savings resulting from various 2017/18 underspends not being repeated	18	18	18	18	Closely monitor budgets and aim to achieve target
Parking	Parking suspensions income may fall if the wider economy slows, leading to reduce property development activity and reduced demand for parking bay suspensions.	1,000	1,000	1,000	1,000	Parking fees not set to raise income, so no mitigation proposed

Department & Division	Short Description of Risk	Risk				Mitigation
		2019/20 Value (£000's)	2020/21 Value (£000's)	2021/22 Value (£000's)	2022/23 Value (£000's)	
Parking	Receipts from moving traffic offence penalty charge notices will fall if driver behaviour improves.	1,000	1,000	1,000	1,000	Reducing offences is the object of moving traffic penalties, so a reduced income would be a sign of success
Parking	Risk of delay in introducing call-back function	45	45	45	45	The service would consider making other adjustments to its staffing.
Building Control	There is an income shortfall on Building Control. This is primarily due to the current recession in the construction industry as a result of the uncertainties surrounding Brexit and the increased competition from the private approved inspectors.	250	250	250	250	Further opportunities being explored to identify new commissions (internal and external)
Environmental Services (Inc CPA)		8,457	7,653	6,833	6,332	-

Social Care Risk/Challenges

Department & Division	Short Description of Risk	Risk				Mitigation
		2019/20 Value (£000's)	2020/21 Value (£000's)	2021/22 Value (£000's)	2022/23 Value (£000's)	
Adult Social Care						
All divisions	There is the potential for contract inflation and wage pressures to be greater than budgeted for as the National Minimum Wage and London Living Wage are to increase from 2019/20.	1,534	1,534	1,534	1,534	The Commercial division in Public Sector Reform (PSR) will negotiate with providers on the inflationary increases to be awarded and this will need to be monitored through this process.
All divisions	Year on year savings programmes are increasingly difficult to deliver.	748	748	748	748	The Director has a monthly budget monitoring board meeting which will monitor each savings programme and identify compensating actions for potential non-delivery.
All divisions	Non-recurrent grant funding of Winter pressures ending after 2019/2020.	0	918	918	918	The Council is waiting for the announcement of the Government's 'fair funding' review to see how the impact of non-recurrent grant funding may be distributed.
All divisions	Ending of Improved Better Care Fund in March 2020.	0	8,814	8,814	8,814	
Adult Social Care Total		2,282	12,014	12,014	12,014	

Council Wide Risk/Challenges

Department & Division	Short Description of Risk	Risk				Mitigation
		2019/20 Value (£000's)	2020/21 Value (£000's)	2021/22 Value (£000's)	2022/23 Value (£000's)	
Council Wide Budget Risks						
Housing Benefits Overpayments Income	There is a risk that Housing Benefit Overpayment recovery is less than in previous years due to falling levels of overpayment and the collection levels of the new contractor compared to the previous contractor	400	400	400	400	Review of new debt collection performance and exploration of alternatives if it is not performing to expectation.
Inflation	Provision for increase in inflation (1%)	2,000	2,000	2,000	2,000	Contracts have been reviewed and renegotiated.
Centrally Managed Budgets Total		2,400	400	400	400	
Overall Risk		23,769	33,687	34,499	35,349	

Government Resources Summary				
Unringfenced resources	2017/18	2018/19	2019/20	
	£'000	£'000	£'000	
Revenue Support Grant	29,499	23,427	17,131	For 2018/19 & 2019/20 this will be part of business rates.
Other Unringfenced grants				
New Homes Bonus Grant	7,831	6,747	6,997	
Housing Benefit Administration Grant	1,273	1,020	969	estimated for 19/20
Localised Council Tax Support Administration Grant	364	338	321	estimated for 19/20
Education Support Grant	582	0	0	
Special Educational Needs Implementation	139	0	0	
Independent Living Fund	821	796	772	estimated for 19/20
Compensation for change in business rates multiplier	744	1,240	1,983	
Total Other Unringenced Grants	11,754	10,141	11,042	
One-Off Funding				
Adult Social Care Support Grant	922	574	0	
Levy Account surplus distribution			933	
Social Care Support Grant			1,569	
Total Unringfenced Grants	42,175	34,142	30,675	
Reduction in Unringenced grants		8,033	3,467	
Ringfenced Grants allocated within Departmental Budgets				
Flexible Homelessness Support Grant	3,527	3,381	2,805	
Homelessness Reduction Act - new Burden	225	206	194	
Lead Local Authorities Flood Grant	42	45	48	
Better Care Fund	5,128	7,051	8,814	
Winter Pressures		918	918	
Public Health	22,338	21,764	21,189	estimated for 19/20
Total Specific Grants	31,260	33,365	33,968	

Social Care Fees & Charges Exceptions

Fee Description	2018/19 Charge (£)	2019/20 Charge (£)	Proposed Variation (%)	Reason For Variation Not At Standard Rate	
Meals service charges	£2.00	£2.00	⇒ 0.0%	The Council's Budget strategy assumes Social Care charges are frozen. As a result, there is no change proposed to the flat rate contribution residents will pay towards the meal on wheels service for 2019/20. This will be the fourth consecutive year the meals charge will remain unchanged. However, the meals numbers are continuing to increase year on year reflecting the greater estimated income stream figure for 2019/20.	
1. Careline Alarm Gold Service (Pendant)					
Private Clients (Home owners & Private Sector Tenants)	£23.14	£23.14	⇒ 0.0%	The Council's Budget strategy assumes Social Care charges are frozen. As a result, there is no change proposed to the Careline charge in 2019/20 which will be for the third consecutive year.	
Council Non-Sheltered or Housing Association (RSL) Tenants	£17.21	£17.21	⇒ 0.0%		
2. Careline Alarm Silver Service (Pendant) - Monitoring Service only					
Private Clients (Home owners & Private Sector Tenants)	£16.12	£16.12	⇒ 0.0%		
Council Non-Sheltered or Housing Association (RSL) Tenants	£10.30	£10.30	⇒ 0.0%		
3. Careline Alarm Gold Service (Pull cord) - Emergency Response & Monitoring Service					
(A) Provided to Registered Social Landlord Sheltered Accommodations (RSL Financed)	£6.76	£6.76	⇒ 0.0%		

Children's Services Fees & Charges Exceptions

Fee Description	2018/19 Charge (£)	2019/20 Charge (£)	Proposed Variation (%)	Reason For Variation Not At Standard Rate
School Meal Fees				
School Meals- Primary (Pupils)	£1.80		⇒ 0.0%	
School Meals- Secondary (Pupils)	£1.90		⇒ 0.0%	
School Meals- Primary (Adults)	£3.15		⇒ 0.0%	
School Meals- Secondary (Adults)	£3.15		⇒ 0.0%	
Professional Development Centre				
Education Staff				
Meeting Room	£80.00	£80.00	⇒ 0.0%	Review indicates that an increase could make the hire of rooms at the professional development Centre (Lilla Husset) uncompetitive. The review is expected to conclude in the new year.
Boardroom	£165.00	£165.00	⇒ 0.0%	
Training Suite	£195.00	£195.00	⇒ 0.0%	
Conference Room	£245.00	£245.00	⇒ 0.0%	
LBHF EX EDU				
Meeting Room	£110.00	£110.00	⇒ 0.0%	
Boardroom	£220.00	£220.00	⇒ 0.0%	
Training Suite	£245.00	£245.00	⇒ 0.0%	
Conference Room	£300.00	£300.00	⇒ 0.0%	
External Users				
Meeting Room	£100.00	£100.00	⇒ 0.0%	
Boardroom	£250.00	£250.00	⇒ 0.0%	
Training Suite	£375.00	£375.00	⇒ 0.0%	
Conference Room	£400.00		⇒ 0.0%	

Growth & Place Fees & Charges Exceptions				
Fee Description	2018/19 Charge (£)	2019/20 Charge (£)	Proposed Variation (%)	Reason For Variation Not At Standard Rate
Private Sector Leasing				
Private Sector Leasing Water Charges	Varies	Varies	Subject to water company increase, expected in January 2019	The charge is determined by the annual increase set by the water companies.
Private Sector Leasing Rent (average per week)	£257.04 as at 22 November 2017	£251.54 as at 24 October 2018	na	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 was 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 £40 was removed from the formula, the new threshold is 90% of January 2011 LHA and subject to a cap of £460 on Inner London and Outer South West London BRMA and a cap of £335 on the other BRMAs. PSL tenants living in a Universal Credit Implementation Area will have their rent threshold based on 100% of the April 2015 LHA. By October 2018, 10% of the Council's PSL tenants were subject to the April 2015 LHA.
Bed and Breakfast Temporary Accommodation				
B & B Rent Single/Family (Average per week)	£204.64 as at 1st October 2017	£215.20 as at 1st October 2018	na	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 for benefit claims made through 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%	From the 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%	

Growth & Place Fees & Charges Exceptions				
Fee Description	2018/19 Charge (£)	2019/20 Charge (£)	Proposed Variation (%)	Reason For Variation Not At Standard Rate
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%	

Growth & Place Fees & Charges Exceptions				
Fee Description	2018/19 Charge (£)	2019/20 Charge (£)	Proposed Variation (%)	Reason For Variation Not At Standard Rate
STREET TRADING CHARGES				
LBHF STREET & MARKET TRADERS - Weekly charges - North End Road				
1 day per week (Standard Stall)	£20.75	£20.75	⇒ 0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
1 day per week (Extended)	£30.10	£30.10	⇒ 0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
2 days per week (Standard)	£28.00	£28.00	⇒ 0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
2 days per week (Extended)	£42.55	£42.55	⇒ 0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
3 days per week (Standard)	£43.60	£43.60	⇒ 0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
3 days per week (Extended)	£62.30	£62.30	⇒ 0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
4 days per week (Standard)	£55.00	£55.00	⇒ 0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
4 days per week (Extended)	£82.00	£82.00	⇒ 0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
5 days per week (Standard)	£69.55	£69.55	⇒ 0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
5 days per week (Extended)	£101.75	£101.75	⇒ 0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
6 days per week (Standard)	£85.10	£85.10	⇒ 0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
6 days per week (Extended)	£122.50	£122.50	⇒ 0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
<i>An additional charge of £10 per day will be payable for trading on Friday and/or Saturday</i>	£10.00	£10.00	⇒ 0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors
2 days per week for start-up businesses in North End Road Market	£10.00	£10.00	⇒ 0.0%	North End Road Market is exception to standard uplift, confirmed by Billy Seago following meeting with Councillors

Libraries and Archives Fees & Charges Exceptions				
Fee Description	2018/19 Charge (£)	2019/20 Charge (£)	Proposed Variation (%)	Reason For Variation Not At Standard Rate
Photocopying - A4 black and white - self service	£0.10	£0.10	⇒ 0.0%	
Photocopying - A3 black and white - self service	£0.20	£0.20	⇒ 0.0%	
Photocopying - A4 black and white - assisted service	£0.20	£0.20	⇒ 0.0%	
Photocopying - A3 black and white - assisted service	£0.40	£0.40	⇒ 0.0%	
Photocopying - A4 colour - self service	£0.80	£0.80	⇒ 0.0%	
Photocopying - A3 colour - self service	£1.50	£1.50	⇒ 0.0%	
Photocopying - A4 colour - assisted	£1.50	£1.50	⇒ 0.0%	
Photocopying - A3 colour - assisted	£2.00	£2.00	⇒ 0.0%	
Miscellaneous Sales	various	various		
Internet charges per half hour after first hour	£0.50	£0.50	⇒ 0.0%	
Internet charges - 3 hour block booking	£2.00	£2.00	⇒ 0.0%	
Printing from computers - A4 black and white - self service	£0.10	£0.10	⇒ 0.0%	
Printing from computers - A3 black and white - self service	£0.20	£0.20	⇒ 0.0%	
Printing from computers- A4 colour - self service	£0.80	£0.80	⇒ 0.0%	
Printing from computers- A3 colour - self service	£1.50	£1.50	⇒ 0.0%	
Printing from staff terminals	£0.10	£0.10	⇒ 0.0%	
Memory stick	£9.00	£9.00	⇒ 0.0%	
Overdue charges - books, CDs and spoken word formats (16-17 year olds)	£0.10	£0.10	⇒ 0.0%	
Overdue charges - books, CDs and spoken word formats	£0.25	£0.25	⇒ 0.0%	
DVDs & boxed sets per day	£0.75	£0.75	⇒ 0.0%	
Learning pack/ language course	£0.25	£0.25	⇒ 0.0%	
Charge for posting overdue notices	£1.00	£1.00	⇒ 0.0%	
Requests - H&F, RBKC and WCC libraries	£1.00	£1.00	⇒ 0.0%	
Lost / Damaged Charges	various	various		
Lost membership cards - under 15	£1.00	£1.00	⇒ 0.0%	
Lost membership cards - over 15	£3.00	£3.00	⇒ 0.0%	
Compact discs	£0.80	£0.80	⇒ 0.0%	
Spoken word formats	£1.00	£1.00	⇒ 0.0%	
DVDs	£1.50	£1.50	⇒ 0.0%	
DVD boxed sets	£3.50	£3.50	⇒ 0.0%	
Learning packs/ language courses	£2.50	£2.50	⇒ 0.0%	
Fax - within Uk	£1.00	£1.00	⇒ 0.0%	
Fax - to Europe	£1.50	£1.50	⇒ 0.0%	
Fax to North America	£2.00	£2.00	⇒ 0.0%	
Fax to Australia	£2.00	£2.00	⇒ 0.0%	
Fax elsewhere	£4.00	£4.00	⇒ 0.0%	
Fax - incoming material	£1.00	£1.00	⇒ 0.0%	
Community groups room hire during library hours (per hour)	£17.50	£17.50	⇒ 0.0%	
Community groups room hire outside library hours (per hour)	£55.00	£55.00	⇒ 0.0%	
Other groups room hire during library hours (per hour)	£35.00	£35.00	⇒ 0.0%	
Other groups room hire outside library hours (per hour)	£110.00	£110.00	⇒ 0.0%	
Other groups room hire during library hours (per day)	N/A	N/A		
Weddings - Fulham - Monday to Thursday	£350.00	£350.00	⇒ 0.0%	
Weddings - Fulham - Friday	£450.00	£450.00	⇒ 0.0%	
Weddings - Fulham - Saturday to Sunday	£550.00	£550.00	⇒ 0.0%	
Exhibition space - preparation day	£70.00	£70.00	⇒ 0.0%	
Exhibition space - per day	£130.00	£130.00	⇒ 0.0%	
Sale Items - guide prices - No VAT Charged - Withdrawn items	Cost	Cost		

Residents' Services Fees and Charges 2019-20		2018/19 Charge (£)	2019/20 Charge (£)	Proposed Variation (%)	Reason for exception to inflationary increase
SERVICE	Fee Description				
FILMING/PHOTOGRAPHY	Location Fee				
	Mortuary	£282 plus £60 staff overtime	£282 plus £60 staff overtime	➔ 0.0%	No uplift
	Town Halls	£282 plus £60 staff overtime	£282 plus £60 staff overtime	➔ 0.0%	No uplift
	Schools	25% passing on fee	25% passing on fee	➔ 0.0%	No uplift
	Fulham Palace	25% passing on fee	25% passing on fee	➔ 0.0%	No uplift
	Community Centres	25% passing on fee	£282 plus £60 staff overtime	➔ 0.0%	No uplift
COMMUNITY SAFETY	COMMUNITY SAFETY				
	Motorcycle recovery - individual	£50.00	£50.00	➔ 0.0%	No uplift
	Motorcycle recovery - insurance company	£110.00	£110.00	➔ 0.0%	No uplift
	Return of Stray Dogs to Owners	£25.00	£25.00	➔ 0.0%	No uplift
	Stray Dogs- Statutory Fee	£25.00	£25.00	➔ 0.0%	No uplift
	Stray Dogs- Administration Fee	£25.00	£25.00	➔ 0.0%	No uplift
	Stray Dogs- Kennelling (per day)	£12.50	£12.50	➔ 0.0%	No uplift
	Vets Fees	Variable	Variable	➔ 0.0%	No uplift
Neighbourhood Wardens	Neighbourhood Wardens				
	Neighbourhood Warden Patrols (per hour)	£100.00	£100.00	➔ 0.0%	No uplift
TRANSPORT	TRANSPORT				
	Parts	Cost + 10.5%	Cost + 10.5%	➔ 0.0%	No uplift
	Fuel - Diesel / Petrol / LPG	Cost + 8.5 to 10.5%	Cost + 7.5 to 10.5%	➔ 0.0%	No uplift
	Ad Hoc Vehicle Hire	Cost + 10.5%	Cost + 10.5%	➔ 0.0%	No uplift
	Management and Administration Charge	Total Cost (excluding Fuel and NSEs) + 10.5%	Total Cost (excluding Fuel and NSEs) + 10.5%	➔ 0.0%	No uplift
PARKING	Parking Permits				
	Residents - Individual's first permit (6mths)	£71.00	£71.00	➔ 0.0%	Fees to be set in accordance with Parking Policy
	Residents - Individual's second permit (6mths)	£260.00	£260.00	➔ 0.0%	
	Residents - Individual's first permit (Yearly)	£119.00	£119.00	➔ 0.0%	
	Residents - Individual's second permit (Yearly)	£497.00	£497.00	➔ 0.0%	
	Residents - 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%	
	Zone A	£2.80	£2.80	➔ 0.0%	
	Zone A - Visitors	£1.80	£1.80	➔ 0.0%	
	More Serious	£130.00	£130.00	➔ 0.0%	
	Less Serious	£80.00	£80.00	➔ 0.0%	
	Towaway	£200.00	£200.00	➔ 0.0%	
	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%	
	Third Party fees charged for valuation services	£580.70	£580.70	➔ 0.0%	
Food Hygiene Rating Scheme	Food Hygiene Rating Scheme				
	FHRS Revisits/Rescore	£273.00	£273.00	➔ 0.0%	No uplift
	Telephone Advice	£75.00	£75.00	➔ 0.0%	No uplift
	Telephone advice/pre compliance check	£259.00	£259.00	➔ 0.0%	No uplift
Private Water Supplies	Private Water Supplies				
Private Water Supplies	General Charges				
	Risk Assessment (for each assessment)	£500.00	£500.00	➔ 0.0%	Above inflation - statutory cap removed
Private Water Supplies	Analysing a Sample				
	Regulation 10 - single and small supplies - non-optional parameters*****	£25.00	£25.00	➔ 0.0%	No uplift
	Commercial and Large Supplies - taken during check monitoring	£100.00	£100.00	➔ 0.0%	No uplift

Residents' Services Fees and Charges 2019-20					
SERVICE	Fee Description	2018/19 Charge (£)	2019/20 Charge (£)	Proposed Variation (%)	Reason for exception to inflationary increase
Private Water Supplies	Commercial and Large Supplies - taken during audit monitoring and monitoring under Regulation 11 (radioactive substances) for all supplies	£500.00	£500.00	→ 0.0%	No uplift
REGISTRATION OF BIRTHS, DEATHS & MARRIAGES	REGISTRATION OF BIRTHS, DEATHS & MARRIAGES				
	Civil Marriage/Civil Partnership/Naming Ceremonies/Vow Renewals (including rehearsals)				
	Notices	N/A			
	Notice of marriage/civil partnership	£35.00	£35.00	→ 0.0%	Statutory fees
	Notice of marriage/civil partnership (subject to Home Office referral)	£47.00	£47.00	→ 0.0%	Statutory fees
	Consideration of Divorce/Dissolution (outside of British Isles) by LRS	£50.00	£50.00	→ 0.0%	Statutory fees
	Consideration of Divorce/Dissolution (outside of British Isles) by GRO	£75.00	£75.00	→ 0.0%	Statutory fees
	Waiver (reduce 28 day notice period)	£60.00	£60.00	→ 0.0%	Statutory fees
	RG's Licence	£15.00	£15.00	→ 0.0%	Statutory fees
	Conversion of a Civil Partnership into Marriage	N/A			
	At Register Office	£45.00	£45.00	→ 0.0%	Statutory fees
	Completing the declaration	£27.00	£27.00	→ 0.0%	Statutory fees
	Signing the declaration in a religious building registered for same sex couples	£91.00	£91.00	→ 0.0%	Statutory fees
	Register Office, Hammersmith Town Hall	N/A			
	Monday - Thursday	£46.00	£46.00	→ 0.0%	Statutory fees
	Rose Room, Hammersmith Town Hall	N/A			
	Fee for attendance at places of worship	£86.00	£86.00	→ 0.0%	Statutory fees
	Copy Certificates	N/A	N/A		
	Copy certificate from historical records - administration fee	£5.00	£5.00	→ 0.0%	Statutory fees
	Consideration of Space 17	£40.00	£40.00	→ 0.0%	Statutory fees
	Consideration of Corrections by LRS	£75.00	£75.00	→ 0.0%	Statutory fees
	Consideration of Corrections by GRO	£90.00	£90.00	→ 0.0%	Statutory fees
	Cancellation & Booking Changes	N/A			
	Non-refundable deposit per notice	£35.00	£35.00	→ 0.0%	Statutory fees
	Non-refundable deposit for ceremony bookings	£100.00	£100.00	→ 0.0%	Statutory fees
	Amendment administration fee for ceremony bookings	£35.00	£35.00	→ 0.0%	Statutory fees
	European Passport Return Service Fees	N/A			
	European Passport Return Service (Weekday)	£20.00	£20.00	→ 0.0%	Suggested Home Office Fee
	European Passport Return Service (Saturday)	£30.00	£30.00	→ 0.0%	Suggested Home Office Fee

Budget Equalities Impact Assessment

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 27 February 2019.

For 2019/2020, a balanced budget is proposed based on various growth areas, efficiency savings, fees, and reserves. On the basis of that budget, the Council proposes an inflation-based 2.7% rise in Council Tax and the application of the government's modelled 2% social care precept. 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 ("PSED"). This Equalities Impact Assessment ("EIA") is intended to assist the Council in demonstrating its fulfilment of its PSED. It assesses, as far as is possible on the information currently available, the equality impact of the budget through initial equality impact assessment of proposals. 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.

Methodology

The analysis looks at the impact of Council Tax and Social Care Precept proposals and, secondly, at the budget on which that decision is based. Initial equality impact assessments have been undertaken of all the proposals at this stage, with a full Equality Impact Assessment undertaken for those where potential adverse impact has been identified. Equality Impact Assessment is an ongoing process and further assessment will be undertaken of policy decisions. This will happen throughout 2019/20 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.

Summary of impact of the proposed budget

Council Tax increase and applying social care precept

An inflation-based 2.7% increase in Council Tax is proposed and the application of the government's modelled 2% social care precept. This will take Band D Council Tax from £727.81 to £762.02. Council tax is one aspect of local government funding where the Council has some discretion to raise additional funds. However, there are Council Tax rules in place that limit the extent of any Council Tax increases before a referendum is required. The limit for 2019/20 is 4.99% (including the 2% adult social care precept) and no referendum will be required for Hammersmith and Fulham.

By increasing Council tax, the Council is able to prevent reductions in services to local residents and in so doing can continue to mitigate against adverse impacts facing individual households.

This percentage increase will be applied to all bands of council tax, as required by law. This will impact on all residents who are eligible to pay Council Tax. The average increase in cost per week on a Band D property is £0.65. Since Council Tax is applicable to all properties it is not considered that the increase targets any one particular group; rather it is an increase that is applied across the board. At the same time because the increase is applied to all properties it is not possible to exempt any particular group.

The impact of Council Tax is mitigated through the Local Council Tax Support scheme and other exemptions and discounts.

Council Tax Exemptions

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.

From 2017/18 the council has also provided discounts for care leavers up to the age of 25.

Those who feel they are entitled to an exemption are encouraged to contact the Council and information on how to do that is provided by the Council when Council Tax Bills are issued. Support for people struggling with their Council Tax Bill is also offered through Advice Centres.

The liability for Council Tax is summarised below:

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

Data on the Local Council Tax Support Scheme identifies that 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 (35% 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 are likely to be disproportionately represented.

Adult Social Care

There are on-going pressures on Adult Social Care budgets due to market cost pressures and forecast demand growth for care services as a result of increasing numbers of Older People, people with Disabilities and people with long term health conditions needing care. These demographic pressures are exacerbated by increasing pressure from hospitals to discharge patients in a timely fashion, particularly during the winter months. There is also added pressure from reduced capacity to make efficiencies from external care providers without affecting the quality of care they provide, along with an increase in homecare costs.

The state of the market and unavoidable cost pressures will continue to be a major challenge. Activity and level of complexity are increasing alongside demographic changes, workforce pressures from the London Living Wage and the driving down of price are all major dynamics that are impacting on the availability and quality of services.

Savings

The 2019/20 savings proposals are detailed in this report. The proposals, which total £3.086m are largely continuations of 2018/19 plans with a focus on promoting independence and early intervention, without any anticipated adverse impact on people who use the services. All the proposals therefore have a neutral equalities impact.

To promote independence and improved assessment of payments - £0.950m

Working to improve the consistency, quality and creativity of social work practice will ensure the potential for independent living and prevention is at the forefront of all assessments and reviews. This work is being delivered through a number of strands.

There are no equalities impacts of this work – eligible care needs will continue to be fully met. Proposals will give residents more options for how their support is delivered.

Transition into adulthood for Young People with Special Educational Needs/Disabilities (SEND) - £0.555m

At the age of 18, Young Disabled People move from Children's into Adult Social Care Services. Improving the transitional period from the age of 14 has been a major focus of the department in 2018/19 through the Preparation for Adulthood Programme which has established an integrated Adults/Children's team. Social Care will work with each SEND Young Person to ensure they are ready for as independent a life as possible. This focus from an earlier age will improve Young People's experiences of the transition process and in so doing it is expected that many will avoid the more traditional types of long-term and expensive services.

There are no equality implications to this proposal which is Care Act compliant, eligible care needs will be continued to be met.

To co-produce and improve the Direct Payment system – £0.350m

Direct Payments are a way of residents having more choice and control over the care and support they receive, ie by giving them money directly to choose to spend in order to meet their needs.

For a variety of reasons including going into hospital, holidays, staying with relatives may result in a person having a surplus in their account. These surplus funds need to be collected by the Council in a sensitive, timely and efficient manner.

This efficiency will have a neutral equalities impact.

Redesign of the in-house community access service - £0.175m

The proposal is to re-design this in-house service and transfer the responsibility into the H&F Adult Social Care Advice Team.

Eligibility criteria will remain the same and the quality of the service is not reduced and therefore a neutral equalities impact.

Agency Savings of 50% achieved and further agency reductions - £0.400m

The department has reduced its agency staff by 50% and the continuation of this proposal will result in improved quality and consistency of permanent staff supporting residents. Being a sovereign Borough service has and will be enabling a greater focus on delivering the saving. The equalities impact is therefore considered to be positive for both residents and staff.

Continued improvements in productivity and smarter working practices - £0.300m

The Interim Assistant Director conducted a review of operational efficiency which determined that there needs to be a greater focus on target setting and productivity in the assessment and reviews processes.

The equalities impact is considered neutral for both residents and staff.

Public Health funding for meals on wheels service - £0.128m

The Meals on Wheels service is an effective preventative function currently funded as part of the Council's net budget requirement, the social care general fund. This proposal is for alternative investment from the Public Health Grant.

By providing a fully prepared nutritious meal and a daily visit, the residents' needs, monitoring and well-being are being catered for as a good preventative service.

Moving the funding of the Meals on Wheels service from Adults Social Care to Public Health will have no equality implications – there is no intention to reduce the level of service.

Improved productivity of the brokerage function through the use of targets and tighter controls – £0.100m

The brokerage team is responsible for co-ordinating care home placements. This has been operating as a sovereign service since 1 October 2018 with tighter management controls.

There are no equalities implications arising from this change.

Increased contribution for West London Mental Health Trust - £0.060m

The Trust will now fund a Psychologist service which was previously funded from Adult Social Care. This will have a neutral equalities impact.

Withdrawal from the West London Alliance Social Care contributions - £0.021m

This is the WLA meeting for Directors of Social Services. It is not a front-line service and therefore has no equalities implications.

Further promote independence through planning transport options – £0.011m

This efficiency saving will promote independence by focussing on reviewing the transport options for residents who use day centres. The process will be more person-focused, i.e. planning transport with residents not for them and using alternative and flexible options where possible.

This proposal will have a positive equalities impact.

Review of benchmarking performance indicators for nursing and extra care sheltered homes - £0.036m

This saving comes from reclaiming voids across the Council's two nursing homes and one extra care sheltered home. Residents will not be affected by this measure and there will be no equalities implications.

Children's Services

1. Savings Proposals - £1,263k in 2019/20

	Ref No.	Description	2019/20 saving (£'000s)
Savings	CHS1	Increased and earlier provision of housing for care leavers	159
Savings	CHS4A	Travel Care & Independence Solutions - Productivity	95
Savings	CHS4B	Travel Care Contracts and Pathways	165
Savings	CHS5	Efficiencies in use of Escorts and Support Staff	40
Savings	CHS6	Fostering Agency / Inhouse placements to Special Guardianship orders	105
Savings	CHS7	Enhanced placement oversight and management	50
Savings	CHS8	New Approach/Service for Adolescents	50
Savings	CHS10	Enhanced Fostering/secure base	599

CHS 1 – Increased and earlier provision of housing for care leavers

This proposal is to improve and create a range of flexible housing and support solutions for Looked after children (aged 16+) and care leavers with low to medium needs and risks. The proposal aims to increase flexibility and sufficiency of the supply of accommodation for this co-hort.

The plan is to provide an increased and improved range of services to ensure that the young people have the right housing option available for them and to support them to move towards sustainable independence. This should positively impact those with key protected characteristics benefiting from the service including marginalised and stigmatised young people with complex needs and disabilities.

CHS 4.A - Travel Care & Independence Solutions - Productivity - Working with users of the travel service to promote independent travel training. Making sure all of our routes are well planned and efficient. Savings from the Crown Commercial Tickets Contract. Working with Adults Social Care to better plan arrangements for 19+

Travel Care Service Area Engagement / Surgeries

The proposal is likely to have a neutral impact on SEN transport users. It is aimed to ensure efficiency in contract management and procurement arrangements only and we would continue to work with our current range of providers. There would be no impact on the quality of services provided to service user

Adopting Crown Commercial Contract for Train, Flight & Accommodation bookings

The proposal is likely to have a neutral impact on SEN transport users. It is aimed to ensure efficiency in contract management and procurement arrangements only, with an expectation that the service specification would remain even if provision moves to a different provider. There would be no impact on the quality of services provided to service users.

ASC / SEN Co-working

The proposal is likely to have a neutral impact on SEN users. It is aimed at identifying those instances where passenger assistance services can be safely combined, to achieve efficiency in the use of resources, but with no impact on the safety or quality of services provided to service users.

CCG contribution towards medically related needs

The proposal is likely to have a neutral impact on SEN users as it is aimed at ensuring fair and equitable cost sharing arrangements are in place between responsible bodies in health and the public sector and it will not impact on service delivery.

Annual review of Travel Care Plans and Route Reviews

The proposal is likely to have a neutral impact on SEN users where the review shows that the current level of provision is suitable to the need of the service user. For those that may not already have suitable provision the proposal should have a positive impact as their needs will be reviewed and met. Overall it is expected to provide positive outcomes through being responsive and pro-active in identifying changing levels of needs and adjusting services to match these needs.

CHS 4.B Travel Care Contracts and Pathways - More users receive support and Independent Taxi Travel Training. The contract for travel to Jack Tizard school is renegotiated. Effective preparation for adulthood pathways delivered by SEND service reducing demand for post 19 travel care support. (3 year lead in)

Support to SEN and Local Offer team to promote and implement independent travel training

The proposal is likely to have a positive impact on service users who participate as it will promote safety awareness skills and will help move them to greater independence and could, for some users, provide greater flexibility in when they travel as opposed to waiting for transport to arrive at home.

Independent Taxi Training

The proposal is likely to have a positive impact on service users who rely on transport by taxi due to distances they have to travel from home to school. It will promote safety awareness skills and greater flexibility as they move towards greater independence.

Negotiation of the Jack Tizard transport contract with CT Plus

The proposal is likely to have a neutral impact on SEN transport users. It is aimed to ensure efficiency in contract management and procurement arrangements only, with an expectation that the service specification would remain unchanged even if provision moves to a different provider. There would be no impact on the quality of services provided to service users.

Adulthood Pathways

The proposal is likely to have a positive impact by providing a wider range of alternatives to post 19 year olds, other than formal education provision due to improved preparation of pupils for greater independence in adulthood.

CHS 5 – Efficiencies in use of Escorts and Support Staff - Improving the way we organise and manage spending on providing escorts, to support children travelling to contact meetings/appointments that are part of their care plan.

This proposal is to review the way that the provision of escorts to support children travelling to contact meetings and appointments is managed. This is currently organised on an ad-hoc basis using sessional family support staff.

The proposal will have a neutral impact on young people with protected characteristics. It is not to change the service being delivered but the way it's being delivered by looking at more cost-efficient delivery models.

CHS 6 – Fostering Agency / Inhouse placements to Special Guardianship orders - Giving children the security of a Special Guardianship order where they are long term placed with foster carers, thereby reducing agency costs.

This proposal is to encourage families who are caring for children in care long term to apply for a Special Guardianship Order under the Children Act 1989. This confers parental responsibility for the child to the carers and achieves legal permanency status for the young person concerned. The young person is no longer categorised as a Looked After Child and is no longer in the care of the Local Authority but the Local Authority commits to providing ongoing post order support to the carers and paying them a special guardianship allowance. There are benefits to the child of no longer being in care and there are cost benefits to the Local Authority as they will no longer be paying fees to an Independent Fostering Agency

The proposal will have a positive impact on young people as the young person would be fully absorbed into their families and not stigmatised by remaining a child in care. A special guardianship order provides greater security for the young person and normalises their family experience and is only granted if it is agreed by the carers, the child (if applicable) and the Local Authority as being in the child's best interests.

CHS 7 – Enhanced placement oversight and management

This proposal is to improve day to day management and financial oversight of children's placements by enhancing management oversight by regular panels and placement model tracking.

The proposal will have a neutral impact on young people with protected characteristics. It will act as a trigger to ensure that management are satisfied that young people are in the most appropriate placement based on the balance of cost and

need without impacting on individual children's care plans and safeguarding considerations.

CHS8 – Building a new improved approach/service for adolescents through relationship building, tackling knives, gang and youth violence

This proposal aims to improve how services are provided to adolescents with the aim to develop a one team approach to build relationships with young people who do not respond positively to a traditional social work model.

The proposal includes improving services for young people with key protected characteristics. These include young people at risk of child sexual exploitation, being involved in gangs, low self-esteem and mental health, offending behaviour, substance mis-use and going missing. The proposal aims to improve outcomes for these young people by reducing those entering the criminal justice system, reducing being placed into care and reducing the number of young people not in education, employment, or training.

CHS 10 – Enhanced Fostering/secure base - Developing a scheme for the most experienced foster carers with high support from the LA to take children with higher needs currently in residential care

This proposal aims to select a pool of approximately 5 in-house foster carers to undertake a bespoke training package designed and facilitated within the current Fostering service and aligned to the Secure Base model of care. On completion of the training, a sample of children currently placed within high-cost residential units will be carefully identified to return to in-borough placements with carers that have undertaken the secure base training model.

The proposal aims to improve services for young people with key protected characteristics. The Secure Base Model provides a framework for caregivers and for those who support them to think in more detail about the different but connected caregiving approaches that can help a child to move towards greater security. It is a positive, strengths based approach that focuses on the interaction between the caregiver and the child, but also considers how that relationship can enable the child to develop competence in the outside world and manage often complex relationships with birth family members.

2. General Fund Growth Proposals - Total £3,260k in 2019/20

	Ref No.	2019/20 Growth £000s	Description
Growth	CHSG1	2,050	Looked After Children and Care Leavers growth pressure
Growth	CHSG2	232	Dubs cases growth pressure
Growth	CHSG3	612	Maintaining diversionary teams to prevent further escalation in LAC placements
Growth	CHSG4	350	Family Support and Child Protection – Demand led additional team
Growth	CHSG5	16	Direct Payment Minimum Wage

CHSG 1 – Looked After Children and Care Leavers demand led pressure

The growth request to align budget with the cost of the current cohort of Looked After children and Care Leavers would ensure resource provision against which savings initiatives with respect to placement expenditure could be delivered. The proposal would have a neutral impact on children in supported placements.

CHSG 2 – DUBs placements pressure

The growth request to align budget with the actual net cost commitment of children looked after as a result of the DUBs scheme. The proposal would have a neutral impact on children in supported placements.

CHSG 3 - Maintaining diversionary teams to prevent further escalation in LAC placements

This proposal aims to maintain the LAC and Family Assist teams. These teams have been in place for 2 years.

The teams currently work with young people with key protected characteristics, this proposal has either a neutral or positive impact by ensuring that the quality and timeliness of interventions are minimising any adverse effect on disrupting family lives of already disadvantaged and vulnerable residents.

The Family Assist team offer intensive time limited support for adolescents that are at high risk of becoming looked after. The service work intensively with young people who would otherwise have been in care or returning from a short period in care sustaining them within their families and community.

The LAC Assist team works intensively with children and young people who are in care in higher cost placements where there are opportunities to step them down to lower cost provision, return them home or stabilise a placement.

CHSG4 - Family Support and Child Protection – Demand led Additional Team

This proposal is to maintain the 5th team within FSCP. This team has been created based on pressure due to increasing caseloads and referrals for child protection

cases and the need to allocate cases based on complexity to the most appropriately qualified social workers.

This proposal covers young people who cover a range of protected characteristics. This 5th team enables earlier intervention to be maintained ensuring the best outcome for families and prevention of entering care where appropriate.

CHSG5 – Direct Payment Minimum Wage

This proposal does not involve a service change but ensures that direct payments allow for minimum wage legislation.

Public Services Reform

Departmental Restructure - £0.500m

As part of the bedding in of the service there will be some restructuring drawing on existing vacancies. These changes are not anticipated to have any equality impact on commissioned service delivery delivered by providers on behalf of the council.

Public Health

The efficiencies are grouped into enhancement projects, procurement and contract efficiencies, reconfiguration of services and other efficiencies. With reconfiguration and procurement activity, detailed EIAs will be carried out at the time the proposals are in development when the potential impact can be fully assessed. The savings will be re-invested into other council departments where Public Health outcomes are achieved. All expenditure and savings will be contained within the ring-fenced Public Health Grant Budget and earmarked reserves.

Sexual Health Services – £0.458m

The re-designed service will ensure that access remains open to all the residents.

Behaviour Change - £0.398k

Access remains open to all the residents. A full impact assessment will be completed.

Families and Children - £0.390m

We are recommissioning an enhanced School Nursing, Health Visit and weight management services. This will have a positive impact on access to Family and Children support.

Salaries & Overheads - £0.314m

Following the move to a sovereign service Public Health undertook a review of its staff and corporate support.

The new structure enhances oversight and management and provides a positive impact on delivery of service.

Finance & Governance

The majority of Finance and Governance savings relate to managing and procuring contracts more effectively and efficiencies relating to back office staff and functions. As such there are no adverse equality implications for any particular groups, residents and employees alike, with protected characteristics. Where proposals affect staff, more detailed impact assessment will follow in line with the HR policy and procedure.

Efficiencies in Member printing through digitisation – Proposed saving of £0.030m

All committee papers from 8th May are now sent via a web link or access from an Office 365 Shared Folder, agendas are no longer printed for Members.

There are no adverse equality implications for any particular groups, residents and employees alike, with protected characteristics

Efficiencies in Mayor's catering spend – Proposed Saving £0.005m

The Mayor regularly attends ticketed events and hold various receptions in the parlour. It is proposed that the attendance of events be restricted to in-Borough activities. The in-Borough events should not be catered for. There are no adverse equality implications for any particular groups, residents and employees alike, with protected characteristics.

Efficiencies in Election Staffing – Proposed Savings of £0.004m

The proposal is to cover the activities within the team with some agency administrative support at peak periods. to ensure continued quality of service for local residents. The impact for residents is neutral.

Internal Audit Provision efficiencies – Proposed Saving of £0.010m

The saving proposed consists of keeping the total cost of purchased internal audit provision via the Croydon framework at the 2017/18 level. This will result in a reduction of around 60 days against the days budgeted for 2018/19 and deliver a future saving. It is considered that sufficient coverage can be achieved to deliver the annual audit opinion and report for 2018/19 (as required under the Public Sector Internal Audit Standards). On this basis the equality impact is considered neutral.

Review of Contingency Budgets - Pension Auto Enrolment has identified a saving – Proposed saving of £0.250m

The pensions auto enrolment contingency was held to cover any increases in employers' pension contributions resulting from the implementation of the final stages of pension auto enrolment. Analysis of employers' pension costs as a

percentage of salary costs has stayed constant since this was implemented indicating no adverse costs resulting from the changes.

There will be a neutral impact on employees with protected characteristics. The reduction of contingency budgets has no direct impact on residents or employees.

A review of the payments made to the pension fund to cover unfunded pension costs from historic redundancy decisions shows that there is a current underspend. This is a cost that is likely to reduce over time so the realignment of the budget is low risk – Proposed savings of £0.100m

The council makes payments to the pension fund for the costs of historic redundancy decisions that were, from a pension fund perspective, unfunded at the time. Over time these costs have reduced and a review of the spend against budget shows that a saving can be delivered in this area.

There will be a neutral impact on employees with protected characteristics. The reduction of contingency budgets has no direct impact on residents or employees.

Review of external spending and income has identified underspends in relation to Levy payments and income from the London Residual Body (for the LBHF share of income from the London Eye site) – Proposed savings of £0.040m

A review of income and expenditure has been conducted across the finance budgets. This exercise has identified savings of £0.040m in relation to Levy payments and income received from the London Residual Body (for the LBHF share of the London Eye income).

There will be a neutral impact on employees with protected characteristics. The reduction of back office budgets has no direct impact on residents or employees.

Renegotiation of Virtual Desktop Interface Contract – proposed saving of £0.200m

The current VDI service is delivered through the Desktop contract. The current VDI contract has been extended after October 2018 to ensure service continuity while we migrate to the new desktop strategy. The third party supplier would only extend for a 12 month period from November 2018 due to commitments on infrastructure and licensing. The Chief Information Officer has negotiated a reduction of support costs and the removal of a management fee during that period.

The saving is only shown for 2019/20 because the removal of VDI contributes to a separate proposal to save up to £1.4m annually through the re-design of the desktop strategy.

There will be a neutral impact on employees with protected characteristics. The renegotiation of the virtual desktop interface contract will have no direct impact on residents or employees.

Renegotiation and rationalisation of contracts in IT services – Proposed Saving of £1.0m

The revised desktop strategy was agreed by cabinet in March 2018. The strategy covers the implementation of one mobile device and a smartphone for each member of staff to replace current office-based virtual desktops, Bring Your Own Device support and desk phones. Currently the Council has 4,100 desktops and laptops and it is proposed to replace these with 3,000 mobile devices i.e. laptop or convertible tablet; plus, approximately 200 new desktops for public access areas.

The new service is currently being designed with third-party suppliers to deliver up to £1.4m in savings from 2020/21 (of which £1m will be delivered in 2019/20) on the current £3.6m budget for the desktop service.

There will be a neutral impact on employees with protected characteristics. Where employees currently need specialist software or equipment this will be reviewed and replaced where necessary. Where updated software is available this will be installed. The reduction of contingency budgets has no direct impact on residents or employees.

Corporate Services

The majority of Corporate Services' savings relate to increasing income opportunities, managing and procuring contracts more effectively and efficiencies relating to back office staff and functions. There are no adverse equality implications for any particular groups or residents with protected characteristics. Where proposals affect staff, more detailed impact assessment will follow in line with the HR policy and procedure.

HR Staffing - Proposed Saving of £0.156m

Following the restructure of HR & OD in 2018/19, two key posts were kept in as the senior business partners. These posts were to retain corporate knowledge and skills given the loss of key staff over recent months.

These two posts (deputy HoHR) head up the corporate and schools' functions. With planned transition they can be deleted subject to successful recruitment to the consultant levels below them.

There will be a neutral impact on staff with protected characteristics. Where there are staff changes leading to savings, Equality Impact Assessments are carried out as part of the reorganisation process.

Decommissioning of the Midland Licence – Proposed Saving of £0.045m

The Council has maintained a read-only version of the Midland HR system following the implementation of Agresso – this was maintained in case an urgent re-instatement of the former HR Payroll system was required. The Council still needs to maintain the data but an alternative archiving solution could be implemented removing the need for Midland HR Licences.

There will be a neutral impact on employees, proposal still allows sensitive data to be accessed securely via an alternative method.

HR Schools Traded Model – Proposed saving (through increased income) of £0.030m

Development of new products for a pay-as-you-go schools service including microsite for schools' recruitment advertising (one off cost to set up and charges per post and upselling). Other products include offers for occupational health service, revised payroll offer possibly with a commercial partner, benchmarking service, business efficiency and training.

There will be a neutral impact on individuals with protected characteristics. The proposed saving is enhancing an offer already offered to schools and will improve back office functions.

Data maximisation to develop customer application – Proposed saving of £0.025m

The council holds data and information on a range of licenced premises and activities. This information could be used to create an app and information about the businesses and activities in the borough, eg food ratings. The app could be developed to get users feedback and crowd sourced reviews. Local activities and other information (road closures, transport through open source data) could also be shared.

Advertising revenue and products sold could generate income, such as funding streams through Public Health for health promotions, gym and activity advertising, etc.

There will be a neutral impact on individuals with protected characteristics. The proposed saving intends to generate income through advertising.

LBHF Website Advertising – Proposed Saving of £0.030m

The proposal concerns selling targeted advertising space on the council's website. There will be a neutral impact on individuals with protected characteristics. The proposed saving intends to generate income through advertising.

Leader's Office Reduction – Proposed saving of £0.050m

The business case proposes a reduction on one administrator post.

There will be a neutral impact on staff with protected characteristics. Where there are staff changes leading to savings, Equality Impact Assessments are carried out as part of the reorganisation process.

Growth & Place

Efficiency Savings

Planning staffing efficiencies - £0.328m

This relates to a review of the structure of the Planning service. Wherever possible, any reduction in establishment will be absorbed through natural wastage and existing vacancies. An Equality Impact Assessment will be carried out as part of the reorganisation process.

Temporary accommodation - Reduction Programme and investment in Private Rented Sector properties - £0.250m

It is not anticipated that there will be any direct negative impact on groups with protected characteristics from the investment in private rented sector leases nor from the piloting of a PRS team.

The Council already has a policy of offering Direct Lets to households that become homeless, as an alternative to Temporary Accommodation. The proposal is to extend this practice by procuring additional Direct Lets and offering them to households already in Temporary Accommodation as a means of exit from Temporary Accommodation. Direct Lets will not be offered to all households, just to households that meet criteria around suitability and affordability (to sustain living in the private rented sector). Applying these criteria, and the possibility of Direct Lets offers, to all homeless households is deemed to be a fairer approach than the current practice of only applying the criteria to households when they first approach the Council.

A crucial safeguard is the fact that the Equality Act 2010 and Homelessness (Suitability of Accommodation) (England) Order 2012 requires the Council to ensure that any property offered must be suitable and takes into account the specific needs of the individual. This incorporates affordability, location, access to relevant services, an individual's ability to travel, etc. The overall potential impact on different protected groups is assessed as neutral.

Housing Solutions staff savings - £0.141m

This relates to a review of the structure of the Housing Solutions service. Wherever possible, any reduction in establishment will be absorbed through natural wastage and existing vacancies. The impact on residents will be neutral and the impact on employees with protected characteristics is also expected to be neutral. An Equality Impact Assessment will be carried out as part of the reorganisation process.

Restructure of the Work Matters Service & Section 106 investment - £0.060m

This restructure will enable the delivery of key outcomes for the Council's Industrial Strategy including community outreach to connect residents and school students with the new opportunities arising from the council's partnership with Imperial College. Focus will be shifted to ways of creating employment within the Tech, STEM, science, digital and creative industries. The new strategy also demands that resources are put into assisting those in working poverty into better paid work via training. This aims to increase social mobility and reduce child poverty.

An Equality Impact Assessment will be carried out as part of the reorganisation process.

Residents' Services

RS1 Cycle street furniture advertising - £0.025m

Advertising revenue will be increased by utilising the space available on cycle street furniture. This will not adversely impact any specific user groups.

RS6 Better procurement in parks - £0.050m

Rationalisation of council contracts where similarities exist (e.g. Housing and Parks do similar things to highways but use different contractors). Currently working with Parks to deliver their footpath programme using the Highways framework contractor. This will have a neutral impact on residents of the borough.

RS11 Events income - £0.030m

Utilising the parks and open spaces within the borough to maximise commercial rental income will result in approximately £30,000 of additional income. The charge will be met by the event's organiser and it is not believed that this will have a negative impact on any specific user group.

RS12 Licensing for companies using parks for large exercise groups - £0.010m

The initiative will see increased revenue through the introduction of charges for professional group trainers in local parks. This is already common place in the surrounding areas with the Royal Parks, Wandsworth, Ealing and Kensington and Chelsea already benefiting from this measure. This will enable better regulation of areas with heavy usage thereby making the park more enjoyable for all users. This initiative will not impact any specific user groups.

RS13 Improved leisure facilities contract - £0.030m

Leisure centres have recently been renovated meaning all users will benefit from access to higher quality sports facilities. The increased usage is expected to bring financial benefits to the Council.

RS14 Various small initiatives including 2017/18 underspends, sponsorship, sustainable planting - £0.018m

RS14 is the amalgamation of minor savings initiatives. The majority of this is made up of underspends on 2017/18 budgets. This will have no impact on the service provided and will therefore not affect any specific user groups. Small savings will also be made from changes to maintenance contracts, for example, reducing costs by using low maintenance sustainable plants.

RS19 A review of the Licensing team - £0.010m

This initiative involves reviewing the current working arrangements of the licencing team. By reviewing Section 113 arrangements with Kensington and Chelsea and officer responsibilities it is expected that a reduction in management costs will occur. These changes are not anticipated to have any impact on service delivery to residents. Any staffing changes will go through the outlined HR procedures.

RS29 Increase legal disbursements income - £0.010m

Increased income will be generated from an increase in Fixed Penalty Notice (FPN) activity by Street Enforcement targeting waste dumping and fly tipping. This will not have any impact on any specific groups as the use of these legal notices includes the requirement for a public interest test and an assessment of the scale and nature of the offence committed and the appropriateness of serving the notice. The issuing of FPN's will be proportionate, justified and targeted against the worst offenders.

RS46 CCTV staff - investment of applicable S.106 - £0.080m

This saving will not have any impact on the residents of the borough or staff. The saving will be made on a substitute funding basis, meaning the exact same service will be available but the funding of this will come from alternative sources.

RS47 CCTV maintenance - investment of applicable S.106 - £0.040m

£40,000 is currently spent on maintenance of the council's CCTV service. By funding this through S106 funding it will free up the revenue budget to be spent elsewhere in the council. Altering the funding source will not have any impact on the service which is currently supplied and will therefore have no adverse equalities impact.

RS35 Increase commercial waste income - £0.020m

By increasing the flexibility of fees and charges for commercial waste, the council will be able to attract customers from different areas of the market. Moving from the current rigid fee structure will not impact any specific user groups.

RS36 Targeted increase in recycling - £0.116m

This saving will be made by increasing the recycling rate within the borough. Waste disposal rates for 2018/19 are estimated to be £27.00 per tonne for recycling and £155.80 for general waste. Therefore, diverting waste from the general waste stream to recycling allows for significant savings. This proposal will not adversely impact any user groups.

RS49 More robust enforcement strategy for night time waste - £0.083m

This saving relates to the current clear all waste policy. At present all waste left out overnight is removed by the council. It is proposed that instead of removing waste the council will take more of an enforcement approach and will ensure waste is disposed of correctly. This will focus on increasing income through commercial revenue and ensuring waste collection is paid for by the appropriate party. The council will issue fines if waste procedures are not adhered to. This initiative will not have an impact on any specific user groups.

RS52 End subsidy for Shepherd's Bush convenience used by TfL bus drivers - £0.024m

The toilets at Shepherds Bush Green is the last toilet in the borough which receives any subsidy. The toilets have minimum usage, ie mainly used by TFL bus drivers. Eliminating the whole toilet budget will result in £24,000 savings. It is not believed that this initiative will have an impact on any protected characteristics as the toilet is rarely used by members of the public.

RS39 Deletion of Business Support posts - £0.050m

The Business Support function is currently operating with a number of vacant posts. Deleting these posts will have no impact on service delivery or on the staff in the team.

Conclusion on impact on the budget

Adult Social Care

The assessment of proposed efficiencies and savings does not indicate any negative equalities impact on individuals or groups with protected characteristics. A number of the planned initiatives will have a positive impact on those with protected characteristics with their focus on promoting independence and early intervention.

Children's Services

The assessment of the proposed efficiencies and savings by the department does not indicate any negative equalities impacts on individuals or groups with protected characteristics. Many of the planned initiatives focus on early intervention and independence and as such are anticipated to have a positive impact for those with protected characteristics.

Public Services Reform

The assessment of the proposed efficiencies and savings by the department does not indicate any negative equalities impacts on individuals or groups with protected characteristics which have not been mitigated. Most of the initiatives focus on efficient operations.

Finance and Governance

The assessment of the proposed efficiencies and savings by the department does not indicate any negative equalities impact on individuals or groups with protected characteristics. Most of the initiatives focus on more efficient operations in the back office and management of contracts.

Corporate Services

The assessment of the proposed efficiencies and savings by the department does not indicate any negative equalities impact on individuals or groups with protected characteristics. Most of the initiatives focus on income opportunities, managing and procuring services better and back office efficiencies.

Growth and Place

The assessment of the proposed efficiencies and savings by the department does not indicate any negative equalities impacts on individuals or groups with protected characteristics.

Resident's Services

The assessment of the proposed efficiencies and savings by the department does not indicate any negative equalities impact on individuals or groups with protected characteristics. The focus is mainly on income generation, improved contract management and back office efficiencies.

Conclusion

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

As proposals are developed further, the assessment to date will be built upon and the impact will be assessed further and any mitigating measures identified where appropriate.

Ultimately if, on further analysis, it is decided that any particular proposed policy would have an unreasonable detrimental impact on any protected group then that policy will be reviewed.

The Business Rates Retention Scheme for Hammersmith and Fulham

		2019/20 £m
Step 1	Business Rates Baseline Notification from the government of the business Rates they expect LBHF to collect	123.0
Step 2	Tariff Payable to Government.	(45.0)
Step 3	Funding Baseline The income from business rates that government modelling assumes LBHF will retain	78.0
Step 4	Actual LBHF Forecast of Business Rates Income This is the initial forecast for 2019/20. Due to the impact of appeals it is significantly below what the government assume	74.0
Step 5	Safety Net Threshold Under the 75% Business Rates Retention pilot for London there is a guarantee that no Borough will receive less than 95% of their funding baseline (step 2). This compares to 92.5% without the pilot.	74.1
Step 6	Safety Net Compensation Sum Receivable by LBHF to bring it to the safety net threshold (Step 5 less Step 4)	0.1

The LBHF share of business rates income included in the 2019/20 budget is £74.1m. This is the minimum sum guaranteed by the safety net threshold. This is £3.9m lower than the funding baseline (step 3) assumed by the Government.

Spending Power Reduction

The Provisional 2019/20 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

	2018/19	2019/20
Confirmed Allocations	£'000s	£'000s
Revenue Support Grant ¹	23,427	17,131
New Homes Bonus Grant	6,747	6,997
Other Unringfenced Grants	3,968	6,555
Total	34,142	30,683
Grant fall - cash		-3,459
Grant fall – cash terms %		-10.1%

Table 2 - Ring-fenced Funding Allocations

	2018/19	2019/20
	£000s	£'000s
Public Health Grant	21,764	21,189
Improved Better Care Fund	7,055	8,814
Flexible Homelessness Support Grant	3,381	2,805
Other	1,165	1,160
	33,365	33,968

- 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.

2019/20 Spending Power

- 3 In the settlement announcement the government state their view of the change 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 increase is below the London and national average.

¹ In 2018/19 the RSG is receivable as part of business rates. It is shown within Table 1 to enable a like for like comparison

Table 3 – Government Spending Power Calculation.

	2018/19	2019/20
LBHF	-0.7%	+2.0%
London Average	+1.0%	+2.3%
National	+1.8%	+2.8%


5. The Government spending power calculation is questionable:
- It takes no account of inflation or demographic pressures.
 - It assumes that authorities will increase council tax by 3%. Hammersmith and Fulham will increase Council Tax by inflation-linked 2.7%.
 - It assumes that authorities will collect business rates in line with their funding baseline.² Due to the impact of rate appeals the sum receivable by LBHF will be £3.9m lower.
- 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%.

Table 4 – LBHF Spending Power Reduction

	£'m
Government Spending Power Calculation 2018/19	156.2
Government Spending Power Calculation 2019/20	159.4
Less:	
2.7% inflation-based Council Tax increase. This is 0.3% lower than the government assumed above inflation increase of 3%	0.2
Business rates below funding baseline	3.9
Inflation Provision	3.0
Increase in Demographic Pressure	5.4
Adjusted LBHF Spending Power Calculation 2019/20	146.9
Adjusted Reduction	-6.0%

² This figure is the net business rates the government expect LBHF to retain after payment of of a tariff to the government.

Agenda Item 5

London Borough of Hammersmith & Fulham CABINET 4 FEBURARY 2019		 hammersmith & fulham
CORPORATE REVENUE MONITOR 2018/19 MONTH 7 – 31ST OCTOBER 2018		
Report of the Cabinet Member for Finance and Commercial Services – Councillor Max Schmid		
Open Report		
Classification - For decision and for information		
Key Decision: Yes		
Wards Affected: All		
Accountable Director: Hitesh Jolapara – Strategic Director, Finance & Governance		
Report Author: Emily Hill – Assistant Director, Corporate Finance	Contact Details: Tel: 020 8753 3145 Emily.Hill@lbhf.gov.uk	

1. EXECUTIVE SUMMARY

- 1.1. Section 151 of the 1972 Local Government Act requires the Chief Financial Officer (as the responsible officer) to ensure proper administration of the Council's financial affairs. This monitoring report is part of the Council's 2018/19 budgetary control cycle. Budgetary control, which includes the regular monitoring of and reporting on budgets, is an essential requirement placed on Cabinet Members, the Chief Executive, and Directors in discharging the statutory responsibility.
- 1.2. The General Fund forecast outturn variance is an unfavourable **£6.079m**. Action plans of **£1.487m** are proposed as partial mitigation. If delivered they will reduce the forecast overspend to **£4.592m**. Directors and Cabinet need to identify further mitigating actions that will reduce the forecast overspend. Should the £4.592m not be eliminated by year-end, any overspend will need to be funded from the Council's revenue reserves, or other eligible one-off resources.
- 1.3. The High Needs Block and Early Years Block, funded through Dedicated Schools Grant (DSG), is forecast to be overspent by a cumulative £13.5m at the close of 2018/19. This is a reduction of £0.7m since month 6. Mitigating actions of up to £0.4m have been identified which would bring the cumulative overspend down to £13.1m.

- 1.4. The Government recently announced additional Winter pressure funding for 2018/19 intended to prevent unnecessary emergency admissions and enable patients to leave hospitals when medically fit. The Council's funding allocation is £918,381. Use of this funding has yet to be agreed with health partners. Pending such discussions, it is not included within the forecast.
- 1.5. Several underlying insights can be drawn from the report. These include:
- The Council remains in a difficult financial situation. The current forecast gross overspend is £6.1m. At month 7 last year the gross forecast overspend was £6.3m.
 - Mitigating action plans of £1.487m are identified of which £0.294m (20%) represent a potential draw down from reserves rather than action to control expenditure or realise additional income.
 - The forecast overspend and mitigating actions have both reduced indicating that some of the mitigations have translated into reduced expenditure.
- 1.6. The HRA forecast is a favourable variance of **£4.490m**.

2. RECOMMENDATIONS

- 2.1. To note the forecast General Fund outturn and require the Directors and Cabinet to identify further mitigating actions that offset the forecast overspend.
- 2.2. To note the HRA forecast underspend.
- 2.3. To agree the virements detailed in appendix 10.

3. REASONS FOR DECISION

- 3.1. To report the revenue expenditure position and comply with Financial Regulations.

4. MONTH 7 GENERAL FUND

- 4.1. The forecast month 7 overspend is **£6.079m** with risks of £9.418m identified. This compares to a forecast overspend of £6.34m at month 7 last year.

Table 1: 2018/19 General Fund gross forecast outturn variance

Department¹	Revised budget month 7 £m	Forecast outturn variance month 7 £m	Forecast outturn variance month 6 £m
Children's Services	40.358	2.916	2.941
Corporate Services	0.409	0.018	(0.139)
Finance & Governance	2.973	0.412	0.453
Growth & Place	10.173	(0.313)	(0.303)
Public Services Reform	2.810	4.658	4.658
Residents' Services	63.466	2.064	1.978
Controlled Parking Account	(23.331)	(1.699)	(1.022)
Social Care	51.995	1.028	1.232
Centrally Managed Budgets	20.454	(0.380)	(0.380)
Total	169.307	8.704	9.418
Adjustment for limiting use of the unallocated contingency to 50% (£0.850m) and not distributing the contingency (£1.775m) held for the 2018/19 pay award (Cabinet Decision Corporate Revenue Monitor Month 2).	0.000	(2.625)	(2.625)
Revised Overspend	169.307	6.079	6.793

5. MONTH 7 - HOUSING REVENUE ACCOUNT

- 5.1. The Housing Revenue Account is currently forecasting a favourable outturn variance of £4.490m at Month 7 (Appendix 9).

Table 3: Housing Revenue Account forecast outturn

Housing Revenue Account	£m
Balance as at 31 March 2018	(9.946)
Less: Budgeted (contribution) / appropriation from balances	1.835
Add: Forecast favourable outturn variance	(4.490)
Projected balance as at 31st March 2019	(12.601)

¹ Figures in brackets represent underspends/ favourable movements

6. DEDICATED SCHOOLS GRANT (DSG)

- 6.1. The cumulative total DSG deficit balance carried forward to 2018/19 was £7m with an additional £6.5m deficit now forecast in 2018/19, a reduction of £0.7m since month 6. 2018/19 mitigating actions of up to £0.4m have been identified which would bring the forecast cumulative overspend down to £13.1m.
- 6.2. The £13.5m cumulative deficit represents spending more money than grant available and will impact on future school and council resources. Cabinet previously approved that reserves of £14.432m be set aside against the forecast deficit. It is recommended that this be reviewed at the financial year end.
- 6.3. A dedicated project team has identified potential options to reduce the underlying funding deficit.
- 6.4. There is an emerging pressure on the Early Years Block of the DSG in 2018/19 because of the commitment to protect funding to school nurseries. Maintained nursery schools and primary school and academy nurseries are paid a budget share based on the 2016/17 baseline rather than being paid on a participation basis. The local authority receives funding on a participation basis only, hence the shortfall in funding. However, there was an improvement on the forecast position from month 5 to 6, predominantly because of deploying an additional resource to undertake a detailed reconciliation of historic activity and payment data to model the trend on Early Years 15 and 30 hours uptake. The census data for the Autumn term has given further clarity as to the level of expenditure to be funded in 2018/19.

Table 4: Dedicated Schools Grant

	£m
DSG deficit brought forward from prior years	7.032
In-year forecast deficit	6.536
Forecasted deficit at end of 2018/19 financial year	13.568

7. GENERAL FUND RESERVES

- 7.1 An update on reserves is included within the Revenue Budget and Council Tax Levels 2019/20 report on the Cabinet agenda.

8. VIREMENTS & WRITE OFF REQUESTS

- 8.1. Cabinet is required to approve all budget virements that exceed £0.1m. Within this report General Fund virements of £0.342m are requested. This is a reserves drawdown request to cover the costs of the Local Elections.

9. CONSULTATION

- 9.1. All departments.

10. EQUALITY IMPLICATIONS

- 10.1. As required by Section 149 of the Equality Act 2010, the Council has considered its obligations regarding the Public-Sector Equality Duty and it is not anticipated that there will be any direct negative impact on groups with protected characteristics, as defined by the Act, from the adjustments to the budgets required because of this Corporate Revenue Monitor.
- 10.2. In the event that any such adjustments might lead to a service change that could have a negative impact on groups with protected characteristics then an Equality Impact Assessment will need to be carried out.
- 10.3. Implications completed by Peter Smith, Head of Policy & Strategy, tel. 020 8753 2206.

11. LEGAL IMPLICATIONS

- 11.1. There are no legal implications for this report.
- 11.2. Implications verified by: Rhian Davies, Borough Monitoring Officer, tel. 07827 663794

12. FINANCIAL IMPLICATIONS

- 12.1. This report is financial in nature and those implications are contained within.
- 12.2. Implications completed by: Gary Ironmonger, Finance Manager, 0208 753 2109 and verified by Emily Hill, Assistant Director, Corporate Finance.

13. IMPLICATIONS FOR BUSINESS

- 13.1. There are no implications for local businesses.
- 13.2. Implications verified/completed by: Albena Karameros, Economic Development Team, tel. 020 7938 8583.

14. COMMERCIAL IMPLICATIONS

- 14.1. The report seeks the approval of strategies developed to bring any staffing overspends in line with allocated budgets.
- 14.2. There are no procurement implications. Commercially, these strategies will have a positive impact on the Council's budgets and spending.
- 14.3. Implications completed by: Andra Ulianov, Procurement Consultant, x2284.

15. IT STRATEGY IMPLICATIONS

- 15.1. There are no IT implications for this report.

15.2. Implications verified/completed by Howell Huws, Head of Contracts and Operations, tel. 020 8753 5025.

16. RISK MANAGEMENT

- 16.1. The Council has a statutory duty to arrange for the proper administration of its financial affairs and a fiduciary duty to taxpayers with regards to its use of and accounting for public monies. This report assists in the discharge of those duties.
- 16.2. Revenue expenditure against budget is monitored by regular reports to the Strategic Leadership Team and Cabinet. These reports provide a snapshot of the revenue position for each Department and for the Council, and provide details of any projected additional budget pressures and risks, or any significant under or overspends. As the Section 151 Officer, the Strategic Director of Finance and Governance is required to keep under review the financial position of the Authority. The monthly revenue monitoring is a key part of this review process. If required, measures will be put in place to address any risks identified through the monitoring process and to contain expenditure within approved budgets.
- 16.3. Effective monitoring assists in the provision of accurate and timely information to Members and officers and allows services to better manage their resources. Corporate Revenue Monitoring contributes to the delivery of all Council Priorities but chiefly Being Ruthlessly Financially Efficient and sound risk management.
- 16.4. The effective use of financial resources underpins the Council's activities in support of its strategic priorities. Plans to take remedial action to manage a number of the significant issues highlighted in this report where they approach and exceed our financial risk appetite and risk tolerance have been referenced in appendix 10.
- 16.5. There are a number of general risks to the Council being able to match expenditure with resources this financial year and over the medium term:
- Achievement of challenging savings targets.
 - Austerity imposed by national government and its impact on Local Government.
 - Brexit and the state of the UK economy.
 - Commissioning and Procurement outcomes.
 - Impact of the fall in the pound on inflation and pay.
 - Demand-led Service Pressures E.g. Adult Social Care, Child Protection etc.
 - Potential adjustments which may arise from the various Grant Claims.
 - Movement in interest rates.

Risks associated with specific services are mentioned elsewhere in this report.

16.6. Implications verified/completed by: Michael Sloniowski, Risk Manager, tel 020 8753 2587, mobile 07768 252703

LOCAL GOVERNMENT ACT 2000

LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

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

LIST OF APPENDICES

Appendix	Title
Appendix 1	Children's Services Revenue Monitor
Appendix 1a	Dedicated Schools Grant
Appendix 2	Corporate Services Revenue Monitor
Appendix 3	Finance & Governance Revenue Monitor
Appendix 4	Growth & Place Revenue Monitor
Appendix 5	Public Service Reform Revenue Monitor
Appendix 6	Residents' Services Revenue Monitor
Appendix 6a	Controlled Parking Account Revenue Monitor
Appendix 7	Social Care Revenue Monitor
Appendix 8	Centrally Managed Budgets Revenue Monitor
Appendix 9	Housing Revenue Account Revenue Monitor
Appendix 10	Virement proposals

APPENDIX 1: CHILDREN'S SERVICES
BUDGET REVENUE MONITORING REPORT MONTH 7

Table 1 - Variance by Departmental Division			
Departmental Division	Revised Budget	Variance Month 7	Variance Month 6
	£000	£000	£000
Family Services	28,013	2,491	2,851
Special Educational Needs and Disabilities	7,306	623	350
Education	1,077	(168)	(111)
Assets, Operations & Planning	3,962	(30)	(149)
School Funding	0	0	0
TOTAL	40,358	2,916	2,941

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
Family Services		
<p>Family Services Social Care Placements - overspend primarily due to the continued increase in service demand, higher unit costs and more complex needs. Funding is not through a formula based on head count meaning that as demand is rising and the budget is reduced for savings, there is limited possibility to contain expenditure within budget.</p> <p>Looked after children numbers have increased to 240 in April 2018 compared with 185 in March 2015. An increase of 55 children at an average cost of £50,000 per child.</p> <p>As with other London Boroughs, we are seeing a rise in demand from adolescents at risk due to knife crime, child sexual exploitation and children being used for drug trafficking (County lines). Work continues to ensure that the forecast is robust and that young people are placed in the most appropriate placement type.</p> <p>The net decrease from period 6 (£0.135m which includes £0.027m on DUBs) is predominantly caused by the actual cost of new placements from prior months being agreed at lower costs than initially estimated (£0.120m decrease). In addition, 3 step downs have decreased the forecast by £0.062m, contingency has been reduced by £0.056m and 3 young people have left care reducing the forecast by £0.049m.</p> <p>This decrease is offset by a rise in the forecast for extra placement costs, based on a review of actuals to date, (£0.115m) and 8 relatively low cost new placements (3.6 FTE) forecast at £0.058m. One step-up has added £0.036m and other minor changes (-</p>	2,118	2,226

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
<p>£0.058m) make up the difference.</p> <p>The forecast assumes contingency of £0.382m or circa 3.2 FTE modelled on 2017/18 net new placements.</p>		
<p>The special project to take additional children has been Home Office grant and centrally funded (where costs exceed the grant) as it sits outside the usual remit of children's services. Additional in year application of unallocated contingency of £0.169m has been factored into the forecast removing the net overspend on DUBs. Additional funding will need to continue and increase in 2019/20 as costs are expected to rise to £0.260m above base budget based on the full year cost of placements and changes to the income associated with them. Cost rise as young people become care leavers as the grant income falls significantly.</p>	(2)	194
<p>Family Support and Child Protection - Staffing pressures caused by the level of demand have meant sustaining a fifth team and 7 social workers above the budgeted establishment. The requirement to use agency staff whilst permanent recruitment is taking place have caused additional pressures. These are being covered in year through the one-off use of reserve funding of £0.419m. A growth bid to fund this team in 2019/20 is being made through the budget setting process.</p> <p>The increase in the forecast (£0.026m) from month 6 is due to the departures of two permanent staff filled by agency workers have while permanent recruitment takes place. Due to the high demand and workload vacancies cannot be held for an interim period.</p>	137	112
<p>Contact and Assessment Service - The service is showing an underspend due to staffing budget being allocated to the team after a full post level staffing budget review. The favourable movement of £0.141m is offset by an adverse movement in the other minor variances below from which the budget was transferred.</p> <p>The £0.030m underspend (against a staffing budget of £2.182m) is due to several part year vacancies.</p>	(30)	111
<p>LAC and Leaving Care Non- placement costs - overspend in service user related travel expenses, interpreter's fees, and legal fees. A small decrease in the legal fee forecast has caused the movement from CRM 6.</p>	138	152
<p>Contact Centre</p> <p>The service has been disaggregated from Tri-Borough during summer with a sovereign manager role being established. Budget has been transferred from Assets, Operations, and Planning as part</p>	71	93

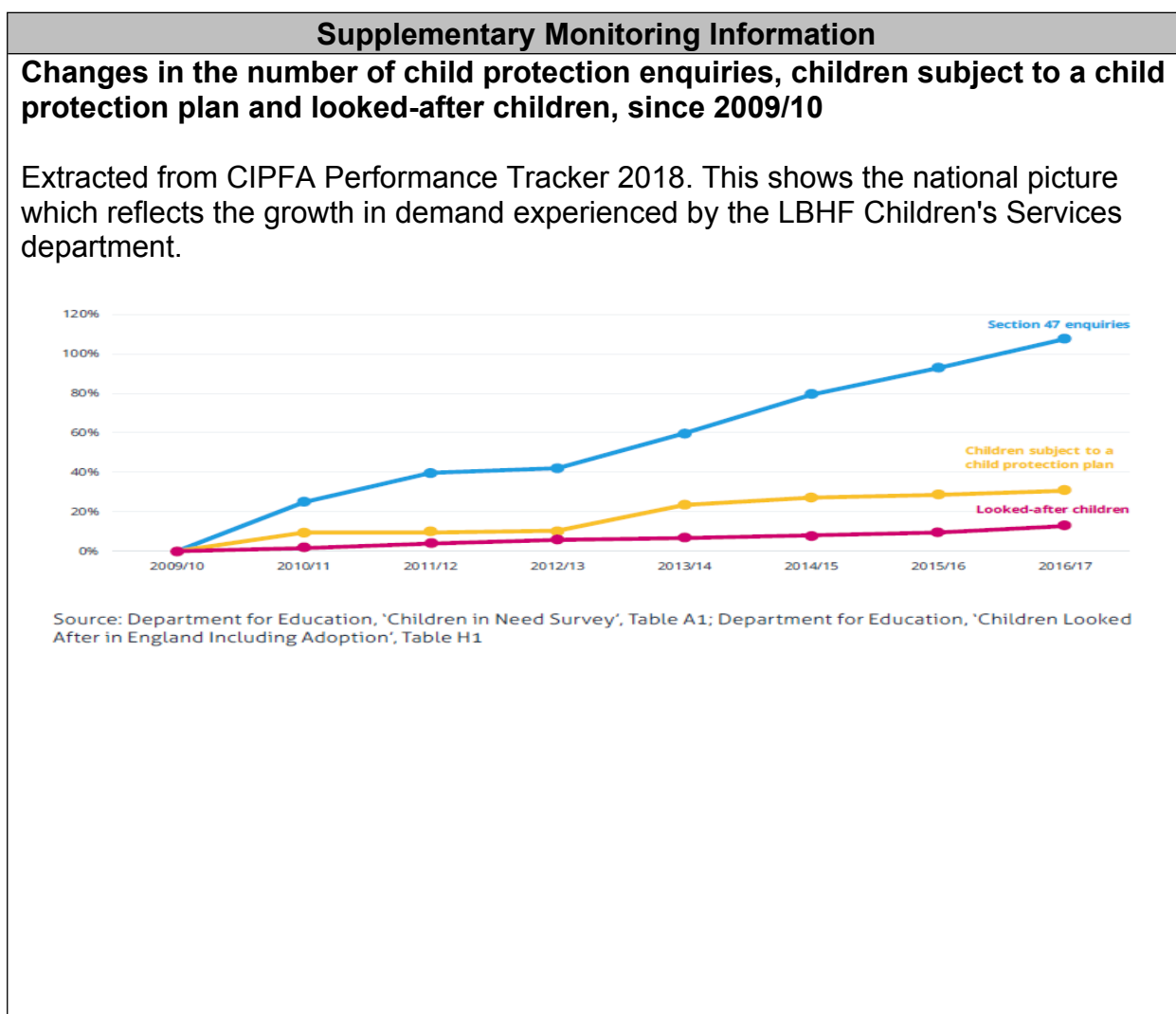
Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
of the post level budget review to fund this post and reduce the variance.		
Other minor variances Minor adverse variances are spread across services including Assessment and MASH, Virtual School, the Emergency Duty Team and Families Forward. These are partly offset by favourable variances in Fostering and Adoption, Safeguarding and the Youth Offending Service. The movement from month 6 is caused by staffing budget redistribution to Contact and Assessment.	59	(37)
Total of Family Services	2,491	2,851
Special Educational Needs and Disabilities		
Children with Disability Placements - Ongoing placement pressure from prior years in relation to complex needs of the current cohort. The total budget for residential children's homes is £1.1m of which one placement accounts for £0.6m. This placement is due to age out of Children with Disability Care in 2019/20. The increase from month 6 is caused by changes to two residential packages (£0.060m), a reduction in CCG income contribution (£0.036m) and 3 new direct payment packages (£0.013m).	373	257
Disabled Children's Team (DCT), Short Breaks and Resources - there is a one off in year pressure on contract expenditure following the delayed opening of the Stephen Wiltshire Centre (included in placement comments).	40	40
Travel Care and Support - This year has seen higher growth than expected as well as a higher intake of students requiring single occupancy transport. 44% of new starter costs are for single occupancy transport (13 students), of which only one student is single occupancy as a result of their needs. The other 12 students are single occupancy due to either schedule timetabling variances or because that they are the only student attending the destination. The level of growth and destination changes as well as inflation on minibus provider costs have caused a £0.228m overspend and increase of £0.146m from month 6. An independent travel program to reduce costs on travel and significantly improved planning by the now sovereign Education Health Care Planning team aims to prevent reoccurrence of such expenditure in future years.	228	82
Other minor variances	(18)	(29)
Total of Special Educational Needs and Disabilities	623	350

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
Education Service		
The variance is predominantly caused by vacancies as the service fills the new posts in the redesigned service. The favourable movement is caused by services that were previously funded by DSG changing to be funded by the general fund. The underspend associated with those services is now shown as a benefit to the general fund.	(168)	(111)
Total of Education	(168)	(111)
Assets, Operations & Planning		
A share (£0.066m) of the underspend previously reported in Assets, Operations and Planning has been redistributed to Family Services as part of the post level staffing budget realignment. This has caused an adverse movement that is offset by a corresponding favourable movement in Family Services.		
In addition, a review of how Central Services Schools Block DSG funding is allocated to services has meant that the assets and operations team is now DSG funded. The underspend (£0.042m) on this team is now shown as a favourable movement on the DSG.	(30)	(149)
Although partially mitigated in year, an overall staffing pressure will remain in CHS due to demands on individual services and the unbudgeted 2% pay award estimated at £0.350m.		
Total of Assets, Operations & Planning	(30)	(149)
TOTAL VARIANCE	2,916	2,941

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	Risk At Month 7 £000	Risk At Month 6 £000
Tower Hamlets Judgement - the liability should all connected carers be paid carers fees for prior years possible back to 2011 is estimated to be in the region of £2.1m. Three families (6 children) have brought claims in previous financial years via the same solicitors totalling £141,000. In 2018/19 one family has brought a claim in April with costs expected to be c£20,000.	2,100	2,100
New Burdens funding - The introduction of the Children and Social Work Act 2017 provides all care leavers up to the age of 25 with access to a personal advisor. We have a duty to provide a service to young people who are 21 or over and not in	45	45

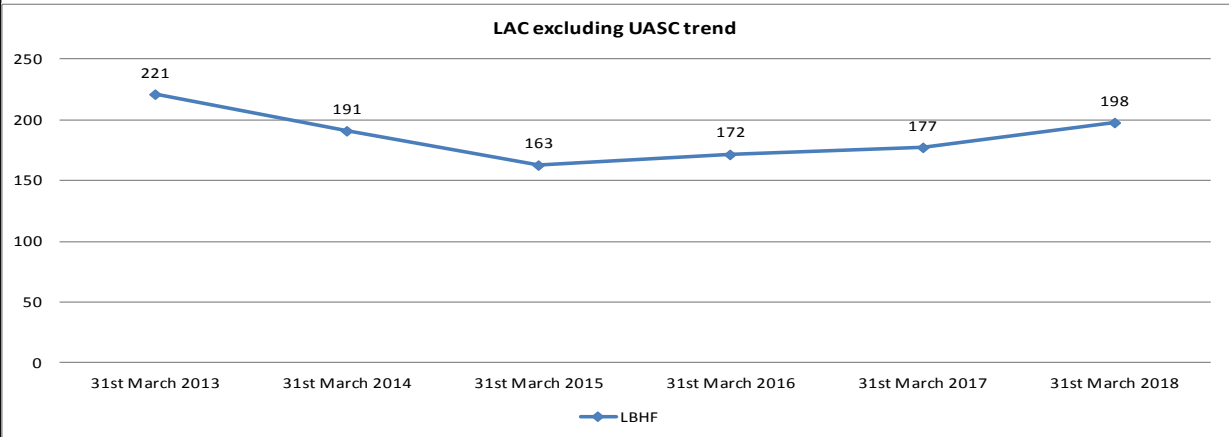
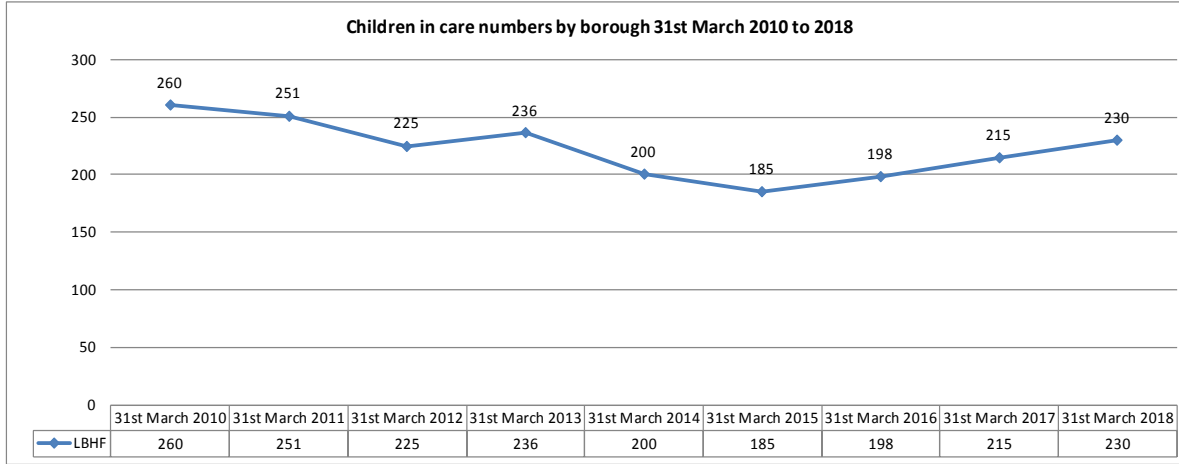
Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	Risk At Month 7 £000	Risk At Month 6 £000
<p>education where previously our involvement would have ended. The main impact and cost will be the additional social work resource required to support this new co-hort.</p> <p>The 2018/19 New Burdens grant has allocated £15,000 for this additional support. Initial calculation based on the DfE's assumptions of level of support required have costed the social work resource required as £65,000. As this is a new duty on local authorities, it is not yet clear what the likely impact will be.</p>		
<p>Children with Disability Placements - the current forecast contains £0.060m contingency for demand led growth. Any net increase in demand above this will increase the overspend on the service. The risk estimate is based on one additional placement with significant complex needs. This risk will decrease each month as new placements are built into the forecast.</p>	100	125
<p>Children with Disability Placements - the current forecast includes £0.866m of income from the Clinical Commissioning Group (CCG) based on agreements to part fund a number of care packages. The income is not yet guaranteed for 5 placements so there is a risk around receiving the full amount projected.</p>	300	300
<p>Unaccompanied Asylum-Seeking Children (UASC) - Risk of cases moving into Care Leavers with ongoing costs.</p>	TBC	TBC
<p>Placements - Placement savings through Looked After Children (LAC) and Family Assist needs to be monitored to ensure that delivery of savings is on track. The high cost placements forecast puts pressure on this activity being delivered. The number of young people in residential care remains small, however, they are often complex highly expensive cases meaning that LAC Assist must work with the young person for some time before they can be considered for step-down or non-residential placement. In addition to the contingency for net placement increase in year of £0.28m, there is a risk of further exceptional demand growth, particularly from high cost residential placements This risk will decrease each month as new placements are built into the forecast.</p>	250	250
<p>A recent review of the finance regulations that informs DSG budget allocations, has meant central spend previously funded by DSG, now must be funded by either traded income, additional fees or general fund. Charging an admin fee to other LAs who place pupils in LBHF maintained schools, was previously put forward as mitigation towards the forecast overspend on the High Needs Block. However, this has since been applied against the general fund SEND budget, in order to ensure central</p>	275	0

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	Risk At Month 7 £000	Risk At Month 6 £000
services are fully funded as part of the regularisation of the use of DSG. There is a risk to the general fund if this income is not achieved in 2018/19 and future years.		
TOTAL RISKS	3,070	2,820



Supplementary Monitoring Information

LBHF Trend data for Looked After Children (LAC) is presented in the graphs below.



	Children in Care numbers					Children in Care rates					Decrease/ increase
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	
England	68,070	68,820	69,500	70,450	72,670	60	60	60	60	62	3%
London	10,080	10,110	9,980	9,860	9,910	54	54	52	51	50	-7%
LBHF	235	205	185	200	215	72	61	55	58	61	-15%

**APPENDIX 1a: DEDICATED SCHOOLS GRANT
BUDGET REVENUE MONITORING REPORT MONTH 7**

Table 1 - Variance by Departmental Division			
Dedicated Schools Grant - Paid in support of the Local Authority's School Budget	Revised Budget	Variance Month 7	Variance Month 6
	£000	£000	£000
High Needs Block (HNB) Expenditure	18,406	6,388	6,829
Early Years Block (EYB) Expenditure	15,774	150	350
Schools Block Expenditure	38,083	0	0
Central School Services Block Expenditure	4,430	(3)	(11)
DSG Income	(76,693)	0	0
TOTAL	0	6,536	7,168

DSG deficit brought forward from prior years	7,032
Forecasted deficit at 31st of March 2019	13,568

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
High Needs Block (<i>High Needs funding supports provision for children and young people with special educational needs from their early years to age 25 and in addition the Alternative Provision</i>)		
<p>A full system review has been undertaken to reconcile activity, funding and expenditure. A project team and governance is in place to identify opportunities and work streams to recover the financial position on the High Needs Block for the Local Authority and to support Special Schools with their financial planning and efficiency.</p> <p>The current forecast overspend is £6.388m in 2018/19, but this includes prior year costs, not accrued for, of £1.12m net of any amounts clawed back for advances provided to schools in prior years. This forecast also includes £0.415m of expenditure related to out of borough pupils in high cost independent or specialist residential placements, which may or may not relate to the current financial year.</p> <p>The forecast in relation to Home tuition packages has decreased by £0.400m, as a result of ongoing challenge, monitoring and review of these packages by the service. Work in this area is complex and is ongoing. Analysis is being undertaken to explore the opportunities for expenditure reduction and income generation in 2018/19 and beyond.</p> <p>Following a review of the regulations that inform DSG budget allocations the forecast spend on central services teams has</p>	6,388	6,829

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
been reduced by £0.484m from month 6 and this has offset an overall increase in the top-up and placement funding forecast of £0.444m, which accounts for the remaining £0.040m favourable movement from month 6. It is important to note, that the regularisation of DSG budgets, has meant that the admin charges income that was previously put forward as mitigation towards the HNB deficit, has had to be applied against the general fund SEND budget, to mitigate against further pressures on the general fund budget.		
Total of High Needs Block	6,388	6,829
Early Years Block (<i>Funding for Early Years including Two-Year-Old funding and Early Years Pupil Premium</i>)		
There is a pressure on the Early Years Block of the DSG in 2018/19 because of the commitment to protect funding to school nurseries. Maintained Nursery schools and primary school and academy nurseries are paid a budget share based on the 2016/17 baseline rather than being paid on a participation basis. The local authority receives funding on a participation basis only, hence the shortfall in funding. However, there has been a further improvement on the forecast position from months 6 to 7, due to a projected under spend on the 2YO offer for eligible children. All Early Years budgets are subject to detailed review and it is anticipated that further opportunities to reduce this overspend may be possible. The precise pressure on the budget will be understood following October 2018 and January 2019 census which will determine final grant allocations. Opportunities to partially mitigate the likely pressure and risk are being modelled.	150	350
Total of Early Years Block	150	350
Schools Block (<i>This budget of the DSG forms the core funding for mainstream maintained schools</i>)		
Nil variance forecast. The budget has been set for 2018/19 on available activity data	0	0
Total of Schools Block	0	0
Central School Services Block (<i>Funding for the Local Authorities ongoing responsibilities</i>)		
£0.003m variance forecast	(3)	(11)
Total of Central School Services Block	(3)	(11)
TOTAL VARIANCE	6,536	7,168

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	Risk At Month 7 £000	Risk At Month 6 £000
<p>Early Years Dedicated Schools Grant Funded Expenditure 2018/19 Risk</p> <p>£0.15m of cost pressure is included in the month 7 forecast position and any further risk has now been eliminated. Detailed work undertaken as described above in the forecast has shown that expenditure is expected to be contained within the £0.15m reported.</p>	0	0
<p>A key risk to High Needs is demand led growth and increasing numbers of Education & Health Care Plans and caseloads. The risk in relation to maintained special schools a mainstream schools and academies has been updated to reflect the SEN cohort for the academic year starting September 2018, so is now included in the forecast for these settings. The risk of demand led growth in relation to pupils placed outside the borough, in high cost independent and specialist residential provision, remains at £0.415m and is also now included in the forecast.</p> <p>Although the forecast on Home tuition packages has decreased from month 7, there is a risk that the forecast will increase, because these packages are demand led and high cost. The service is taking all necessary mitigating action to ensure that where home tuition packages are agreed, these are for short term periods only, regularly reviewed, and focussed on re-integration of pupils into mainstream schools. A £0.200m risk in relation to home tuition packages is included here.</p>	200	600
<p>There has been a request from the CCG for an increased contribution to the Speech and Language Contract in 1819, which, if agreed, could see a significant increase in the contract value per annum.</p>	330 - 500	330 - 500
2018/19 RISKS	530 - 700	930 - 1100

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	Risk At Month 7 £000	Risk At Month 6 £000
<p>Early Years Dedicated Schools Grant Funded Expenditure 2019/20 Risk</p> <p>There is an emerging risk for 2019/20 with respect to the Early Years National Funding Formula (NFF). A change in the NFF requires all LAs to passport funding via the Early Years Dedicated Schools Grant (EY DSG) to all providers based on a participation (activity model) with standard unit rates. This will have an adverse financial impact on the budgets of Schools in LBHF who have benefitted from protected payments via lump sum payments until 2018/19. Private and voluntary nursery providers in the borough are likely to see a benefit from this change.</p> <p>Maintained Nursery School - risk of £750,000 is the FYE of the EY DSG funding regulations in 2019/20. Children in Need (CIN) provision for under 3s is currently situated at one of the maintained nurseries and has been funded from EY DSG to date. Information from DfE relating to CIN expenditure indicates that a disapplication request to fund this expenditure from EY DSG in 2019/20 is required. Work is being undertaken to establish the detailed costings of these activities which will need to be submitted as part of the request. Disapplication requests go to the Minister for consideration and there is a risk that it will be denied. The deadline for the disapplication request is expected to be mid-January 2019. An announcement on EY DSG funding will be made in December and then the risk will be reviewed in the light of any further information available.</p>	<p>750 (2019/20)</p>	<p>750 (2019/20)</p>
2019/20 RISKS	750	750

APPENDIX 2: CORPORATE SERVICES
BUDGET REVENUE MONITORING REPORT MONTH 7

Table 1 - Variance by Departmental Division			
Departmental Division	Revised Budget	Variance Month 7	Variance Month 6
	£000	£000	£000
Human Resources	(412)	225	245
Executive Services	333	(182)	(241)
Communications	(41)	223	229
Project Management Office	529	(248)	(372)
TOTAL	409	18	(139)

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
COMMUNICATIONS		
Mainly underachievement of traded income within the print service. At this stage, it is expected that activity will be in line with that incurred in 2017/18.	223	229
TOTAL COMMUNICATIONS	223	229
EXECUTIVE SERVICES		
Underspends on salaries.	(182)	(241)
TOTAL EXECUTIVE SERVICES	(182)	(241)
HUMAN RESOURCES		
	225	245
TOTAL HUMAN RESOURCES	225	245
PROJECT MANAGEMENT OFFICE		
	(248)	(372)
TOTAL PROJECT MANAGEMENT OFFICE	(248)	(372)
TOTAL VARIANCE	18	(139)

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	Risk At Month 7 £000	Risk At Month 6 £000
None to report		

**APPENDIX 3: FINANCE AND GOVERNANCE
BUDGET REVENUE MONITORING REPORT MONTH 7**

Table 1 - Variance by Departmental Division			
Departmental Division	Revised Budget	Variance Month 7	Variance Month 6
	£000	£000	£000
Facilities Management and Building Control	403	83	27
Legal and Democratic Services	(76)	139	173
IT Services	539	190	253
Finance	2,140	0	0
Audit, Fraud and Insurance	(33)	0	0
TOTAL	2,973	412	453

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
FACILITIES MANAGEMENT AND BUILDING CONTROL		
Civic Accommodation: Unachievable savings of £75,000 on Ravenscourt Stores due to lack of vehicle access rights; £30,000 overspend due to the proposed saving plan for 181 King Street which will now be delayed for renting; £19,000 unachievable income for repairs.	124	112
Building Property Management (BPM) Business Support: underspend in staffing costs due to a vacant post in the second half of the year	(36)	(36)
Depot Recovery: Unachievable rent income - unable to recharge Amey for the usage of Depot	10	10
Facilities Management: projected underspend on Amey Contract costs of £796,000. However, this underspend will be utilised to fund Health and Safety compliance works (£421,000), Change controls (£330,000) and variable repairs costs which are in dispute (£30,000).	(15)	(59)
TOTAL FACILITIES MANAGEMENT AND BUILDING CONTROL	83	27
IT SERVICES		
Overspends due to a review of agency staff costs, additional external support costs for the Office 365 platform and shared service staffing required to support the current IT service. This has been partially mitigated by a renegotiation of the Virtual Desktop Infrastructure (VDI) contract as part of the desktop strategy.	190	253
TOTAL IT SERVICES	190	253
LEGAL AND DEMOCRATIC SERVICES		
Coroners and Mortuary:	0	(11)

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
<p>Legal Services: under recovery of £92,000 on income for the year and an additional £47,000 overspend mainly related to offsite storage and IT costs.</p> <p>External income receive to date is below the targeted level, especially with work related to conveyancing charges where demand has fallen. The forecast overspend on income represents 3% of the total income target for the service (£3.36m forecast income compared to a £3.46m income target).</p> <p>Income from external conveyancing work is now charged to clients at the solicitor rate per hour rather than the previous fixed fee of £400 per case. This income is forecast to recover costs for the remainder of the year at an average of £19,000 per month. This would mean a forecast outturn of £162,000 against a target of £229,000.</p> <p>External planning income is charged out only on completion of work. £227,000 worth of chargeable time has been completed up to end of September but only £184,000 income has been received from clients whilst the service awaits final completion. The forecast income for the year is now expected to be £400,000 against the £475,000 target.</p>	139	184
<p>Election Services: The service has received a 58% reduction in Government grant for Individual Electoral Registrations since 2015/16, whilst the costs of statutory services relating to contacting residents have been increased due to the growth in the borough profile.</p>	60	55
<p>Governance and Scrutiny: Underspends due to vacancies held.</p>	(60)	(55)
TOTAL LEGAL AND DEMOCRATIC SERVICES	139	173
TOTAL FINANCE	0	0
TOTAL AUDIT, FRAUD AND INSURANCE	0	0
TOTAL VARIANCE	412	453

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	Risk At Month 7 £000	Risk At Month 6 £000
Total Facilities management (TFM) Contract: Unplanned costs arising from the termination of the LINK shared service.	400	400
Lila Huset building - If rent arrears dispute not resolved and a new tenant not found.	450	450

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	Risk At Month 7 £000	Risk At Month 6 £000
Additional resource may be required to fund the Coroner's service to clear a backlog of cases. This has not been factored into the forecasts at this stage.	TBC	TBC
TOTAL RISKS MANAGED	850	850

Supplementary Monitoring Information
<p>Facilities Management and Building Control transferred over to Finance and Governance effective from the 9th July.</p> <p>Legal Services: A change in conveyancing billing has meant that cases which commenced before the change have been charged under the old billing rate rather than the newer rate. Legal Services are reviewing the conveyancing cases to ensure that billing is in line with time spent and enforcing a stricter billing process. New starters to the legal property team should also result in an increase in anticipated income.</p> <p>Finance and Governance is a support function. Trends used to inform expenditure forecasts include number of employees and their monthly cost, including those recruited via agencies, any other expenditure in prior periods and financial years and contract payments, including fixed and variable amounts. Trends used to inform income forecasts (mainly services recharged to other departments for legal, IT, property works etc) are demand related, examples include number of hours of case work, number of devices or log ins and property charges above the fixed contract level.</p>

**APPENDIX 4: GROWTH AND PLACE
BUDGET REVENUE MONITORING REPORT MONTH 7**

Table 1 - Variance by Departmental Division			
Departmental Division	Revised Budget	Variance Month 7	Variance Month 6
	£000	£000	£000
Housing Solutions	8,338	(583)	(542)
Housing Strategy & Growth	308	0	0
Economic Development, Skills Service	877	0	0
Planning	1,087	243	192
Finance & Resources	57	0	0
Programme Management	19	0	0
Property Services	87	0	0
Development & Regeneration	5	0	0
Building and Property Management	(605)	27	47
TOTAL	10,173	(313)	(303)

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
Housing Solutions		
There is a forecast increase in average client numbers (from a budget of 921 units to a forecast of 1,055 compared to 1,053 at month 6 and 1,039 at month 5) in Private Sector Leased (PSL) temporary accommodation schemes.	516	548
There is a forecast reduction in average client numbers (from a budget of 190 clients to a forecast of 128 compared to 129 at month 6 and 152 at month 5) in Bed and Breakfast (B&B) temporary accommodation. It is also expected that there will be an increase in the bad debt provision of £87,000 due to an increase in the number of former tenants as client numbers fall.	(289)	(280)
Flexible Homelessness Support Grant provided by central Government to cushion the impact of the removal of the management fee for Temporary Accommodation (after allocating £207,600 to B&B, £2,253,400 to PSL and deducting an assumed £110,000 which we expect Registered Providers to claim to cover lost management fees). Government have stated the aim is to 'empower LAs with the freedom to support the full range of homelessness services they deliver' and plan their provisions with more certainty. So far this is only promised for 2018/19 (£3.38m) and 2019/20 (£2.81m) so there is a risk of significant budget pressure thereafter.	(810)	(810)
TOTAL of Housing Solutions	(583)	(542)

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
TOTAL of Housing Strategy & Growth	0	0
TOTAL of Economic Development & Skills Service	0	0
Planning		
Development Management - income shortfall of £610,000 partly due to a decision to transfer £270,000 of planning application fees to Planning Regeneration division (see below). Also, a review of the forecast for pre-application fees has shown that the projected income this year is expected to be up to £340,000 below the budgeted income target. The additional overspend of £180,000 (£155,000 at month 6) relates to exceptional costs for Counsel, legal and other specialist advice on a number of specific applications. Other minor variances of (£25,000) relate to staffing costs.	765	739
Planning Regeneration - minor staffing and running cost variances of £78,000, which are offset by a favourable income variance of (£540,000). The additional income is in part due to a transfer of (£270,000) of planning application fees from Development Management. Also, a review of the forecast for planning application fees and planning performance advice fees indicates an increase in income over budget of (£270,000).	(462)	(495)
Policy - staffing vacancies mainly arising from interim arrangements pending senior management recruitment.	(60)	(52)
TOTAL of Planning	243	192
TOTAL of Finance & Resources	0	0
TOTAL of Programme Management	0	0
TOTAL of Property Services	0	0
TOTAL of Development & Regeneration	0	0
Building and Property Management (BPM)		

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
Rent and Other Properties: unachievable rental income of £38,000, repairs and maintenance for Lyric Theatre of £10,000 and unachievable savings on rental income at Pennard Road of £75,000.	123	120
Valuation Services: underspends on legal costs (£76,000), staffing recharges of (£15,000) and carbon reduction energy rebates (£10,000) offset by other minor overspends of £5,000.	(96)	(73)
Total of BPM	27	47
TOTAL VARIANCE	(313)	(303)

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	Risk At Month 7 £000	Risk At Month 6 £000
Overall Benefit Cap	60	113
Direct Payments (Universal Credit)	20	87
There is a risk of a further increase in the number of households in Temporary Accommodation - based on an additional 100 households this year above the current forecast	271	326
Inflationary pressures on Temporary Accommodation landlord costs, based on an extra 1.5% rental inflation above the current forecast	113	135
There is a risk of large families being accommodated in B&B	108	129
Homelessness Reduction Bill - increase in households in temporary accommodation - extra 70 households this year above the current forecast	211	253
Several Economic Development schemes are awaiting formal approval to use Section 106 funds	871	871
Adult Learning & Skills Service - If the Adult Community Learning Centre (ACLC) is decanted from present site and no alternative site is confirmed, then total fees income shortfall could be £62,500 (£250,000 full academic year /12*3 months January to March).	62	62
Earmarked reserves have been utilised in recent years to accommodate the accumulated effect of annual reductions in grant funding for the Adult Learning & Skills service. A review of the risks for this year indicates that the earmarked reserve holds sufficient funds to contain costs.	0	0
Affordable housing and regeneration projects - feasibility studies on GF land	0	450

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	Risk At Month 7 £000	Risk At Month 6 £000
There is a risk that the costs of current and future work in producing Supplementary Planning Documents will exceed the budgets and funding available	50	50
In recent years, the cost of judicial reviews and major planning appeals has been met from earmarked reserves but these funds are now exhausted and therefore, there is an ongoing risk of an overspend against the budget	300	300
Expenditure incurred on disposed assets cannot be met by disposal receipts and on properties not being sold	20	20
Lyric Theatre - Unfunded repairs and maintenance costs above the agreed cap of £50,000	100	100
TOTAL RISKS MANAGED	2,186	2,895

Supplementary Monitoring Information
<p>Long Term Trends:</p> <p>The Temporary Accommodation service faces a long-term trend of:</p> <ul style="list-style-type: none"> • rising rents, • constraints on income collection because of Welfare Reform • increases in demand from homeless families. <p>The number of households in Temporary Accommodation is increasing annually (1,214 at April 2016; 1,324 at April 2017; 1,444 at April 18). The current number of households in Temporary Accommodation is 1,440 and this represents a rise of over 18% since April 2016 at a time when the London average has increased by only 5%. TA numbers are projected to increase to 1,559 at April 2019; 1,674 at April 2020 and 1,789 at April 2021.</p> <p>Since the Homelessness Reduction Act came into effect in April 2018, there has been a significant increase in homelessness approaches and caseloads. 541 new Part 7 homeless applications were made between April 2018 and October 2018, an average of 77 per month, which is a slight increase on the 72 being reported up to September. This compares to 224 for April 2017 to October 2017, an average per month of 32 and an average of only 27 per month in the last quarter of 2017/18. This is an increase of 142% when compared to the same period last year.</p> <p>The number of housing enquiries has also more than doubled (121% increase) when April to October 2018 are compared with the same period in 2017, with the average now being 233 approaches per month, compared with 106 per month for the same period last year. This covers unique visits to Assessment and Prevention for housing related advice and assistance, either in person, by phone or by email. It includes instances where a homeless application being made, as well as those where just advice was provided.</p>

Supplementary Monitoring Information

Another significant pressure on the service, is the new requirement within the Homelessness Reduction Act, to carry out individual Personal Housing Plans with each eligible person who is either homeless or threatened with homelessness. This is a completely new duty, so direct comparisons cannot be made with previous years. However, these more tailored plans, created around the unique requirements of each person are taking an average of 2 hours each (this length of time is being commonly reported across London). Even with a third of cases failing to engage (which again is comparable with other London authorities), this represents an increase of 4.3 hours of work per day.

The service is focussing on tightly managing its acceptance duty. Cost are being managed and the risk of further cost pressures is being monitored and managed closely as part of a package of measures within the Temporary Accommodation strategy.

The Flexible Homelessness Support Grant provided by Government is currently cushioning the Council from the impact of the removal of the management fee for Temporary Accommodation. This and other related government grants will diminish next year and potentially disappear from 2020/21 as Government has not confirmed any further allocations beyond next year. This could result in the loss of at least £4.2m and potentially up to £9.3m of grant between this year and 2021/22 and a worst-case scenario of £4m per year thereafter if no new Government grant allocations are confirmed. Cabinet in October have been asked to approve an investment in private rented sector accommodation to reduce numbers in temporary accommodation, however assuming this mitigating procurement strategy is successful, there remains a risk of a net loss of income on the General Fund of at least £2.1m and potentially up to £7.2m over the same period.

Planning income in recent years has fluctuated between £3.5m (2016/17), £3.1m (2017/18) and is currently forecast to reach £3.7m in 2018/19. The forecast is being closely monitored and any variance from the income target will be reported here.

The inherent volatility of planning income means it is difficult to predict future income expectations due to several factors including:

- Changes to the statutory charging schedule
- Economic factors such as the impact on planning activity of Brexit
- Changes in legislation e.g. permitted development rights, Planning Performance Agreement regulation
- Changes to pre-application charging fees and Planning Performance Agreement templates
- Local and wider market conditions
- Availability of development sites in the borough
- Developers by-passing the pre-application process as it is not compulsory
- Reduced developer confidence in the service through reduced staffing - may be less likely to fund Planning Performance Agreements
- Government schemes to encourage house building, including grant schemes
- Developers' responding to current and pipeline housing supply in borough (they don't want to flood the local market)
- Adverse weather conditions.

**APPENDIX 5: PUBLIC SERVICES REFORM
BUDGET REVENUE MONITORING REPORT MONTH 7**

Table 1 - Variance by Departmental Division			
Departmental Division	Revised Budget	Variance Month 7	Variance Month 6
	£000	£000	£000
Public Services Reform	2,810	4,658	4,658
TOTAL	2,810	4,658	4,658

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
Public Services Reform		
Underachievement on external sales. Discussions continue to take place regarding sale of products but at this stage it is prudent to exclude potential income from forecasts	2,482	2,482
Family Support - £1m of this overspend relates to unachieved savings. The forecast is calculated assuming no contracts novate to the Family Support until 2018/19 and working capital payments of £310,000 continue to be paid each month. While there is the potential for the delivery of these savings to be passed over to Family Support it is highly unlikely that they will be able to deliver savings this financial year. An open book arrangement has been introduced	1,381	1,381
Advertising Hoardings - mainly due to shortfall of income from profit sharing sites, (L'Oreal, Bentworth Road and Woodstock Grove) and new sites that did not proceed (Fulham Palace Road and Lyric Square). The movement relates to unanticipated 2017/18 income from Bentworth Road site.	646	646
Supporting People - £209,000 of 2018/19 savings target of £359,000 relating to Mental Health Contracts have been identified leading to a shortfall.	150	150
TOTAL VARIANCE	4,658	4,658

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	Risk At Month 7 £000	Risk At Month 6 £000
Family Support - three contracts expire at the end of September, renewal of these budgets is not factored into the forecast. If the decision is taken to renew them at the current rate there is a risk the forecast will increase.	64	64
Contract management savings – reported as high risk against delivery in April. Therefore 50% of savings (£1m	500	500

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	Risk At Month 7 £000	Risk At Month 6 £000
budget change 2018/19) to be delivered reported as a risk. A plan has been received which details how this is to be achieved however no income or budget changes have been progressed at October.		
Potential costs of legal challenge (Hammersmith Flyover Advertising Hoarding/Two Towers). Although the Council won the recent case there are 21 days for the judgement to be challenged. Therefore, the risk remains until this time has lapsed.	2,145	2,145
TOTAL RISKS MANAGED	2,645	2,645

Supplementary Monitoring Information
<p>Much of the expenditure in PSR relates to contract payments or regular payments to third sector providers. Information used to forecast includes a schedule of commitments, contract documentation and any changes in demands for services. For income streams a pipeline of opportunities is used to forecast for commercial activity.</p> <p>The advertising hoarding forecast is calculated on a site by site basis.</p>

APPENDIX 6: RESIDENTS' SERVICES
BUDGET REVENUE MONITORING REPORT MONTH 7

Table 1 - Variance by Departmental Division			
Departmental Division	Revised Budget	Variance Month 7	Variance Month 6
	£000	£000	£000
Cleaner, Greener & Cultural Services	8,951	42	57
Transport and Highways	12,912	69	100
Leisure & Parks	4,395	30	21
Environmental Health, Community Safety & Emergency Planning	6,295	429	300
Other LBHF Commercial Services	(238)	240	240
Executive, Finance and Contingency	774	(81)	(81)
Building Control and Technical Support Services	1,207	280	155
Street Cleansing and Street Enforcement	11,969	87	92
Customer Services	14,548	703	794
Libraries	2,628	265	300
Prevent	25	0	0
TOTAL	63,466	2,064	1,978

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
Cleaner, Greener & Cultural Services		0
Salary budget pressure as 2% pay award is being absorbed.	18	18
£462,000 underspend on waste disposal due to continuation of the reduced recycle processing rate. Forecast assumes tonnages in line with 2017/18, YTD tonnages same as last year, however income relating to 2017/18 paid this year and commodity income this year has increased the underspend. £25,000 overspend in Commercial Waste mainly due to reduced waste disposal costs partially offset by anticipated income shortfall. £49,000 overspend because of a virement to fund Head of Greener Living salary budget and £12,000 overspend due to contribution from HRA for Street Czar post not forthcoming.	(378)	(359)
£100,000 commercial income saving for Parks and Markets Events not expected to be delivered.	90	90
Filming £133,000 income shortfall in Filming as outturn is forecast in line with last year. Events £175k income shortfall on Hammersmith Town Hall Lettings £72,000 and funfairs £86,000 (due to restrictions on using Shepherds Bush Green); £37,000 shortfall on miscellaneous income offset by £6,000 favourable on concessions in parks. £7,000 security (Amey) underspend and an underspend on the Head of Culture post due to the reduced costs of the temporary backfill arrangements (£5,000).	312	308

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
Total of Cleaner, Greener & Cultural Services	42	57
Transport & Highways		
Salary budget pressure as 2% pay award funded by departmental budgets.	64	64
Metro Wireless WIFI income has never achieved the amounts originally estimated.	73	73
Network Management Fixed Penalty Notice (FPN) income. Rule changes following developments in case law mean that the FPN target cannot be achieved in full.	(9)	(9)
Network Management license income.	43	23
Forecast shortfall in recharges to projects. Additional projects may arise in year that will reduce this overspend.	150	162
General Maintenance: cheaper materials to be used in road repairs.	(100)	(100)
Land Survey underspend due to IT charges to TFL.	(40)	(40)
Streetlighting Energy: Ongoing reduction in energy use from LED replacement project.	(66)	(53)
Temporary Traffic Order surplus.	(25)	(25)
Other overspends/ underspends.	(21)	5
Total of Transport & Highways	69	100
Leisure and Parks		
Salary budget pressure as 2% pay award funded by departmental budgets.	8	8
Increase in recharge to Wormwood Scrubs.	(29)	(29)
Forecast legal and consultancy fees on new contract for Leisure Contracts.	46	46
Ground Maintenance recharges to Housing improvement to forecast.	(16)	(16)
Cemeteries inspection programme - implementation delayed until 2019/20.	(20)	(10)
Overspend on Grounds Maintenance and repairs.	6	6
Overspend on historic maintenance charges from AMEY.	42	42
Salaries net underspend (secondment and vacant posts not filled)	(71)	(46)
Additional water charges due to installation of meters - invoicing up to date.	22	33
Energy costs £10,000 higher forecast for Linford Christie and £55,000 for Parks & Open Spaces.	65	10
Additional cemeteries income.	(13)	(13)
Additional parks income.	(6)	(6)
Other underspends.	(4)	(4)
Total of Leisure and Parks	30	21

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
Environmental Health, Community Safety & Emergency Planning		
Private Housing & Health: underachievement of income in Additional & Selective HMO Licensing due to a lower than anticipated uptake of these new licensing schemes introduced in June 2017. A recent change in legislation has reduced the forecast income shortfall as the definition of what constitutes an HMO subject to mandatory licensing changed from 1st October to include properties under three storeys, meaning more properties will now require a mandatory licence. However, there is a risk that income levels will be further impacted by a recent case law (LB Richmond vs Gaskin stipulated that LA's must only charge for the cost of processing the licence whereas the current fee includes the cost of setting up and maintaining the scheme as well as processing the application). LA's are seeking guidance from the Ministry of Housing – DCLG but there is a risk that a revision of the fee structure will be necessary impacting income levels going forward.	155	112
Community Safety: £120k income shortfall due to non-delivery of commercial income savings (£100k deployable CCTV and £20k Professional Witnesses). Additional CCTV income shortfall for CCTV footage due to lower than anticipated uptake of this service (£24,000).	144	144
£201,000 overspend on salary budget as 2% pay award funded by departmental budgets (£113,000), overspend in Noise & Nuisance as to ensure shifts are fully staffed, absences of permanent staff due to leave or illness shifts must be covered by agency staff (£34,000); Food Safety (£36,000) and other smaller net overspends, mostly long-term sickness cover in CCTV (£40,000). offset by underspends in Parks Police (£20,000) and EH Management (£45,000) due to vacant posts, offset by £55,000 drawdown from reserves to cover overspend in Silver Rota and Civil Protection.	146	108
Income Over achievement: in Noise & Nuisance (£14,000) and Environmental Quality (£35,000) largely due to recharges for officer time to Thames Tideway and £23,000 Trading Standards for FPN's and management fees for work undertaken on behalf of London Trading Standards. Anticipated overachievement of Registrars income (£64,000).	(131)	(111)
Air Quality Monitoring work to be funded by S106 identified as a priority for 2017/18 and 2018/19. Removed from the forecast as this funding has not been agreed by Planning under the new S106 funding protocol.	0	(26)
Legal fees overspend. Notable items include the HS2 appeal and advocacy work related to bonfires in Environmental Quality resulting in a £32,000 overspend, and overspends in trading	56	0

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
standards (£14,000) and Licensing (£19,000) related to bringing cases to court.		
Supplies and services overspend.	49	80
Other minor net (under)/overspends.	10	(7)
Total of Environmental Health, Community Safety & Emergency Planning	429	300
Other LBHF Commercial Services		
Forecast shortfall on CCTV ducting contract (£50,000 income v £29,000 income budget). New contract being negotiated likely to be in the region of £50,000 pa. Shortfall can be funded from one off departmental reserves this year if required.	240	240
Total of Other LBHF Commercial Services	240	240
Executive, Finance and Contingency		
Predicted underspend having transferred heads of service to home services. However, consideration needs to be given to the funding of the new Director of Resident's Services post. Notionally funded by the budget for the Director of Environmental Health at present. However, when the backfill arrangements are put in place for the Director of EH we will have one additional Director post and no additional budget. This underspend will be required to part fund this post and additional funding identified.	(81)	(81)
Total of Executive, Finance and Contingency	-81	-81
Building Control and Technical Support Services		
Building Control: income shortfall mainly due to reduction in service demand. Due to the general downturn in the economy and Brexit, the number of building projects and house transactions also have gone down this year; resulting in lower level of construction activity which has had a direct impact on Building Control income. Remedial plans include improved marketing to potential customers.	294	161
Technical Support: Overspend on staffing costs of £4,000. This is offset by underspend in Supplies and Services of (£19,000).	(15)	(6)
Total of Building Control and Technical Support Services	280	155
Street Cleansing and Street Enforcement		
Underspend on supplies and services and transportation costs.	(14)	(14)
Forecast shortfall in income for fixed penalty notices as the Night Enforcement team has ceased to operate impacting on income levels.	(69)	(69)
Overspend on salaries because of overtime, establishment not covered by budget and 2% pay award not funded corporately.	23	28
Additional spend on smartbanks and bulky waste.	63	63

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
This forecast assumes partial delivery (£75,000) of the £159,000 saving identified through a renegotiation of the waste contract but this remains high risk.	84	84
Total of Street Cleansing and Street Enforcement	87	92
Customer Services		
£596,000 overspend on staffing. £110,000 of this relates to the 2% pay award funded by departmental budgets, however the majority of this is due to a delay in delivery of savings (£481,000 savings target). This was intended to be delivered through robotic process automation plus other process efficiencies. Work is being undertaken in the service to deliver these by 2019/20. £32,000 relates to additional manager in H&F InTouch. £20,000 in year pressure due to new Out of Hours contract (unit cost increased from £2.56 to £6.08 per telephone call) £48,000 other smaller pressures	703	794
Total of Customer Services	703	794
Libraries and Archives		
Decrease of £35,000 since month 6. £135,000 results the decision by Cabinet not to pursue a trust model due to concerns about quality (£115,000) and the decision not to charge a market rate to the law centre (£20,000). £100,000 income shortfall, primarily due to expected income gains from advertising not being realised. £100,000 overspend arises from a delay in the delivery of savings from the Smart Open programme and the need to reshape the programme over the medium term. £70k underspend is the consequence of mitigating actions through reducing expenditure on library resources. The service is investigating whether there are any further opportunities to reduce spend or increase income.	265	300
Total of Libraries and Archives	265	300
Prevent		
Expenditure is funded via Home Office as part of the counter terrorism strategy (CONTEST). Budget is for SLAs no variance to report.	0	0
Total of Prevent	0	0
TOTAL VARIANCE	2,064	1,978

Table 3 - Key Risks - Detail Items Over £250,000

Risk Description	Risk At Month 7 £000	Risk At Month 6 £000
Loss of nationality checking income in registrar's service.	TBC	TBC
Registrars forward bookings affected by HTH redevelopment (2019/20).	TBC	TBC
Serco saving assumed by Ernst & Young may not be achieved.	TBC	TBC
Contact Channel Improvement savings not achieved.	TBC	TBC
TOTAL RISKS MANAGED	TBC	TBC

Supplementary Monitoring Information

Taken together with Parking (in Appendix 6a) the overall variance in Residents' Services is £365,000 adverse.

The biggest financial pressure in this report is the £703,000 adverse position in Customer Services. The transfer of this service into Residents Services this year and the arrival of a new assistant director has led to a full review of the finances of this service. The service is working on the delivery of them of 2018/19 savings targets, but it will take longer than this year.

Residents Services must fund pay awards of over £491,000 in 2018/19 and it is managing to do that in most areas except Customer Services.

One of the mitigations is that the £365,000 total adverse variance can be brought down to £125,000 adverse with the use of the reserve for the duct asset concession. Residents' Services will look at the feasibility of bringing forward savings ideas from 2019/20 to help balance the budget in 2018/19.

APPENDIX 6a: CONTROLLED PARKING ACCOUNT
BUDGET REVENUE MONITORING REPORT MONTH 7

Table 1 - Variance by Departmental Division			
Departmental Division	Revised Budget	Variance Month 7	Variance Month 6
	£000	£000	£000
Controlled parking income	(37,144)	(1,566)	(776)
Controlled Parking Account expenditure	13,813	(133)	(246)
TOTAL	(23,331)	(1,699)	(1,022)

Table 2 - Variance Analysis		
Departmental Division	Month 7	Month 6
	£000	£000
Parking Control		
Controlled Parking Account Income		
Pay and display income	(1,685)	(1,384)
Permits income	(137)	(92)
Parking PCN Income	(607)	(319)
Towaways Income	(17)	(14)
Suspensions Income	880	1,033
Controlled Parking Account Expenditure		
Underspend of £251,000 on supplies and services primarily due to reduction in cost as result of completion of the rollout of cashless parking, reduction in cash collection and maintenance cost.	(119)	(241)
Salary underspend	(14)	(5)
TOTAL VARIANCE	(1,699)	(1,022)

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	Risk At Month 7	Risk At Month 6
	£000	£000
None to report		

Supplementary Monitoring Information
Parking can absorb the cost of the 2018/19 pay award. The adverse variance on parking suspensions suggests that general economic conditions in the borough are not as good as they were two or three years ago.

**APPENDIX 7: SOCIAL CARE
BUDGET REVENUE MONITORING REPORT MONTH 7**

Table 1 - Variance by Departmental Division			
Departmental Division	Revised Budget	Variance Month 7	Variance Month 6
	£000	£000	£000
Care and Assessment	22,434	(490)	(357)
Learning Disability	11,847	461	466
Mental Health	6,642	306	372
In-House Services	2,869	222	222
Community Independence & Hospital Service	1,578	0	0
Resources	5,953	0	0
Directorate & Support Service	572	0	0
2% pay-award increased Impact on service budgets and other staffing cost pressures.	0	389	389
Commissioning	100	140	140
TOTAL	51,995	1,028	1,232

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
Care and Assessment		
Like the previous year, there are continued overall service pressures in social care resulting from the need to discharge a high volume of people from hospital at a much earlier stage. Within the Care and Assessment section are pressures in Physical support placements of £218,000 and in Home Care of £295,000. This is offset by the net recharging in the PFI contracts for beds occupied by Bi-Borough to maximise the capacity within contract of (£813,000). The main reasons for the increase in the underspend since last month is due to the tighter managerial controls and the focus of supporting residents at home rather in residential care.	(490)	(357)
Total of Care and Assessment	(490)	(357)
Learning Disability		
The overspend is mainly due to full year effect of Placements and Direct Payments which started at the end of last year. Since last month the forecast has slightly changed due to decreased costs following service reviews. The service aims to reduce this overspend through planned managerial actions.	461	466
Total of Learning Disability	461	466
Mental Health		

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
Mental Health is projecting overspend due to an increase of 11 placements since April 2018. Since last month the reassessment of care needs has resulted in the decreased costs and increases in residential care contributions. There is a tight operational and strategic plan in place to address the overspend.	306	372
Total of Mental Health	306	372
In-House Services		
Careline provides but is not funded to provide a 24-hour service. This continued overspend will have to be met by reductions elsewhere in the service and further review of the options will be presented to the Lead Cabinet Member. There is a tight operational plan in place to address it.	222	222
Total of In-House Services	222	222
Commissioning		
There is an overspend in safeguarding services due to increase in the demand for Independent Mental Capacity Assessments and an increase in the contract in addition to increased safeguarding assessments.	140	140
Total of Commissioning	140	140
2% Pay-Award Impact and other Staffing Cost		
This projected overspend due to 2% pay award increase in costs and following an in-year post level costing exercise. This was initially advised during the moving on costing work and the service was requested to review in year.	389	389
Total 2% Pay-Award Impact and other Staffing Cost	389	389
TOTAL VARIANCE	1,028	1,232

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	Risk At Month 7 £000	Risk At Month 6 £000
Estimated costs relating to Learning Disability service users transitioning from Children Services to Adult Social Care.	316	264

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	Risk At Month 7 £000	Risk At Month 6 £000
Year on year savings from Transformation Commissioning Programme are difficult to deliver and the department is concerned given the overall budgetary position.	650	900
TOTAL RISKS MANAGED	966	1,164

Supplementary Monitoring Information

The Department has proposing the drawdown of the ASC transformation reserve to fund part of the 2% pay-award and other staffing cost overspend of £389,000. At this stage of the year, the department is highlighting a maximum risk of £0.966m due potential additional transitional service users and difficulty of some in year savings at risk of non-delivery which has been reviewed since last month and reduced by (£198,000).

The Government recently announced additional Winter pressure funding for 2018/19 intended to prevent unnecessary emergency admissions and enable patients to leave hospitals when medically fit and for LA's to be able to invest in social care packages, reablement & adaptations to people's homes. The departments allocation is £918,381 and planning has commenced for the winter period.

Trend Data						
Placements	Number of Clients	Unit Costs				
April 2017	472	£862.51				
March 2018	500	£895.57				
October 2018	514	£925.08				

There were 28 new placements in 2017/18 which creates a net increase in forecast of over £600,000 if we assume all clients are in placement for half the year. The weekly cost of placements has increased by £29.51 per week. However, there has been the 14 placements increase in clients over a 7-month period in 2018/19.

Home Care	0-7hrs p/w	7-14hrs p/w	14-28hrs p/w	28+hrs p/w	Total	
April 2017	515	372	330	125	1342	
March 2018	489	347	317	155	1308	
October 2018	518	369	332	157	1376	

Home Care activity breakdown by Service users age range						
April 2017		18-64	65-74	75-84	85+	Total
0-7hrs p/w		145	94	156	120	515
7-14hrs p/w		86	59	128	99	372
14-28 hrs p/w		62	44	104	120	330
28+ hrs p/w		15	13	41	56	125
Total		308	210	429	395	1342
March 2018		18-94	65-74	75-84	85+	Total
0-7hrs p/w		130	82	150	127	489
7-14hrs p/w		74	58	108	107	347
14-28 hrs p/w		68	50	87	112	317
28+ hrs p/w		23	21	52	59	155
Total		295	211	397	405	1308
October 2018		18-64	65-74	75-84	85+	Total
0-7hrs p/w		153	91	143	136	523
7-14hrs p/w		79	60	119	113	371
14-28 hrs p/w		67	48	97	111	323
28+ hrs p/w		23	21	51	64	159
Total		322	220	410	424	1376
There are increasing/more complex needs in Home care customers, demonstrated by the increase in 32 cases of 28hrs+ per week, despite the slight drop in client numbers towards the end of 2017/18 FY. This might be explained by some Home Care customers who are discharged from Hospital straight back into the community and increasing number of 85+ living at home.						
Direct Payments activity breakdown by Service users' age range.						
	18-64	65-74	Age 75-84	Age 85+	Number of Clients	Average Weekly Cost
April 2017	268	67	70	79	484	£315.00
March 2018	256	63	75	77	471	£322.00
October 2018	250	66	72	75	463	£342.00

There has been a drop in client numbers since the beginning of 2017/18 however the increasing weekly cost implies that clients' needs have been increasing leading to higher care packages.

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Assumptions

1. Projections based on client numbers on Mosaic as at the end of October 2018 (assumes Mosaic data is up to date and correct).

2. Assumes no increase in clients in 2018/19 therefore we only forecast based on live clients on Mosaic. This is a riskier approach than in previous years when clients not in Mosaic were factored into the forecast.

3. LD Transitions for 2018/19 have been calculated but are not included in the forecast until Care Package is reflected in Mosaic.

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APPENDIX 8: CENTRALLY MANAGED BUDGETS
BUDGET REVENUE MONITORING REPORT MONTH 7

Table 1 - Variance by Departmental Division			
Departmental Division	Revised Budget	Forecast Variance Month 7	Forecast Variance Month 6
	£000	£000	£000
Corporate & Democratic Core	3,708	120	120
Housing Benefits	-328	0	0
Levies	1,570	(40)	(40)
Net Cost of Borrowing	282	0	0
Other Corp Items	6,174	(300)	(300)
Pensions & redundancy	9,048	(160)	(160)
TOTAL	20,454	(380)	(380)
Adjustment for limiting use of the unallocated contingency to 50% and not distributing the contingency held for the 2018/19 pay award		(2,625)	(2,625)
Revised Variance	20,454	(3,005)	(3,005)

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
Corporate & Democratic Core		
Overspend on net Shared Accommodation costs after factoring in the changed accommodation profile post Moving On.	120	120
Corporate & Democratic Core Total	120	120
Housing Benefits Total	0	0
Levies		
Corporately funded Levies are forecast to be £40,000 under budget.	(40)	(40)
Levies Total	(40)	(40)
Net Cost of Borrowing Total	0	0
Other Corporate Items		
Mid-year analysis of Land Charge income indicates a potential under achievement of income of £200,000.	200	200

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
A contingency budget was held for the impact of Pensions auto enrolment. Analysis of employers' pension contribution indicate there has been no change in the cost of employee contributions in relation to total salaries post implementation so the impact appears to be minimal.	(250)	(250)
The NNDR charging schedule has been received and an underspend is forecast for this area.	(250)	(250)
Other Corporate Items Total	(300)	(300)
Pensions & redundancy		
Corporately funded pension costs from historic redundancy decisions are forecast to be under budget.	(160)	(160)
Pensions & redundancy Total	(160)	(160)
TOTAL VARIANCE	(380)	(380)

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	Risk At Month 7 £000	Risk At Month 6 £000
Because of 'moving on' the shared accommodation budget pressure has reduced. However, the costs for 2018/19 have still to be calculated and negotiated with RBKC so there is a risk that these costs may be higher than forecast.	300	300
TOTAL RISKS MANAGED	300	300

Supplementary Monitoring Information
After reviewing some older commitments, £1.2m of the Unallocated Contingency remains uncommitted after allowing for remaining commitments and applying £0.85m of the budget to cover the council wide forecast overspend.

APPENDIX 9: HOUSING REVENUE ACCOUNT

BUDGET REVENUE MONITORING REPORT MONTH 7

Table 1 - Variance by Departmental Division			
Departmental Division	Revised Budget	Forecast Variance Month 7	Forecast Variance Month 6
	£000	£000	£000
Housing Income	(74,523)	(192)	(192)
Finance and Resources	7,844	8	8
Housing Services	10,997	0	0
Property Services	2,932	0	0
Housing Repairs	14,820	477	477
Housing Solutions	217	0	0
Housing Strategy	297	70	0
Adult Social Care	48	0	0
Regeneration	362	0	0
Safer Neighbourhoods	622	0	0
Capital Charges	25,356	(297)	(297)
Business & Programme Management	1,915	7	7
SLA recharges	6,385	0	0
Revenue Contribution to Capital	4,563	(4,563)	(4,563)
(Contribution to) / Appropriation from HRA General Reserve	1,835	(4,490)	(4,560)

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
Property Services		
Fire Safety Expenditure - additional revenue expenditure on fire safety is now being funded from the earmarked Fire Safety Plus reserve.	0	0
Property Services core costs - no variance is anticipated.	0	0
Total: Property Services	0	0
The out of scope element of the repairs contract with MITIE is predicted to overspend by £581,000. This is due mainly to an increase in the identification by MITIE of the number of chargeable jobs, increases in void costs and increases in the number of disrepair cases. Of this, it is estimated that (£104,000) will be recoverable from insurance and this will be confirmed by the loss adjustors in the coming months.	477	477
Total: Housing Repairs	477	477
Housing Income		

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
<p>This relates mainly to favourable variances on income from commercial property of (£198,000) mainly due to backdated invoicing and income from property at Pennard Road previously expected in the General Fund, Estate Pay & Park income (£40,000) and income from dwelling rents and charges of (£125,000).</p> <p>This is offset by a forecast shortfall in rental income from garages of £136,000 due to slippage in appointing a garages refurbishment contractor. At the time the budget was produced, the contractor was expected to be in place by mid-February 2018, however no competitive tenders were received. The work has been retendered and the contractor is now on site and is expected to refurbish up to ten garages per month. The forecast will be updated as new lettings are agreed from the first week of November. In addition, there is an anticipated shortfall on income from advertising hoardings of £35,000.</p>	(192)	(192)
Total: Housing Income	(192)	(192)
Total: Housing Services	0	0
Finance & Resources		
<p>There is a forecast underspend on staffing costs within the Finance team of (£75,000) primarily due to delays in recruitment to vacant permanent positions which are now filled. This underspend is off-set by the loss of cross departmental recharge income of £83,000 following the decanting of Fulham North Housing Office.</p>	8	8
Total: Finance and Resources	8	8
Total: Safer Neighbourhood	0	0
Total: Adult Social Care	0	0
	0	0
Total: Housing Solutions	0	0
Housing Strategy		
<p>This relates to an increase in valuation costs following the expiry of the previous Home Buy (RTB) valuation contract.</p>	70	0
Total: Housing Strategy	70	0
Total: Regeneration	0	0
Capital Charges		

Table 2 - Variance Analysis		
Departmental Division	Month 7 £000	Month 6 £000
The charge for depreciation this year is expected to be lower than budgeted by (£297,000). This follows the annual revaluation of the Council's homes which has been updated based on the value as at 31st March 2018 and has resulted in a minor change from the budgeted figure approved by Cabinet in February 2018.	(297)	(297)
Total: Capital Charges	(297)	(297)
Revenue Contribution to Capital		
A revenue contribution to capital (budgeted at £4,563,000) is not expected to be necessary this year due to a low level of spend within the HRA capital programme. This is mainly due to many schemes being in the planning phase and with officers gaining the necessary sign off for approvals to scope as per Council's Standing Orders and Constitution. There is also a degree of uncertainty and compliance checks needed to inform the planned programme especially around the long-term Fire Safety Plus programme.	(4,563)	(4,563)
Total: Revenue Contribution to Capital	(4,563)	(4,563)
Total: SLA Recharges	0	0
Business and Programme Management		
A forecast overspend on staffing costs of £121,000 due to unbudgeted recruitment required for operational delivery purposes is currently offset by other staffing underspends (£114,000), resulting from existing vacancies within the systems and performance improvement teams.	7	7
Total: Business and Programme Management	7	7
TOTAL VARIANCE	(4,490)	(4,560)

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	Risk At Month 6 £000	Risk At Month 5 £000
Additional Fire Safety Costs - following the fire at the Grenfell housing tower block in Kensington and Chelsea, the Council has put in place the Fire Safety Plus Programme to make fire safety improvements to the housing stock above and beyond the current legal minimum standards. There remains a risk that more work may be needed following the outcome of the Grenfell Public Enquiry.	unknown	unknown

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	Risk At Month 6 £000	Risk At Month 5 £000
The implementation of the Hampshire Integrated Business Centre systems and its impact on service delivery - most notably in terms of risks to leaseholder income collection, arrears management and the associated bad debt risk, financial and management reporting, systems assurance and reconciliation reporting, the time taken to resolve payment issues, the opportunity cost of officer time in managing issues arising and other factors.	unknown	unknown
MITIE Out of Scope - A review of revenue repair costs and volumes on the out of scope element of the MITIE repairs and maintenance contract indicate that there remains a risk of a further overspend this year. Officers are reviewing the position monthly in detail.	TBC	TBC
The impact of the Growth & Place restructure: This relates to the net impact of the restructure most notably additional resource requirement in the Property Services, Operations and Direct Delivery team and the further roll out of the concierge service. Finance Officers are working closely with the project team costing the emerging proposals. The reason for the restructure and the additional resource requirement is to ensure the service is fit for purpose regarding the Council's obligation around Health and Safety and the emerging priorities being raised around Fire Safety.	unknown	unknown
TOTAL RISKS MANAGED	Not Quantified	Not Quantified

Supplementary Monitoring Information
<p>Repairs and Maintenance: Expenditure on the Out of Scope (OOS) element of the contract with MITIE is forecast at £3.83m for 2018/19 which would result in a £0.58m overspend. General repair works account for roughly 50% of all OOS expenditure. The projected number of general repair work orders is expected to remain fairly static at around 6,800 orders per year.</p> <p>However, we have seen a steady increase in the average job cost for general repairs over the past year rising from an average cost of £269.19 in 2017/18 to £320.55 in 2018/19.</p> <p>There are also noticeable increases in the average cost for some non-general trade categories, including:</p> <ul style="list-style-type: none"> - Door Entry (average cost £302.67 in 2017/18 and £357.38 in 2018/19), the

Supplementary Monitoring Information

interruption of the door entry system renewal programme (for which costs are capitalisable) has resulted in higher revenue repairs costs,
- Plumbing (average cost £129.38 in 2017/18 and £157.20 in 2018/19).

Officers are closely scrutinising these costs in order to mitigate against these increases and bring costs back within budget for this year and for future years. Actions already being implemented include additional resourcing to check jobs and costs for MITIE OOS works.

Debt servicing (interest) costs have steadily been managed downwards in recent years as maturing debt is repaid to the Public Works Loan Board and refinanced by internal borrowing. Interest payments made have fallen from £10.5m (2015/16), £9.7m (2016/17) and £8.9m (2017/18) to £8.7m this year. The interest rate applicable to the remaining debt has also fallen from an average of 5.34% (2015/16) to 4.74% (18/19) as the Council has repaid the highest interest-bearing loans as they mature.

Debt servicing costs are currently expected to be £8.4m for 2019/20 and £7.8m in 2020/21 (assuming continued access to the Earls Court funds for internal borrowing). No significant reductions in the loan servicing costs for existing debt are expected after 2020/21 as the bulk of high interest rate loans will be repaid (historically the Council has borrowed on fixed rate terms with the loans becoming repayable upon maturity).

The Housing Revenue Account business plan currently assumes debt repayments of £3.8m (8.875% interest rate) in 2018/19, £8.0m (average rate 6.9%) in 2019/20 and £9.5m (4.04% interest rate) in 20/21 and that these loans are replaced by internal borrowing from housing funds, therefore not attracting any interest charge in the accounts. If Council successfully negotiates an exit from the Earls Court agreement then this internal borrowing from housing funds would need to be replaced by interest bearing borrowing from existing GF cash and / or additional PWLB borrowing, the impact of which would be substantially offset as a result of no longer having to take out additional borrowing to deliver vacant possession of the estates.

It will be important to fully understand the Council's overall long term cashflow forecasts to enable the treasury management decisions required especially in the context of other large projects such as West King Street Regeneration.

Council Homes voids: the number of void dwellings not available for rent has increased from 110 (April 2017), to 140 (April 2018) and seems to have stabilised around 160 since June. The void rate has historically been low (0.84% in 2016/17 and 0.98% in 2017/18) but increased recently to 1.3% largely due to a deterioration in the works turnaround time which is controlled by MITIE. The contracted works turnaround time is 10 days but although current performance had improved by 5 days between May and June 2018, it has now deteriorated as the figures for August show that works are taking 38 days to complete. Officers continue to implement the service improvement plan with MITIE, with MITIE having brought in a new voids manager, and this is expected to bring the works turnaround time down to 20 days in the coming months. Although the current budget for voids allows for this level of voids (1.3%), if the reduction in void days does not continue, this will result in an overspend.


Supplementary Monitoring Information

Commercial income: the income generated has increased since 2016/17 from £1.15m to £1.46m in 17/18 and is expected to increase to £1.67m this year. In part, this is due to windfall income from Pennard Road which has been identified as an HRA property (£85,000) and also some windfall income due to delayed invoicing (£35,000). The improvement is also as a result of better management by the Council and GVA Grimley in achieving tenancies and minimising voids. GVA Grimley have been managing the Council's commercial properties since May 2015.

Garages income: the income generated has been increasing steadily in the last few years as a result of improvements in the management of the garages portfolio (£0.95m in 2016/17; £1.02m in 2017/18). The void rate has improved also, falling from 35% in 2016/17, to 27% in 2017/18, to 21% for the year to date. Garages income is forecast to reach £1.05m this year though that will be a shortfall against budget of £136,000. As the garages refurbishment programme is progressed, this variance is expected to be eliminated in future years and the expected garages void rate by 2021/22 is 2.4%.

APPENDIX 10 - VIREMENT REQUEST FORM
BUDGET REVENUE MONITORING REPORT – MONTH 7

Details of Virement	Amount (£000)	Department
GENERAL FUND:		
Drawdown from Election Reserve to cover costs of the Local Elections	342 (342)	Corporate Services Reserves
Total of Requested Virements (Debits)	342	
HRA:	0	
Total of Requested Virements (Debits)	0	

<p>London Borough of Hammersmith & Fulham</p> <p>CABINET</p> <p>4 FEBRUARY 2019</p>	
<p>CAPITAL PROGRAMME MONITOR & BUDGET VARIATIONS, 2018/19 (THIRD QUARTER)</p>	
<p>Report of the Cabinet Member for Finance and Commercial Services – Councillor Max Schmid</p>	
<p>Open Report</p>	
<p>Classification: FOR DECISION Key Decision: Yes</p>	
<p>Wards Affected: ALL</p>	
<p>Accountable Executive Director: Hitesh Jolapara, Strategic Director, Finance and Governance</p>	
<p>Report Author: Emily Hill, Assistant Director, Corporate Finance Andrew Lord, Head of Strategic Planning and Monitoring Ariana Murdock, Principal Accountant</p>	<p>Contact Details: Tel: 0208 753 2531 Email: andrew.lord@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. This report sets out the overall position of the capital programme at the third quarter. Net 2018/19 budget variations of +£2.5m are proposed which represent 2.8% of the total approved budget. The variations are detailed in Appendix 2.
- 1.2. The main variation relates to the potential use of capital receipts of £5.39m to fund Invest to Save costs. Local authorities can capitalise revenue invest to save costs in accordance with a Government dispensation on the flexible use of capital receipts. Using capital receipts for this purpose will protect Council reserves and help manage future pressures such as the West King Street redevelopment and the High Needs Block Dedicated Schools Grant overspend. But, it will come at revenue cost, as the Council's capital debt will increase, of £57,400 per annum per £1m capitalised. A final decision on whether to use this flexibility will be delegated to the Strategic Director, Finance and Governance, in consultation with the Cabinet Member for Finance and Commercial Services, as part of the closure of the 2018/19 accounts.
- 1.3. Other variation include:
 - Forecast General Fund (GF) capital receipts for the period have decreased by £0.46m in comparison to the second quarter forecast £5.85m.

- The forecast for the Schools' Windows Replacement Scheme has reduced from a previously approved budget of £20m to £13m. The project is under review and Phase 3 will not progress until planning permission is in place.
- A funding shortfall of £406,000 for Queens Manor Resource Centre (Stephen Wiltshire Centre) project is proposed to be met from Special Provision Capital Fund (SEND) grant.

1.4. The amendments to the capital programme have impacted on the Council's forecast capital debt (Capital Financing Requirement (CFR)) as follows:

	Last Forecast (2018/19 Q2)	Current Forecast
General Fund CFR	£m	£m
2018/19 Closing CFR *	75.46	79.91
2021/22 Closing CFR *	98.82	102.26

* Headline CFR excludes Schools Windows, JV loan in relation to West King Street Regeneration, PFI, leases and deferred costs of disposal

The net increase is due to:

Capitalisation of Invest to Save schemes under Flexible Use of Capital Receipts	£4.46m
Corporate Planned Maintenance re-profiling - brought forward from 2019/20 (Q3)	£ 0.12m
West King Street/ Town Hall Refurbishment - 2018/19 funded from CIL	£(0.5)m
Decrease in 2018/19 capital receipts forecast	£ 0.46m
Total movement in GF CFR	£4.45m

- 1.5. The West King Street Regeneration scheme may involve a £90m loan to the Joint Venture. This will impact on the Council's headline CFR but any interest and MRP costs will need to be fully funded by the Joint Venture through the arrangement terms.
- 1.6. The approved capital programme includes a budget envelope of £50m, to provide operational flexibility, for taking forward major projects. Use of this budget is subject to relevant Member approval, agreement of funding sources and sign-off of an appropriate business case. Expenditure above the £50m envelope will require approval by Full Council. To date £16.1m has been approved for purchase of 207 King Street site. The current CFR forecast excludes the remaining £33.9m budget envelope.
- 1.7. Within the Housing Capital Programme there has been expenditure slippage of £1.3m regarding the Housing Revenue Account. £0.9m of slippage relates to HRA schemes and £0.4m to Decent Neighbourhoods.

2. RECOMMENDATIONS

- 2.1. To approve the proposed budget variations to the capital programme totalling £2.5m (summarised in Table 1 and detailed in Appendix 2).
- 2.2. To approve the potential application of capital receipts under the Flexible Use of Capital Receipts provisions to fund £5.39m of Invest to Save schemes with a final decision on whether to use this flexibility delegated to the Strategic Director, Finance and Governance, in consultation with the Cabinet Member for Finance and Commercial Services, as part of the closure of the 2018/19 accounts.
- 2.3. To approve use of Special Provision Capital Fund (SEND) grant to fund remaining £406,000 of expenditure in relation to Queens Manor Resource Centre (Stephen Wiltshire Centre).

2.4. To note the issues regarding General Fund Capital Programme described in sections 5 and 6 of the report.

3. REASONS FOR DECISION

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

4. CAPITAL PROGRAMME 2018-19 – Q3 OVERVIEW

4.1. The Council's capital programme as at the end of the third quarter 2018/19 – including proposed variations – is summarised in Table 1 below. A full analysis of elements of the programme funded from internal mainstream Council resource is included in section 6.

Table 1 – LBHF Capital Programme 2018-22 with proposed 2018/19 Q3 Variations

	Analysis of Movements (Revised budget to Q3)					Indicative Future Years Analysis					
	Revised Budget 2018/19 (Q2) £'000	Slippages from/(to) future years £'000	Addition/(Reduction) £'000	Transfers £'000	Total Variations £'000	Revised Budget 2018/19 (Q3) £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total Budget (All years) £'000
CAPITAL EXPENDITURE											
Children's Services	11,961	(2,373)	313	-	(2,060)	9,901	6,833	3,738	2,238	2,238	24,948
Adult Social Care	1,389	(1,285)	511	-	(774)	615	1,922	300	-	-	2,837
Residents' Services	19,727	125	747	(594)	278	20,005	10,146	6,272	7,208	7,208	50,839
Finance & Governance	4,630	-	4,460	-	4,460	9,090	-	-	-	-	9,090
General Fund Schemes under Housing management	19,054	1,417	-	594	2,011	21,065	35,434	40,051	48,642	12,759	157,951
Sub-total (Non-Housing)	56,761	(2,116)	6,031	-	3,915	60,676	54,335	50,361	58,088	22,205	245,665
HRA Programme	17,843	(895)	-	-	(895)	16,948	42,011	36,825	34,206	28,000	157,990
Decent Neighbourhoods Programme	14,733	(396)	(79)	-	(475)	14,258	24,701	25,670	18,499	13,897	97,025
Sub-total (Housing)	32,576	(1,291)	(79)	-	(1,370)	31,206	66,712	62,495	52,705	41,897	255,015
Total Expenditure	89,337	(3,407)	5,952	-	2,545	91,882	121,047	112,856	110,793	64,102	500,680
CAPITAL FINANCING											
Specific/External Financing:											
Government/Public Body Grants	14,910	(3,658)	524	-	(3,134)	11,776	8,873	4,695	4,685	4,395	34,424
Grants and Contributions from Private Developers (includes S106/CIL)	12,852	1,520	1,047	594	3,161	16,013	11,132	18,641	19,504	9,184	74,474
Leaseholder Contributions (Housing)	4,645	(395)	-	-	(395)	4,250	4,507	3,871	4,240	4,014	20,882
Sub-total - Specific Financing	32,407	(2,533)	1,571	594	(368)	32,039	24,512	27,207	28,429	17,593	129,780
Mainstream Financing (Internal):											
Capital Receipts - General Fund	5,850	-	4,460	(4,920)	(460)	5,390	-	-	-	3,456	8,846
Capital Receipts - Housing*	13,851	237	(79)	-	158	14,009	13,625	14,624	10,493	6,320	59,071
Revenue funding - General Fund	582	-	-	-	-	582	521	521	521	521	2,666
Major Repairs Reserve (MRR) [Housing]	10,172	(736)	-	-	(736)	9,436	23,354	16,415	17,234	17,546	83,985
Earmarked Reserves (Revenue)	3,521	(500)	-	-	(500)	3,021	6,443	242	-	-	9,706
Sub-total - Mainstream Funding	33,976	(999)	4,381	(4,920)	(1,538)	32,438	43,943	31,802	28,248	27,843	164,274
Internal Borrowing	22,954	125	-	4,326	4,451	27,405	52,592	53,847	54,116	18,666	206,626
Total Capital Financing	89,337	(3,407)	5,952	-	2,545	91,882	121,047	112,856	110,793	64,102	500,680

4.2. A net variation to the 2018/19 programme of £2.5m is proposed, increasing total budgeted expenditure from £89.3m to £91.8m. This is due to:

- £5.9m growth in the programme.
- slippage of £3.4m to later years.

A detailed analysis of the proposed budget variations is included at Appendix 2.

4.3. The detailed project monitoring has identified a funding shortfall of £406,000 for the Queens Manor Resource Centre project. It is now proposed that this be met from Special Provision Capital Fund (SEND) grant. Timing differences may require temporary capital financing from other resources pending receipt of the grant.

4.4. Future Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP) values will be revised once the full costing / business case of any other projects is known.

5. CAPITAL FINANCE REQUIREMENT (CAPITAL DEBT)

- 5.1. The Capital Finance Requirement (CFR) measures the Council's long-term indebtedness. The current forecast for General Fund Headline¹ CFR (excluding schools' windows borrowing and any potential on-lending to the Joint Venture in relation to West King Street Regeneration) is **£79.9m** at the end of 2018/19. The increase of £4.45m in CFR in comparison to 2018/19 second quarter is mainly due to proposal to capitalise additional £4.46m of Invest to Save schemes under the Flexible Use of Capital Receipts dispensation rather than apply these to fund capital expenditure. Table 2 below presents the forecast CFR position.

Table 2 – General Fund CFR at Q3 2018/19 (including future years forecast)

GENERAL FUND CFR ANALYSIS	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
CFR EXCLUDING SCHOOLS WINDOWS AND JOINT VENTURE LOAN	£m	£m	£m	£m	£m	
Opening Capital Finance Requirement (CFR)	47.25	50.48	79.91	88.06	93.58	102.26
Revenue Repayment of Debt (MRP)	(0.17)	(0.28)	(0.55)	(0.79)	(0.88)	(1.00)
Mainstream Programme (Surplus)/Shortfall	3.41	25.90	8.70	6.31	9.56	4.65
Appropriation of Edith Summerskil from HRA	-	3.80	-	-	-	-
Closing Capital Finance Requirement (CFR)	50.48	79.91	88.06	93.58	102.26	105.91
SCHOOLS WINDOWS	£m	£m	£m	£m	£m	£m
Opening Capital Finance Requirement (CFR)	3.57	6.63	8.00	10.92	11.98	11.50
Revenue Repayment of Debt (MRP)	(0.09)	(0.13)	(0.32)	(0.44)	(0.48)	(0.46)
Internal Borrowing (Schools Window Replacement)	3.14	1.50	3.24	1.50	-	-
Closing Capital Finance Requirement (CFR)	6.63	8.00	10.92	11.98	11.50	11.04
JOINT VENTURE	£m	£m	£m	£m	£m	£m
Opening Capital Finance Requirement (CFR)	-	-	-	30.00	59.40	88.21
Revenue Repayment of Debt (MRP)	-	-	-	(0.60)	(1.19)	(1.76)
Borrowing	-	-	30.00	30.00	30.00	-
Closing Capital Finance Requirement (CFR)	-	-	30.00	59.40	88.21	86.45
Total Headline Capital Finance Requirement (CFR)	57.11	87.91	128.98	164.96	201.98	203.40
Finance leases/PFI/ Deferred costs of disposal	10.33	9.53	8.73	7.93	7.13	6.33
Total Closing CFR	67.44	97.44	137.71	172.89	209.11	209.73

- 5.2. The General Fund CFR remains dependent on the timing and certainty of capital receipts and developer contributions forecasts. Where receipts are not available to fund mainstream expenditure, and no other sources of funding can be found, internal borrowing and consequently the CFR will increase.
- 5.3. The calculation of future CFR and Minimum Revenue Provision for expenditure in relation to West King Street Regeneration and Hammersmith Town Hall Refurbishment is based on the cash flow information provided by the project team. Project funding is expected to be through a combination of Community Infrastructure Levy (£33.7m) and borrowing (£11.9m). The CFR forecast is sensitive to the timing and amount of the CIL receipts. However, this is subject to confirmation that the CIL funds can be used for the proposed purchases.

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

5.4. The Housing Revenue Account (HRA) CFR is shown in Table 3 below:

Table 3 – HRA CFR at Q3 2018/19 (including future years forecast)

HRA CFR Forecast	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Closing Forecast HRA CFR (excluding deferred costs of disposal)	204.85	204.85	215.50	231.54	246.09	260.11
Deferred Costs of Disposal	5.42	6.02	6.83	7.82	9.96	0.02
Closing Forecast HRA CFR (including deferred costs of disposal)	210.26	210.87	222.33	239.36	256.05	260.13

*Current CFR forecast assumes that the majority of accumulated Deferred Costs of Disposal (DCOD) in relation to Earls Court project will be financed in 2022/23 from first trench of realisable Earls Court receipts (£16m forecast for 2022/23) or from revenue earmarked reserves. The apportionment methodology to establish exact amount of DCOD to be released each year is yet to be confirmed.

6. GENERAL FUND – MAINSTREAM PROGRAMME AND CAPITAL RECEIPTS

6.1. The General Fund mainstream programme cuts across the departmental programmes and represents schemes which are funded from internal Council resources. It is effectively the area of the programme where the Council has the greatest discretion. The mainstream programme is summarised in Table 4 below.

Table 4 – General Fund Mainstream Programme 2018-22 with proposed 2018/19 Q3 Variations

	Revised Budget 2018/19 (Q2) £'000	Variations (Q3) £'000	Revised Budget 2018/19 (Q3) £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Indicative Budget 2021/22 £'000	Indicative Budget 2022/23 £'000	Total Budget (All years) £'000
Approved Expenditure								
Ad Hoc Schemes:								
Hammersmith Town Hall Refurbishment	594	(594)	-	577	2,714	5,034	3,575	11,900
Invest to Save-Flexible Use of Capital Receipts	930	4,460	5,390	-	-	-	-	5,390
Acquisition of Cinema Site	16,137	-	16,137	2	-	-	-	16,139
Desktop Strategy [F&G]	3,293	-	3,293	-	-	-	-	3,293
Carnwath Road [RES]	-	-	-	1,870	-	-	-	1,870
Rolling Programmes:								
Disabled Facilities Grant [ASC]	303	-	303	652	-	-	-	955
Planned Maintenance/DDA Programme [RES]	2,581	125	2,706	3,568	1,564	2,500	2,500	12,838
Footways and Carriageways [RES]	3,054	-	3,054	2,030	2,030	2,030	2,030	11,174
Parks Programme [RES]	410	-	410	-	-	-	-	410
Total Mainstream Programmes	27,302	3,991	31,293	8,699	6,308	9,564	8,105	63,969
Financing								
Capital Receipts	5,850	(460)	5,390	-	-	-	3,456	8,846
Increase/(Decrease) in Internal Borrowing	21,452	4,451	25,903	8,699	6,308	9,564	4,649	55,123
Total Financing	27,302	3,991	31,293	8,699	6,308	9,564	8,105	63,969

6.2. The 2018/19 mainstream programme has increased by £4m in comparison to previously forecast budget of £27.3m.

6.3. Capital receipts forecast for 2018/19 has decreased by £0.46m in comparison to the previous quarter.

6.4. The approved capital programme includes a budget envelope of £50m, to provide operational flexibility, for taking forward major projects. Use of this budget is subject to relevant Member approval, agreement of funding sources and sign-off of an appropriate business case. Expenditure above the £50m envelope will require approval by Full Council. To date £16.1m has been approved for purchase of 207 King Street site. The current CFR forecast excludes the remaining £33.9m budget envelope.

- 6.5. The total amount of General Fund capital receipts available in 2018/19 is £5.39m – this includes £0.93m of carry forward receipts from 2017/18 and £4.46m of in-year receipts. It is recommended that all of the receipts are applied to fund Invest to Save projects under Flexible Use of Capital Receipts dispensation. Using capital receipts for this purpose will protect Council reserves and help manage future pressures and priorities such as as the West King Street Regeneration and the High Needs Block Dedicated Schools Grant overspend. However, it will come at revenue cost of £57,400 per annum per £1m capitalised as those receipts will not be available to fund other capital expenditure and the Council’s capital debt will increase.

7. HOUSING CAPITAL PROGRAMME

- 7.1. Housing Capital expenditure for 2018/19 is forecast to outturn at £31.2m and for the five-year programme to 2022/23 spend is expected to be £255m. The expenditure and resource analysis of the Housing Programme is summarised in Table 5 below:

Table 5 – Housing Capital Programme 2018-22 with proposed 2018/19 Q3 Variations

	2018/19 Revised Budget (Q2) £'000	Total Variations (Q3) £'000	2018/19 Revised Budget (Q3) £'000	Indicative 2019/20 Budget £'000	Indicative 2020/21 Budget £'000	Indicative 2021/22 Budget £'000	Indicative 2022/23 Budget £'000
Approved Expenditure							
Decent Neighbourhood Schemes	14,733	(475)	14,258	24,701	25,670	18,499	13,897
HRA Schemes	17,843	(895)	16,948	42,011	36,825	34,206	28,000
Total Housing Programme - Approved Expenditure	32,576	(1,370)	31,206	66,712	62,495	52,705	41,897
Available and Approved Resource							
Capital Receipts - Unrestricted	7,556	329	7,885	3,099	5,817	3,978	6,320
Capital Receipts - RTB (141)	6,295	(171)	6,124	10,526	8,807	6,515	-
Major Repairs Reserve (MRR)	10,172	(736)	9,436	23,354	16,415	17,234	17,546
Contributions Developers (S106)	613	103	716	7,860	11,304	5,896	-
Repayment of NHHT loan	270		270	270	-	290	-
Contributions from leaseholders	4,645	(395)	4,250	4,507	3,871	4,240	4,014
Use of reserves (Fire Safety EMR)	3,025	(500)	2,525	6,443	242	-	-
Internal Borrowing	-		-	10,653	16,039	14,552	14,017
Total Funding	32,576	(1,370)	31,206	66,712	62,495	52,705	41,897

- 7.2. The Decent Neighbourhoods Fund contains the Council’s Housing Capital Receipts which in accordance with the change in capital regulations, effective from 1 April 2013 must be used for Housing or Regeneration purposes and shows how the Council plans to reinvest those receipts in Housing and Regeneration.
- 7.3. The 2018/19 – 2022/23 Housing Capital Programme is fully funded however the capital financing requirement (CFR) is expected to rise to £260.1m.
- 7.4. Detailed analysis of Q3 budget variances is provided in Appendix 2.
- 7.5. The forecasts will be refined as the precise specification of building regulations required for fire safety emerge. These will remain unclear until the public enquiry over Grenfell Tower is concluded. The Council is working on a procurement framework that will enable delivery of the revised programme. An Asset Management Strategy presented to Cabinet in December, will help clarify the direction of a compliance based capital programme going forward.

7.6. Included in the HRA schemes are the following Health & Safety related works:

Decent Neighbourhoods Programme Capital Monitoring - 2018/19 HRA Capital Programme: Specific Compliance and Health & Safety Spend 2018-19 budget, latest forecast and spend at P-7 (October 2018)					
Health and Safety related spend included in the minor works programme plus Estate CCTV	Original Full Year Budget £'000	2018/19 Q2 Revised Budget £'000	Full year forecast at October 2018 £'000	Forecast variance to original budget £'000	Actual Spend to October 2018 £'000
APPROVED SCHEMES					
Fire safety Improvements	1,700	1,088	688	(1,012)	
Fire Safety Plus Capital Works	15,000	3,025	2,525	(12,475)	524
Warden Call System Upgrade	882	4	4	(878)	4
Roseford, Woodford, Shepherds extract systems		26	26	26	15
Edward Woods communal extract system	200			(200)	
Estate CCTV	180	926	926	746	97
Melrose Terrace controlled access					
Controlled Access continuing programme	750			(750)	
Total	18,712	5,069	4,169	(14,543)	640

Decent Neighbourhoods Programme Capital Monitoring - 2018/19 HRA Capital Programme: Health & Safety Related Spend in other sections of the HRA Capital Programme 2018-19 budget, latest forecast and spend at P-7 (October 2018)						
	Original Full Year Budget £'000	2018/19 Q2 Revised Budget £'000	Full year forecast at October 2018 £'000	Forecast variance to original budget £'000	Actual Spend to October 2018 £'000	
APPROVED SCHEMES						
Kitchen and Bathroom modernisation	250	477	477	227		Modernisation of older and run down kitchens and bathrooms has positive implications for the residents' hygiene and safety; hence a small proportion of this spend can be considered to be health and safety related.
Planned individual boiler replacement programme	1,075	899	899	(176)	295	Replacement of older boilers has positive implications for resident safety; hence a small proportion of this spend can be considered to be health and safety related.
Banim Street, Munden St, Swanbank Ct boilers	280			(280)		Communal heating programme has positive implications for resident health; hence a small proportion of this spend can be considered to be health and safety related.
Farm Lane & Wheatshaf, Malabar Ct boilers	342			(342)		Communal heating programme has positive implications for resident health; hence a small proportion of this spend can be considered to be health and safety related.
Water Supply continuing programme	100			(100)		This is a contingency budget to allow for replacement of communal water tanks; it has positive implications for resident health; hence a small proportion of this spend can be considered to be health and safety related.
Landlord's electrical installations	750			(750)		Electrical installations have implications for fire and other risks.
Estate Lighting	150	25	25	(125)		Improvement of lighting conditions in housing estates has positive impact on the level of safety and reduced anti-social behaviour.
Total	2,947	1,401	1,401	(1,546)	295	

7.7. The Decent Neighbourhood Schemes forecast for 2018/19 is £0.5m less than the revised approved budget. £0.4m of this relates to re-profiling the spend on the Housing Development Project due to the appointment of the contractor requiring Cabinet approval and £0.1m is on Earls Court Buy Backs.

7.8. The 2022/23 figures for HRA schemes are indicative and will be revised once the Housing Asset Management Strategy Delivery Plan is formalised.

7.9. The forecast increased use of internal borrowing to fund the programme compared to Quarter 2 is mainly down to the proposed restructure of the Growth and Place department. If approved, the restructure will require growth to the HRA revenue budget which consequently reduces the revenue available to fund the capital programme in future years and increases the CFR. The Growth and Place restructure is being addressed in the Financial Plan for Council Homes report being considered by Cabinet in February 2019.

- 7.10. Officers continue to carefully manage the risks to ensure that the HRA can meet the Council's obligations to residents of Council Homes while not going into a deficit position.

8. EQUALITY IMPLICATIONS

- 8.1. There are no direct equalities implications in relation to this report. This paper is concerned entirely with financial management issues and, as such, the recommendations relating to an increase in capital allocations, will not impact directly on any group with protected characteristics, under the terms of the Equality Act 2010.

- 8.2. Implications verified and completed by Peter Smith, Head of Policy & Strategy, Tel: 020 8753 2206.

9. LEGAL IMPLICATIONS

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

- 9.2. Implications completed by: Rhian Davies, Assistant Director of Legal and Democratic Services, Tel: 020 8753 2729.

10. FINANCIAL IMPLICATIONS

- 10.1. This report is wholly of a financial nature.

11. IMPLICATIONS FOR BUSINESS

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

- 11.2. Projects contained in the capital programme are approved on individual basis and the business implications for each of them are considered in more detail in their specific reports.

- 11.3. Implications completed by: Alben Karameros, Economic Development Team, 07739 316 957.

12. RISK MANAGEMENT

- 12.1. In the initial stages of any development, major capital projects will have significant uncertainties. For example, these may relate to the planning process, the views and interest of residents and stakeholders who must be consulted, ground conditions, or the costs of rectifying or demolishing existing buildings (e.g. the cost of asbestos removal). Construction companies and developers contracting with the Council which experience financial instability may also pose a significant risk. They may not be able to raise sufficient finance to cash flow operations, any potential insolvency process could lead to a costly process of changing suppliers without any guarantee of remaining within overall budget, the Council could suffer direct financial loss and any defects or other issues may not be resolvable as anticipated. To mitigate the

Council carefully considers the financial robustness of any contractor and requests appropriate financial standing assurance and support wherever possible

- 12.2. Large scale capital projects can operate in environments which are complex, turbulent, and continually evolving. Effective risk identification and control within such a dynamic environment is more than just populating a project risk register or appointing a project risk officer. Amplifying the known risks so that they are not hidden or ignored, demystifying the complex risks into their more manageable sum of parts and anticipating the slow emerging risks which can escalate rapidly are all necessary components of good capital programme risk management.
- 12.3. The report identifies a number of risks which may impact on the future funding of the Housing Capital Programme, where in some cases, mitigations have yet to be identified, increases in internal borrowing (and associated revenue financing implications) and the potential for the Council to breach the VAT partial exemption threshold arising from approval of further capital schemes. It is important that strong corporate and directorate oversight and monitoring of these risks is maintained and appropriate ongoing assurances provided to Members on the management of these risks.
- 12.4. The impact to councils of the Grenfell Tower fire is yet to be fully established. It is certain that many councils will be undertaking property reviews to determine the levels of improvements required to ensure fire safety arrangements within their buildings meet both the expectations of the residents and that they comply with building regulations and other statutory duties. The H&F Fire Safety Plus Programme is an excellent scheme that provides residents with assurance on safety. The Regulatory Reform (Fire Safety) Order 2005 places specific duties placed on the Council as the Responsible Person for its buildings to assess the risk from fire and put in measures to control those risks.
- 12.5. The Dame Judith Hackitt independent review of fire safety, following the Grenfell tragedy, recognises that High Rise Residential Buildings (10 Storeys and above) are a special risk where layers of fire protection must be put in place so as to reduce the risk to as low as reasonably possible, however reducing the risk for all residential accommodation is fundamental. This process is on-going and must be continually reviewed at least annually.
- 12.6. All works must comply with the Construction (Design and Management) Regulations. The Council must appoint a Principal Designer and Principal Contractor with the necessary and demonstrable expertise and competence.
- 12.7. Proposals set out in this report seek to comply with the Council's legal duties.
- 12.8. Implications completed by: David Hughes, Director of Audit, Risk and Insurance, Tel: 020 7361 2389 and Richard Buckley, Head of Environmental Health (Residential) & Corporate Safety, Tel: 020 8753 3971.

13. PROCUREMENT IMPLICATIONS

- 13.1. There are no immediate procurement implications arising from this report. The corporate Procurement team will advise and support service departments on their major capital procurements as and when such support is required, including

consideration of whether and how any social value, local economic and community benefits might be obtained from these.

- 13.2. Implications completed by: Joanna Angelides on behalf of Simon Davis. Tel: 020 7361 2586.

14. VAT IMPLICATIONS

14.1. The Council needs to carefully consider its VAT partial exemption calculation and the risk of breaching the partial exemption threshold. Capital projects represent the bulk of this risk. A breach would likely cost the Council between £2-£3m. The Council remained below the threshold in 2017/18 however there remains a risk of breaching the threshold in future years if the position is not carefully managed on an ongoing basis. Further detail on the Council's partial exemption is included in Appendix 4.

- 14.2. Implications completed by: Chris Harris, Chief Accountant, Corporate Finance, Tel: 020 8753 6440.

15. IT IMPLICATIONS

15.1. There are no IT implications for this report.

- 15.2. Implications completed by: Veronica Barella, Chief Information Officer, Tel: 020 8753 2927

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

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Capital Programme 2018-22 (Published Feb 2018)	Andrew Lord tel. 2531	Finance Dept., Room10, Hammersmith Town Hall

LIST OF APPENDICES:

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

Appendix 2 – Analysis of Budget Variations

Appendix 3 – Capital Receipts Forecast

Appendix 4 – VAT Partial Exemption

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

Children's Services

Current Year Programme

Indicative Future Years Analysis

Analysis of Movements (Revised budget to Q3)

Revised Budget 2018/19 (Q2) £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000	Revised Budget 2018/19 (Q3) £'000	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000	Total Budget (All years) £'000	
Scheme Expenditure Summary											
Schools Organisational Strategy	9,771	(2,373)	313	-	(2,060)	7,711	2,704	-	-	-	10,415
Schools Window Replacement Project	1,500	-	-	-	-	1,500	3,240	1,500	-	-	6,240
School Maintenance Programme	-	-	-	-	-	-	889	2,238	2,238	2,238	7,603
Other Capital Schemes	690	-	-	-	-	690	-	-	-	-	690
Total Expenditure	11,961	(2,373)	313	-	(2,060)	9,901	6,833	3,738	2,238	2,238	24,948
Capital Financing Summary											
Specific/External or Other Financing											
Capital Grants from Central Government	8,520	(2,373)	313	-	(2,060)	6,460	3,262	2,238	2,238	2,238	16,436
Grants and Contributions from Private Developers (includes S106)	1,941	-	-	-	-	1,941	331	-	-	-	2,272
Sub-total - Specific or Other Financing	10,461	(2,373)	313	-	(2,060)	8,401	3,593	2,238	2,238	2,238	18,708
Borrowing - school windows	1,500	-	-	-	-	1,500	3,240	1,500	-	-	6,240
Total Capital Financing	11,961	(2,373)	313	-	(2,060)	9,901	6,833	3,738	2,238	2,238	24,948

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

Adult Social Care Services

Scheme Expenditure Summary

Extra Care New Build project (Adults' Personal Social Services Grant)
Community Capacity Grant
Transforming Care (Winterbourne Grant)
Social Care Capital Grant
Total Expenditure

Capital Financing Summary

Specific/External or Other Financing
Capital Grants from Central Government
Capital Grants/Contributions from Non-departmental public bodies
Sub-total - Specific or Other Financing
Total Capital Financing

Current Year Programme						Indicative Future Years Analysis				
Revised Budget 2018/19 (Q2)	Analysis of Movements (Revised budget to Q3)				Revised Budget 2018/19 (Q3)	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	Total Budget (All years)
	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements						
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
20	(20)	-	-	(20)	-	957	-	-	-	957
2	-	-	(2)	(2)	-	-	-	-	-	-
300	(300)	-	-	(300)	-	300	-	-	-	300
1,067	(965)	511	2	(452)	615	665	300	-	-	1,580
1,389	(1,285)	511	-	(774)	615	1,922	300	-	-	2,837
;										
1,089	(985)	511	-	(474)	615	1,622	300	-	-	2,537
300	(300)	-	-	(300)	-	300	-	-	-	300
1,389	(1,285)	511	-	(774)	615	1,922	300	-	-	2,837
1,389	(1,285)	511	-	(774)	615	1,922	300	-	-	2,837

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

Residents' Services	Current Year Programme					Indicative Future Years Analysis					
	Analysis of Movements (Revised budget to Q3)					Revised Budget 2018/19 (Q3)	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	Total Budget (All years)
	Revised Budget 2018/19 (Q2)	Slippages from/(to) future years	Additions/(Reductions)	Transfers	Total Transfers/Virements						
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Scheme Expenditure Summary											
Planned Maintenance/DDA Programme	2,581	125	-	-	125	2,706	3,568	1,564	2,500	2,500	12,838
King Street-Town Hall Redevelopment	594	-	-	(594)	(594)	-	-	-	-	-	-
Footways and Carriageways	3,054	-	-	-	-	3,054	2,030	2,030	2,030	2,030	11,174
Transport For London Schemes	3,107	-	-	-	-	3,107	2,157	2,157	2,157	2,157	11,735
Controlled Parking Zones	54	-	-	-	-	54	275	275	275	275	1,154
Column Replacement	524	-	-	-	-	524	246	246	246	246	1,508
Carnwath Road	-	-	-	-	-	-	1,870	-	-	-	1,870
LED Lighting Replacement Programme	1,019	-	-	-	-	1,019	-	-	-	-	1,019
P&D Upgrade and Pay by Phone	1,132	-	-	-	-	1,132	-	-	-	-	1,132
Other Capital Schemes	3,373	-	747	-	747	4,120	-	-	-	-	4,120
Parks Expenditure	2,867	-	-	-	-	2,867	-	-	-	-	2,867
Shepherds Bush Common Improvements	503	-	-	-	-	503	-	-	-	-	503
Recycling	19	-	-	-	-	19	-	-	-	-	19
CCTV	900	-	-	-	-	900	-	-	-	-	900
Total Expenditure	19,727	125	747	(594)	278	20,005	10,146	6,272	7,208	7,208	50,839
Capital Financing Summary											
Specific/External or Other Financing											
Grants and Contributions from Private Developers (includes S106)	9,454	-	747	-	747	10,201	-	-	-	-	10,201
Capital Grants and Contributions from GLA Bodies	2,961	-	-	-	-	2,961	2,157	2,157	2,157	2,157	11,589
Sub-total - Specific or Other Financing	12,415	-	747	-	747	13,162	2,157	2,157	2,157	2,157	21,790
Mainstream Financing (Internal Council Resource)											
Capital Receipts	4,617	-	-	(4,617)	(4,617)	-	-	-	3,456	3,456	3,456
General Fund Revenue Account (revenue funding)	582	-	-	-	-	582	521	521	521	521	2,666
Use of Reserves	89	-	-	-	-	89	-	-	-	-	89
Sub-total - Mainstream Funding	5,288	-	-	(4,617)	(4,617)	671	521	521	521	3,977	6,211
Borrowing	2,024	125	-	4,023	4,148	6,172	7,468	3,594	4,530	1,074	22,838
Total Capital Financing	19,727	125	747	(594)	278	20,005	10,146	6,272	7,208	7,208	50,839

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

Finance & Governance

	Current Year Programme					Indicative Future Years Analysis					
	Analysis of Movements (Revised budget to Q3)										
Revised Budget 2018/19 (Q2) £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000	Revised Budget 2018/19 (Q3) £'000	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000	Total Budget (All years) £'000	
Scheme Expenditure Summary											
Invest to Save - Flexible Use of Capital Receipts	930	-	4,460	-	4,460	5,390	-	-	-	-	5,390
Desktop Strategy	3,700	-	-	-	-	3,700	-	-	-	-	3,700
Total Expenditure	4,630	-	4,460	-	4,460	9,090	-	-	-	-	9,090
Capital Financing Summary											
Mainstream Financing (Internal Council Resource)											
Use of Reserves (HRA Contribution)	407	-	-	-	-	407	-	-	-	-	407
Capital Receipts	930	-	4,460	-	4,460	5,390	-	-	-	-	5,390
Sub-total - Mainstream Funding	1,337	-	4,460	-	4,460	5,797	-	-	-	-	5,797
Borrowing	3,293	-	-	-	-	3,293	-	-	-	-	3,293
Total Capital Financing	4,630	-	4,460	-	4,460	9,090	-	-	-	-	9,090

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

Growth and Place General Fund Managed Schemes

	Current Year Programme					Indicative Future Years Analysis					
	Analysis of Movements (Revised budget to Q3)					Revised Budget 2018/19 (Q3) £'000	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000	Total Budget (All years) £'000
	Revised Budget 2018/19 (Q2) £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000						
Scheme Expenditure Summary											
Disabled Facilities Grant	1,014	-	-	-	-	1,014	1,102	-	-	-	2,116
Sands End Community Centre	1,132	-	-	-	-	1,132	1,925	-	-	-	3,057
Lyric Theatre Development	548	-	-	-	-	548	-	-	-	-	548
Acquisition of Land at 207 King St	16,137	-	-	-	-	16,137	2	-	-	-	16,139
Hammersmith Town Hall Refurbishment *	-	1,417	-	594	2,011	2,011	2,137	10,051	18,642	2,159	35,000
HTH Refurbishment -Fit Out	-	-	-	-	-	-	-	-	-	10,600	10,600
West King Street Regeneration-JV Partnership Loan	-	-	-	-	-	-	30,000	30,000	30,000	-	90,000
Macbeth Centre GLA Community Kitchen	91	-	-	-	-	91	-	-	-	-	91
Macbeth Centre Arts Project	132	-	-	-	-	132	268	-	-	-	400
Total Expenditure	19,054	1,417	-	594	2,011	21,065	35,434	40,051	48,642	12,759	157,951
Capital Financing Summary											
Specific/External or Other Financing											
Capital Grants from Central Government	711	-	-	-	-	711	450	-	-	-	1,161
Grants and Contributions from Private Developers (includes S106)	844	-	300	-	300	1,144	1,381	-	-	-	2,525
Community Infrastructure Levy (CIL)	-	1,417	-	594	2,011	2,011	1,560	7,337	13,608	9,184	33,700
Capital Grants/Contributions from Non-departmental public bodies	948	-	(300)	-	(300)	648	812	-	-	-	1,460
Capital Grants and Contributions from GLA Bodies	111	-	-	-	-	111	-	-	-	-	111
Sub-total - Specific or Other Financing	2,614	1,417	-	594	2,011	4,625	4,203	7,337	13,608	9,184	38,957
Mainstream Financing (Internal Council Resource)											
Capital Receipts (GF)	303	-	-	(303)	(303)	-	-	-	-	-	-
Sub-total - Mainstream Funding	303	-	-	(303)	(303)	-	-	-	-	-	-
Borrowing (Internal Borrowing-GF)	16,137	-	-	303	303	16,440	31,231	32,714	35,034	3,575	118,994
Total Capital Financing	19,054	1,417	-	594	2,011	21,065	35,434	40,051	48,642	12,759	157,951

*Hammersmith Town Hall Refurbishment budget contains £7.36m mainstream budget transferred from Residents' Services (Corporate Planned Maintenance) of which £594k relates to 2018/19 and the remaining £6.77m to future years

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

Growth and Place (HRA) Capital Programme

	Current Year Programme					Indicative Future Years Analysis					
	Revised Budget 2018/19 (Q2)	Analysis of Movements (Revised budget to Q3)				Revised Budget 2018/19 (Q3)	2019/20 Budget	2020/21 Budget	2021/22 Budget	2021/22 Budget	Total Budget (All years)
		Slippages from/(to) future years	Additions/(Reductions)	Transfers	Total Transfers/Virements						
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Scheme Expenditure Summary											
HRA Schemes:											
Other HRA Capital Schemes	14,818	(395)	-	-	(395)	14,423	35,568	30,109	34,206	28,000	142,306
Fire Safety Plus	3,025	(500)	-	-	(500)	2,525	6,443	6,716	-	-	15,684
Subtotal HRA	17,843	(895)	-	-	(895)	16,948	42,011	36,825	34,206	28,000	157,990
Decent Neighbourhood Schemes:											
Earls Court Buy Back Costs	5,373	-	(103)	-	(103)	5,270	2,424	5,543	6,086	13,897	33,220
Earls Court Project Team Costs	612	-	6	-	6	618	835	1,016	2,191	4,438	9,098
Housing Development Project	944	(357)	-	-	(357)	587	2,549	-	-	-	3,136
Stanhope Joint Venture	1,141	-	-	-	-	1,141	10,352	16,148	8,423	-	36,064
Other HRA	108	-	-	-	-	108	-	-	-	-	108
Affordable Housing Delivery Framework	3,015	(39)	24	-	(15)	3,000	4,476	3,979	3,990	-	15,445
Property Acquisition (Other Buybacks)	4,152	-	-	-	-	4,152	4,900	-	-	-	9,052
Subtotal Decent Neighbourhoods	15,345	(396)	(73)	-	(469)	14,876	25,536	26,686	20,690	18,335	106,123
Total Expenditure	33,188	(1,291)	(73)	-	(1,364)	31,824	67,547	63,511	54,896	46,335	264,113
Adjustment for deferred costs	(612)	-	(6)	-	(6)	(618)	(835)	(1,016)	(2,191)	(4,438)	(9,098)
Total Net Expenditure	32,576	(1,291)	(79)	-	(1,370)	31,206	66,712	62,495	52,705	41,897	255,015
Capital Financing Summary											
Specific/External or Other Financing											
Contributions from leaseholders	4,645	(395)	-	-	(395)	4,250	4,507	3,871	4,240	4,014	20,882
Grants and Contributions from Private Developers (includes S106)	613	103	-	-	103	716	7,860	11,304	5,896	-	25,776
Capital Grants/Contributions from Non-departmental public bodies	270	-	-	-	-	270	270	-	290	-	830
Sub-total - Specific or Other Financing	5,528	(292)	-	-	(292)	5,236	12,637	15,175	10,426	4,014	47,488
Mainstream Financing (Internal Council Resource)											
Capital Receipts (HRA)	13,851	237	(79)	-	158	14,009	13,625	14,624	10,493	6,320	59,071
Major Repairs Reserve (MRR) / Major Repairs Allowance	10,172	(736)	-	-	(736)	9,436	23,354	16,415	17,234	17,546	83,985
Use of Reserves (Fire Safety EMR)	3,025	(500)	-	-	(500)	2,525	6,443	242	-	-	9,210
Sub-total - Mainstream Funding	27,048	(999)	(79)	-	(1,078)	25,970	43,422	31,281	27,727	23,866	152,266
Borrowing (Internal Borrowing-HRA)	-	-	-	-	-	-	10,653	16,039	14,552	14,017	55,261
Total Capital Financing	32,576	(1,291)	(79)	-	(1,370)	31,206	66,712	62,495	52,705	41,897	255,015

Appendix 2 – Analysis of Budget Variations

Variation by Service	Amount £'000
Children's Services (CHS)	
Schools Organisational Strategy – net variance due to slippages to future years for Bentworth (£573,000) and Phoenix (£1,800,000) due to project delays and additional budget of £313,000 for Ark Conway to match current spending forecast	(2,060)
Total CHS variations	(2,060)
Residents' Services (RES)	
Hammersmith Town Hall Refurbishment – transfer of budget to Growth & Place GF managed schemes	(594)
Other Capital Schemes – additional budget to reflect increase in S106 funding	747
Planned Maintenance (CPMP) – budget brought forward from 2019/20 to reflect forecast spend	125
Total RES variations	278
Finance and Governance (F&G)	
Invest to Save expenditure capitalised under Flexible Use of Capital Receipts	4,460
Total F&G variations	4,460
General Fund Schemes under Growth & Place management	
Hammersmith Town Hall Refurbishment – budget brought forward from future years to match the current project expenditure cash flow	1,417
Hammersmith Town Hall Refurbishment – transfer of budget from Residents' Services	594
Total GF Schemes under Growth & Place management	2,011
Adults Social Care	
Social Care Capital Projects – budget re-profiled over the medium term in accordance with the Officer Delegated Decision report	(454)
Transforming Care (Winterbourne Grant) – project is under review with options of pooling similar funding from neighbouring boroughs to look at purchasing a property for individuals in Assessment and Treatment provision across boroughs. As a result of the new proposal, the budget has slipped into 2019/20.	(300)
Extra Care New Build project (Adults' Personal Social Services Grant) – service is undertaking a major review of specialist housing assets as part of a strategic overhaul of the Council's provision (Cabinet report December 2018). Extra Care Scheme capital funding will be required to deliver improved outcomes. As a result of the review, the project budget has slipped into 2019/20.	(20)
Total ASC variations	(774)
Housing Capital Programme	
HRA schemes – slippage to future years because of delays in work starting while ongoing compliance checks happen on the planned programme	(395)
Fire Safety Plus Programme – slippage to future years	(500)
Earls Court Buy backs – budget reduction to reflect forecast expenditure	(103)
Housing Development Project – slippage in Spring Vale due to procurement delays	(357)
Affordable Housing Delivery – variance relates to £(39,000) of slippage on Emlyn Gardens, offset by £24,000 of additional budget for staffing costs on Fulham North & Lavender Court projects	(15)
Total Housing variations	(1,370)
Grand Total 2018-19 Q3 Variations	2,545

Appendix 3 – General Fund – Forecast Capital Receipts

Financial Year	Previous Forecast £'000s	Movement/ Slippage £'000s	2018/19 Forecast at Q3 £'000s	Full sales proceeds @ Q3 £'000s
2018/19				
Total 2018/19	5,850	(460)	5,390	4,646
2019/20				
Total 2019/20	-	-	-	-
2020/21				
Total 2020/21	-	-	-	-
2021/22				
Total 2021/22	-	-	-	-
2022/23				
Total 2022/23	-	3,456	3,456	-
Total All Years	5,850	2,996	8,846	4,646

Appendix 4 – VAT Partial Exemption

1. Partial Exemption Overview

- 1.1. In general, businesses cannot recover the VAT incurred on purchases made in connection with VAT exempt activities, for example, capital expenditure on properties which are let or leased are exempt from VAT. However, under Section 33 of the VAT Act 1994, local authorities are able to recover this VAT so long as it forms “an insignificant proportion” of the total VAT incurred (input tax) in any year. This insignificant proportion is taken to be 5% or less. Crucially however, the de minimis limit is not an allowance; if the 5% figure is exceeded then all the exempt input tax is lost, not just that which is in excess of the limit. The cost to the Council of non-allowable breach would therefore be in excess of £2m.

If councils breach their partial exemption limit in a single year, they can apply their 7-year average partial exemption calculation to be considered for that particular year for their calculation instead. Each ‘7-year average’ calculation is independent, i.e. the ‘7-year average’ can be relied upon even if already relied upon previously within 7 years (though clearly the ‘7-year average’ will then eventually be breached).


2. LBHF Partial Exemption

- 2.1 The Council’s input tax forecast for 2017/18 (across all expenditure) was £41m and it is projected to remain at a similar level in the medium term. This means it would likely cost the Council £2m (being 5% of £41m) of exempt input tax before it breaches its partial exemption limit.
- 2.2 When calculating the exempt input tax incurred annually, the Council considers its revenue and capital activities separately. Revenue activities are more constant, their contribution to exempt input tax is projected to remain at £2m. Exempt input tax relating to capital activities is more volatile as each project must be considered and judged individually and can have significant associated costs.
- 2.3 Land and lease transactions give rise to exempt supply. Capital projects involving these usually give rise to exempt input tax, although wherever possible the Council uses its VAT policy (see section 3) to mitigate this.
- 2.4 The Council has a number of capital projects, both in train and in the pipeline, which could have significant partial exemption implications.

3. VAT Policy

- 3.1 In order to manage the partial exemption, position the following policy is in place:
- 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.
 - 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 discussed with the Corporate VAT team.
 - In all cases the VAT team should be consulted in advance so forecasts can be updated and checked against limits.

Agenda Item 7

<p>London Borough of Hammersmith & Fulham</p> <p>CABINET</p> <p>4 FEBRUARY 2019</p>	 <p>hammersmith & fulham</p>
<p>FOUR YEAR CAPITAL PROGRAMME 2019/20 AND CAPITAL STRATEGY 2019/20</p>	
<p>Report of the Cabinet Member for Finance and Commercial Services – Councillor Max Schmid</p>	
<p>Open Report</p>	
<p>Classification: FOR DECISION Key Decision: Yes</p>	
<p>Wards Affected: ALL</p>	
<p>Accountable Director: Hitesh Jolapara, Strategic Director, Finance and Governance</p>	
<p>Report Author: Emily Hill, Assistant Director, Corporate Finance Andrew Lord, Head of Strategic Planning and Monitoring Ariana Murdock, Principal Accountant</p>	<p>Contact Details: Tel: 0208 753 2531 Email: Andrew.lord@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. This report presents the Council's four-year Capital Programme for the period 2019-23. The programme for this period totals £408.8m. The gross programme for 2019/20 totals £121m. This comprises the General Fund Programme of £54.3m and the Housing Programme of £66.7m.
- 1.2. The Capital Programme now includes £43.6m budgets for West King Street Regeneration /Hammersmith Town Hall Refurbishment and £90m for Joint Venture Loan in relation to the scheme (both pending Full Council approval). The budget has been profiled based on the current estimated cash flow received from the project management for refurbishment costs and an estimate of loan cashflows pending detailed information from the joint venture partner. Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP) calculations in relation to borrowing required to fund the scheme are currently based on these estimates and will be updated and reported as part of capital quarterly monitoring process.
- 1.3. The report details some other changes to previously approved four-year programme. These include:
 - £7.6m of Department for Education grants in relation to School Maintenance Programme has been added to the capital programme as an overall budget

envelop and use of this budget will be subject to relevant Member approval and sign-off of an appropriate business case.

- The previously approved mainstream funding budget of £3.07m mainstream for Carnwath Road has been reduced to £1.87m to reflect current commitments.
- Capital investment in Parks from 2019/20 will be added to the programme once funding of new schemes has been approved, either from Section 106 (S106) or other external funding resources where available and in accordance with the Parks Capital Strategy. Such funding will still require approval in line with the Constitution and can only be utilised where an appropriate section 106 agreement permits the proposed use.
- Funding of adaptation works from 2019/20 will be funded through use of the increased Disabled Facilities Grant (DFG) allocations.

1.4. The Government’s Flexible Use of Capital Receipts provisions allow the Council to use up to £5.39m of capital receipts to fund Invest to Save schemes. This comes at revenue cost of £57,400 per annum per £1m capitalised, but, by maintaining reserves, would contribute towards future financial resilience. A final decision on the use of this flexibility will be delegated to the Strategic Director, Finance and Governance, in consultation with the Cabinet Member for Finance and Commercial Services, as part of the closure of the 2018/19 Accounts.

1.5. The current general fund (GF) capital receipts forecast contained in this report assumes no receipts for financial years 2019/20-2021/22. Should capital receipts be identified, they will be added to the programme as an additional funding source available and will reduce current forecast CFR and MRP. They could also be used to fund any future Invest to Save schemes as set out above.

1.6. The Council is required by CIPFA Prudential Code 2017 and statutory guidance to prepare certain capital related strategies and policies. The Capital Strategy and Minimum Revenue Provision (MRP) Policy are included as Appendices to this report. The Treasury Management Strategy Statement 2019/20 will also be presented to Cabinet in February 2019 under a separate agenda item.

2. RECOMMENDATIONS

2.1. To approve the General Fund Capital Programme budget at £54.3m for 2019/20 (paragraph 5.1, Table 2 and Appendix 1).

2.2. To approve the Council’s rolling programmes and the continued use of internal funding for 2019/20 General Fund ‘Mainstream’ Programme as set out in Table 3 (paragraph 5.2) and specifically as follows:

- Capital receipts and internal borrowing amounting to £4.53m to fund the Council’s rolling programmes as follows:

	£m
Planned Maintenance/DDA Programme [RES]	2.50
Footways and Carriageways [RES]	2.03
Total	4.53

- Contributions from revenue amounting to £0.521m to fund the Council’s rolling programmes as follows:

	£m
Controlled Parking Zones [RES]	0.275
Column Replacement [RES]	0.246
Total	0.521

- 2.3. To note existing capital receipts funded schemes previously approved, but now scheduled for 2019/20 (paragraph 5.2, Table 3):
 - One off scheme: Carnwath Road - £1.87m (reduced from £3.07m)
 - Rolling programme: Planned Maintenance/DDA Programme - £3.57m
- 2.4. To approve the Housing Programme at £66.7m for 2019/20 as set out in Table 5 (paragraph 7.2) and Appendix 1.
- 2.5. To delegate the potential application of 2018/19 capital receipts (totalling £5.39m) under the Government’s Flexible Use of Capital Receipts provisions to fund Invest to Save schemes in 2018/19 and 2019/20 (as identified in Appendix 5) to the Strategic Director, Finance and Governance, in consultation with the Cabinet Member for Finance and Commercial Services, as part of the closure of the 2018/19 accounts.
- 2.6. To approve a change of funding of £0.45m of Disabled Facilities Grant (DFG) budget for 2019/20 and future years, to be funded from DFG grant instead of mainstream resources.
- 2.7. To approve an additional budget envelope of £50m, from 2019/20 onwards, to provide operational flexibility, for taking forward the major projects set out in Capital Strategy Report. Use of this budget will be subject to relevant Member approval, agreement of funding sources and sign-off of an appropriate business case.
- 2.8. To approve budget envelop of £7.6m for Schools Maintenance Programme funded from Department of Education external grants. Use of this budget will be subject to relevant Member approval and sign-off of an appropriate business case.
- 2.9. To approve Capital Strategy 2019/20, as set out in Appendix 4.
- 2.10. To approve annual Minimum Revenue Provision policy statement for 2019/20, as set out in Appendix 6.
- 2.11. To approve that the Parks Capital programme for 2019/20 and future years continues to be funded from S106 and other external funding sources where available. Schemes will be added when funding is confirmed and in line with the Parks Capital Strategy.

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 2019/20 to 2022/23, as summarised in Table 1 below. A detailed analysis of specific schemes by service is included in Appendix 1.

Table 1 - Capital Programme 2019/20 to 2022/23

	Indicative Future Years				Total Budget (All years) £'000
	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	
CAPITAL EXPENDITURE					
Children's Services	6,833	3,738	2,238	2,238	15,047
Adult Social Care	1,922	300	-	-	2,222
Residents' Services	10,146	6,272	7,208	7,208	30,834
General Fund Schemes under Growth & Place management	35,434	40,051	48,642	12,759	136,886
Sub-total (Non-Housing)	54,335	50,361	58,088	22,205	184,989
HRA Programme	42,011	36,825	34,206	28,000	141,042
Decent Neighbourhoods Programme	24,701	25,670	18,499	13,897	82,767
Sub-total (Housing)	66,712	62,495	52,705	41,897	223,809
Total Expenditure	121,047	112,856	110,793	64,102	408,798
CAPITAL FINANCING					
Specific/External Financing:					
Government/Public Body Grants	8,873	4,695	4,685	4,395	22,648
Grants and Contributions from Private Developers (includes S106/CIL)	11,132	18,641	19,504	9,184	58,461
Leaseholder Contributions (Housing)	4,507	3,871	4,240	4,014	16,632
Sub-total - Specific Financing	24,512	27,207	28,429	17,593	97,741
Mainstream Financing (Internal):					
Capital Receipts - General Fund	-	-	-	3,456	3,456
Capital Receipts - Housing*	13,625	14,624	10,493	6,320	45,062
Revenue funding - General Fund	521	521	521	521	2,084
Revenue Funding - HRA	-	-	0	-	-
Major Repairs Reserve (MRR) [Housing]	23,354	16,415	17,234	17,546	74,549
Earmarked Reserves (Revenue)	6,443	242	-	-	6,685
Sub-total - Mainstream Funding	43,943	31,802	28,248	27,843	131,836
Internal Borrowing	52,592	53,847	54,116	18,666	179,221
Total Capital Financing	121,047	112,856	110,793	64,102	408,798

*Includes use of brought-forward receipts

- 4.2. The forecast is based on known allocations at December 2018 and will be updated in accordance with relevant government spending announcements. This will include a review of Children's Services and DFG allocations. At present schools' funding is not confirmed by Government beyond 2019/20. Once confirmed, General Fund capital expenditure is likely to increase. Capital receipts forecasts will be updated as they become known.

5. THE GENERAL FUND CAPITAL PROGRAMME

- 5.1. The General Fund programme is summarised in Table 2, below with details for each service 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 Planned Building Maintenance and Footways and Carriageways;
- The planned West King Street Regeneration/Refurbishment of Hammersmith Town Hall; and
- The Schools Maintenance Programme.

Table 2 – General Fund Capital Programme 2019-23

	Indicative Future Years				Total Budget (All years) £'000
	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	
CAPITAL EXPENDITURE					
Children's Services	6,833	3,738	2,238	2,238	15,047
Adult Social Care	1,922	300	-	-	2,222
Residents' Services	10,146	6,272	7,208	7,208	30,834
General Fund Schemes under Growth & Place management	35,434	40,051	48,642	12,759	136,886
Total Expenditure	54,335	50,361	58,088	22,205	184,989
CAPITAL FINANCING					
Specific/External Financing:					
Government/Public Body Grants	8,603	4,695	4,395	4,395	22,088
Grants and Contributions from Private Developers (includes S106/CIL)	3,272	7,337	13,608	9,184	33,401
Sub-total - Specific Financing	11,875	12,032	18,003	13,579	55,489
Mainstream Financing (Internal):					
Capital Receipts - General Fund	-	-	-	3,456	3,456
Revenue funding - General Fund	521	521	521	521	2,084
Sub-total - Mainstream Funding	521	521	521	3,977	5,540
Internal Borrowing	41,939	37,808	39,564	4,649	123,960
Total Capital Financing	54,335	50,361	58,088	22,205	184,989

5.2. Table 3 below shows the projects funded from internal mainstream resource (internal borrowing or capital receipts) and comprises the completion of existing schemes and the continuation of rolling programmes.

Table 3 – General Fund Mainstream Programme 2019-23

	Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Indicative Budget 2021/22 £'000	Indicative Budget 2022/23 £'000	Total Budget (All years) £'000
Approved Expenditure					
Ad Hoc Schemes:					
Hammersmith Town Hall Refurbishment	577	2,714	5,034	3,575	11,900
Acquisition of Cinema Site	2	-	-	-	2
Carnwath Road [RES]	1,870	-	-	-	1,870
Rolling Programmes:					
Disabled Facilities Grant [ASC]	652	-	-	-	652
Planned Maintenance/DDA Programme [RES]	3,568	1,564	2,500	2,500	10,132
Footways and Carriageways [RES]	2,030	2,030	2,030	2,030	8,120
Total Mainstream Programmes	8,699	6,308	9,564	8,105	32,676
Financing					
Capital Receipts	-	-	-	3,456	3,456
Increase/(Decrease) in Internal Borrowing	8,699	6,308	9,564	4,649	29,220
Total Financing	8,699	6,308	9,564	8,105	32,676

5.3. A summary of forecast General Fund capital receipts is included in Appendix 2. The level, and timing, of sales is subject to risks – most notably a dependence on the wider property market, appropriate consultation, planning considerations and slippage. An additional risk is that significant costs of disposals of assets may be incurred, and may be difficult to predict. Where capital receipts are not available, the mainstream programme will be funded from internal borrowing.

6. GENERAL FUND CAPITAL FINANCE REQUIREMENT (CFR) AND MRP

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 is explained in more detail in Appendix 3 and the Council's 2019/20 MRP policy is set-out in the Appendix 6.

6.2. The forecast for the General Fund (GF) CFR is shown in Table 4 below. The GF headline CFR is stated with and without Schools' Windows because the Dedicated Schools Grant (DSG) will compensate the Council for any cost of borrowing associated with the Schools' Windows programme.

6.3 The GF CFR excludes the Joint Venture loan which is expected to be funded by interest charged to the Joint Venture. The forecast General Fund CFR excluding school windows and Joint Venture loan at the end of 2019/20 is £88.1m. This increase is due to the need to fund the mainstream programme of £8.1m and Hammersmith Town Hall refurbishment of £0.6m from internal borrowing, as set out in Table 3, less the in-year MRP payment.

6.3 The calculation of the gross CFR also requires adjustments to be made regarding Finance Lease and PFI liabilities.

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

GENERAL FUND CFR ANALYSIS	2019/20	2020/21	2021/22	2022/23
CFR EXCLUDING SCHOOLS WINDOWS	£m	£m	£m	£m
Opening Capital Finance Requirement (CFR)	79.91	88.06	93.58	102.26
Revenue Repayment of Debt (MRP)	(0.55)	(0.79)	(0.88)	(1.00)
Mainstream Programme (Surplus)/Shortfall	8.70	6.31	9.56	4.65
Closing Capital Finance Requirement (CFR)	88.06	93.58	102.26	105.91
SCHOOLS WINDOWS	£m	£m	£m	£m
Opening Capital Finance Requirement (CFR)	8.00	10.92	11.98	11.50
Revenue Repayment of Debt (MRP)	(0.32)	(0.44)	(0.48)	(0.46)
Internal Borrowing (Schools Window Replacement)	3.24	1.50	-	-
Closing Capital Finance Requirement (CFR)	10.92	11.98	11.50	11.04
JOINT VENTURE	£m	£m	£m	£m
Opening Capital Finance Requirement (CFR)	-	30.00	59.40	88.21
Revenue Repayment of Debt (MRP)	-	(0.60)	(1.19)	(1.76)
Borrowing	30.00	30.00	30.00	-
Closing Capital Finance Requirement (CFR)	30.00	59.40	88.21	86.45
Total Headline Capital Finance Requirement (CFR)	128.98	164.96	201.98	203.40
Finance leases/PFI/ Deferred costs of disposal	8.73	7.93	7.13	6.33
Total Closing CFR	137.71	172.89	209.11	209.73

6.4. Any capital receipts received during the year may be applied to lower the closing CFR. In addition, the Council may opt to apply additional Section 106 or CIL identified during the year to fund elements of the capital programme to reduce the closing CFR.

- 6.5 The calculation of CFR and Minimum Revenue Provision for the expenditure in relation to West King Street Regeneration and Hammersmith Town Hall Refurbishment is based on the latest cash flow information provided by the project management team. The project funding which is combination of Community Infrastructure Levy (£33.7m) and borrowing (£11.9m), has been apportioned from 2019 onwards based on CIL/borrowing ratio of 76:24 until further work is completed on forecasting CIL receipts. It is assumed that 2018/19 expenditure related to Hammersmith Town Hall Refurbishment project will be funded from CIL as sufficient balances are in hand. However, this is subject to confirmation that the CIL funds can be used for the proposed purchases.
- 6.6 The calculation of Minimum Revenue Provision (MRP) assumes that 207 King Street and Edith Summerskill sites were acquired/appropriated to GF in 2018/19 for development purposes. In line with the policy and statutory guidance charging MRP will be deferred until the year after completion. MRP will be also deferred for the borrowing in relation to Hammersmith Town Hall refurbishment and it will start being charged a year after the completion of refurbishment works (currently estimated to be 2022/23).
- 6.7 Statutory Guidance on Minimum Revenue Provision requires that the loans issued to the third party should be charged over the life of asset to which the third-party expenditure is incurred. Therefore, MRP on the Joint Venture loan will be charged a year after the first loan payment is made at the rate of 2% assuming the useful economic life of new assets is 50 years. MRP on the Joint Venture loan is expected to be fully funded by interest charged to the Joint Venture. Further information on detailed cashflows is awaited from the Joint Venture partner, in the interim, the maximum loan value has been profiled equally over three years from 2019/20.

7. THE HOUSING CAPITAL PROGRAMME

- 7.1. The Housing Capital Programme is funded by internal borrowing, revenue contributions appropriated to the Major Repairs Reserve, S106, capital receipts from both Right-to-Buy (RTB) and sales of surplus non-dwelling sites and revenue contributions to capital from general Housing Revenue Account reserves. The overall Housing Capital 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 2019-23

	2019/20 Budget £'000	Indicative 2020/21 Budget £'000	Indicative 2021/22 Budget £'000	Indicative 2022/23 Budget £'000
Approved Expenditure				
Decent Neighbourhood Schemes	24,701	25,670	18,499	13,897
HRA Schemes	42,011	36,825	34,206	28,000
Total Housing Programme - Approved Expenditure	66,712	62,495	52,705	41,897
Available and Approved Resource				
Capital Receipts - Unrestricted	3,099	5,817	3,978	6,320
Capital Receipts - RTB (141)	10,526	8,807	6,515	-
Major Repairs Reserve (MRR)	23,354	16,415	17,234	17,546
Contributions Developers (S106)	7,860	11,304	5,896	-
Repayment of NHHT loan	270	-	290	-
Contributions from leaseholders	4,507	3,871	4,240	4,014
Use of reserves (Fire Safety EMR)	6,443	242	-	-
Internal Borrowing	10,653	16,039	14,552	14,017
Total Funding	66,712	62,495	52,705	41,897

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.

7.3. For the period 2019-23 the Housing Capital Programme will be borrowing against internal resources ('internal borrowing' in Table 5). This is principally achieved through the use of cash associated with Earls Court land sales received in advance of the transfer of the land title. Use of this money is classed as borrowing as, although cash is in hand, the receipt is only deemed usable for capital funding 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 (when land transfers).

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

Table 6 – Housing CFR Forecast 2019-23

HRA CFR Forecast	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
Closing Forecast HRA CFR (excluding deferred costs of disposal)	215.50	231.54	246.09	260.11
Deferred Costs of Disposal	6.83	7.82	9.96	0.02
Closing Forecast HRA CFR (including deferred costs of disposal)	222.33	239.36	256.05	260.13

7.5. The Growth and Place restructure is being addressed in the Financial Plan for Council Homes report being considered by Cabinet in February 2019. If approved the restructure will require growth to the HRA revenue budget which consequently reduces the revenue available to fund the programme in future years and therefore increases the CFR. The current CFR figures presented in this report have factored in this assumption.

8. EQUALITY IMPLICATIONS

8.1. There are no direct equalities implications in relation to this report. This paper is concerned entirely with financial management issues and, as such, the recommendations relating to increase in capital allocations will not impact directly on any group with protected characteristics, under the terms of the Equality Act 2010

8.2. Implications verified and completed by: Peter Smith, Head of Policy & Strategy, Tel: 020 8753 2206

9. LEGAL IMPLICATIONS

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

9.2. Implications completed by: Rhian Davies, Assistant Director of Legal and Democratic Services, Tel: 020 8753 2729.

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1. This report is of a wholly financial nature and financial and resource implications are considered throughout, however the following supplementary comments should be noted.

- 10.2. The Council's mainstream capital programme is largely restricted to core rolling programmes but it is looking to invest in a number of priority areas. 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, amendments over £5m requiring approval by Full Council. The Council will also explore use of capital investments to manage demand and secure future income and/or efficiencies.
- 10.3. 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 the Treasury Management Strategy Statement 2019/20. The indicator used to reflect the underlying need of an authority to borrow for a capital purpose is the Capital Financing Requirement (CFR).
- 10.4. From 2019/20 onwards the Prudential Code obliges local authorities to approve a capital strategy. This is a new requirement and is included in Appendix 4.
- 10.5. 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. The Council's MRP Statement for 2019/20 is set out in Appendix 6.
- 10.6. 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 expense or slippages can present challenges to 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.
- 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.

- 10.7. VAT Implications completed by: Christopher Harris, Chief Accountant, Corporate Finance, Tel: 020 8753 6440.

11. RISK MANAGEMENT

- 11.1. 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 expenditure 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 Council's risk and register which has been reviewed by the Strategic Leadership Team. 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 Corporate risk register.
- 11.2. Implications verified/completed by: Michael Sloniowski, Risk Manager, Tel: 020 8753 2587 and Richard Buckley, Head of Environmental Health (Residential) & Corporate Safety, Tel: 020 8753 3971.

12. PROCUREMENT IMPLICATIONS

- 12.1. There are no immediate procurement implications arising from this report. The corporate Procurement team will advise and support service departments on their major capital procurements as and when such support is required, including consideration of whether and how any social value, local economic and community benefits might be obtained from these.
- 12.2. Implications completed by: Joanna Angelides on behalf of Simon Davis, Tel: 020 7361 2586.

13. IMPLICATIONS FOR BUSINESS

- 13.1. 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.
- 13.2. Projects contained in the capital programme are approved on individual basis and the business implications for each of them are considered in more detail in their specific reports.
- 13.3. Implications completed by: Albena Karameros, Economic Development Team, Tel 07739 316 957

14. IT IMPLICATIONS

- 14.1. There are no IT implications for this report.

14.2. Implications completed by: Veronica Barella, Chief Information Officer, Tel: 020 8753 2927

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

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	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) and Pooling of Housing Capital Receipts
- Appendix 4 - Capital Strategy 2019/20
- Appendix 5 - Flexible Use of Capital Receipts Guidance and Proposed Application
- Appendix 6 - Minimum Revenue Provision (MRP) Statement 2019/20

Appendix 1 – Detailed Analysis by Service

Children's Services

Indicative Budgets

	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	Total Budget (All years)
	£'000	£'000	£'000	£'000	£'000
Scheme Expenditure Summary					
Schools Organisational Strategy	2,704	-	-	-	2,704
Schools Window Replacement Project	3,240	1,500	-	-	4,740
School Maintenance Programme	889	2,238	2,238	2,238	7,603
Total Expenditure	6,833	3,738	2,238	2,238	15,047

Capital Financing Summary

Specific/External or Other Financing					
Capital Grants from Central Government	3,262	2,238	2,238	2,238	9,976
Grants and Contributions from Private Developers (includes S106)	331	-	-	-	331
Sub-total - Specific or Other Financing	3,593	2,238	2,238	2,238	10,307
Borrowing - school windows	3,240	1,500	-	-	4,740
Total Capital Financing	6,833	3,738	2,238	2,238	15,047

Adult Social Care Services

Indicative Budgets

	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	Total Budget (All years)
	£'000	£'000	£'000	£'000	£'000
Scheme Expenditure Summary					
Extra Care New Build project (Adults' Personal Social Services Grant)	957	-	-	-	957
Transforming Care (Winterbourne Grant)	300	-	-	-	300
Social Care Capital Grant	665	300	-	-	965
Total Expenditure	1,922	300	-	-	2,222
Capital Financing Summary					
Specific/External or Other Financing					
Capital Grants from Central Government	1,622	300	-	-	1,922
Capital Grants/Contributions from Non- departmental public bodies	300	-	-	-	300
Sub-total - Specific or Other Financing	1,922	300	-	-	2,222
Total Capital Financing	1,922	300	-	-	2,222

APPENDIX 1 – Detailed Analysis by Service

Residents' Services

Indicative Budgets

2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	Total Budget (All years)
£'000	£'000	£'000	£'000	£'000

Scheme Expenditure Summary

Planned Maintenance/DDA Programme	3,568	1,564	2,500	2,500	10,132
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	246	246	246	246	984
Carnwath Road	1,870	-	-	-	1,870
Parks Expenditure	-	-	-	-	0
Total Expenditure	10,146	6,272	7,208	7,208	30,834

Capital Financing Summary

Specific/External or Other Financing					
Capital Grants and Contributions from GLA Bodies	2,157	2,157	2,157	2,157	8,628
Sub-total - Specific or Other Financing	2,157	2,157	2,157	2,157	8,628
Mainstream Financing (Internal Council Resource)					
Capital Receipts	-	-	-	3,456	3,456
General Fund Revenue Account (revenue funding)	521	521	521	521	2,084
Sub-total - Mainstream Funding	521	521	521	3,977	5,540
Borrowing	7,468	3,594	4,530	1,074	16,666
Total Capital Financing	10,146	6,272	7,208	7,208	30,834

APPENDIX 1 – Detailed Analysis by Service

Growth and Place General Fund Managed Schemes

Indicative Budgets

2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	Total Budget (All years)
£'000	£'000	£'000	£'000	£'000

Scheme Expenditure Summary

Disabled Facilities Grant	1,102	-	-	-	1,102
Sands End Community Centre	1,925	-	-	-	1,925
Acquisition of Land at 207 King St	2	-	-	-	2
Hammersmith Town Hall Refurbishment	2,137	10,051	18,642	2,159	32,989
HTH Refurbishment -Fit Out	-	-	-	10,600	10,600
West King Street Regeneration-JV Partnership Loan	30,000	30,000	30,000	-	90,000
Macbeth Centre Arts Project	268	-	-	-	268
Total Expenditure	35,434	40,051	48,642	12,759	136,886

Capital Financing Summary

Specific/External or Other Financing					
Capital Grants from Central Government	450	-	-	-	450
Grants and Contributions from Private Developers (includes S106)	1,381	-	-	-	1,381
Community Infrastructure Levy (CIL)	1,560	7,337	13,608	9,184	31,689
Capital Grants/Contributions from Non-departmental public bodies	812	-	-	-	812
Sub-total - Specific or Other Financing	4,203	7,337	13,608	9,184	34,332
Borrowing (Internal Borrowing-GF)	31,231	32,714	35,034	3,575	102,554
Total Capital Financing	35,434	40,051	48,642	12,759	136,886

APPENDIX 1 – Detailed Analysis by Service /cont.

Growth and Place (HRA) Capital Programme

Indicative Budgets

2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000	2021/22 Budget £'000	Total Budget (All years) £'000
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Scheme Expenditure Summary

HRA Schemes:

Other HRA Capital Schemes	35,568	30,109	34,206	28,000	127,883
Fire Safety Plus	6,443	6,716	-	-	13,159
Subtotal HRA	42,011	36,825	34,206	28,000	141,042

Decent Neighbourhood Schemes:

Earls Court Buy Back Costs	2,424	5,543	6,086	13,897	27,950
Earls Court Project Team Costs	835	1,016	2,191	4,438	8,480
Housing Development Project	2,549	-	-	-	2,549
Stanhope Joint Venture	10,352	16,148	8,423	-	34,923
Affordable Housing Delivery Framework	4,476	3,979	3,990	-	12,445
Property Acquisition (Other Buybacks)	4,900	-	-	-	4,900
Subtotal Decent Neighbourhoods	25,536	26,686	20,690	18,335	91,247
Total Expenditure	67,547	63,511	54,896	46,335	232,289

Adjustment for deferred costs

(835)	(1,016)	(2,191)	(4,438)	(8,480)
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Total Net Expenditure

66,712	62,495	52,705	41,897	223,809
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Capital Financing Summary

Specific/External or Other Financing

Contributions from leaseholders	4,507	3,871	4,240	4,014	16,632
Grants and Contributions from Private Developers (includes S106)	7,860	11,304	5,896	-	25,060
Capital Grants/Contributions from Non-departmental public bodies	270	-	290	-	560
Sub-total - Specific or Other Financing	12,637	15,175	10,426	4,014	42,252

Mainstream Financing (Internal Council Resource)

Capital Receipts (HRA)	13,625	14,624	10,493	6,320	45,062
Major Repairs Reserve (MRR) / Major Repairs Allowance	23,354	16,415	17,234	17,546	74,549
Use of Reserves (Fire Safety EMR)	6,443	242	-	-	6,685
Sub-total - Mainstream Funding	43,422	31,281	27,727	23,866	126,296

Borrowing (Internal Borrowing-HRA)

10,653	16,039	14,552	14,017	55,261
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Total Capital Financing

66,712	62,495	52,705	41,897	223,809
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APPENDIX 2 – Anticipated General Fund Capital Receipts

Financial Year	Forecast Receipts £'000s
2019/20	
Total 2019/20	-
2020/21	
Total 2020/21	-
2021/22	
Total 2021/22	-
2022/23	
Watermeadow	3,600
Cost of Sales (4%)	(144)
Total 2022/23	3,456
Total All Years	3,456

APPENDIX 3 - THE CAPITAL FINANCING REQUIREMENT (CFR) AND POOLING OF HOUSING CAPITAL RECEIPTS

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 funds these from grants, capital receipts or 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 it has effectively borrowed internally. **The CFR should therefore be thought of as the total of internal and external borrowing.**

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) – Up to 75% of capital receipts arising from the disposal of a dwelling through Right to Buy are paid over to the Government (pooled), the exact proportion paid over depends on the volume of and type of properties sold. This applies to disposals and to the principal element of repayments on loans (usually mortgages) granted by the authority for RTB or other purchases of HRA properties. The Council can 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 – CAPITAL STRATEGY 2019/20

1. From 2019/20 onwards, the Prudential Code¹ obliges local authorities to approve a capital strategy. This is a new requirement.
2. The Hammersmith and Fulham capital strategy sets out the long-term context in which capital investment decisions are made and the governance for those decisions. It supports the development of a capital programme that is affordable, prudent, and sustainable whilst giving due consideration to risk and reward and delivery of the Council's business plan.
3. The Council's priorities include being ruthlessly financial efficient. The capital strategy sets out the way capital projects are managed to improve delivery and achieve greater efficiency.
4. A key focus of the capital strategy is future finance resilience. Capital investment can enable the delivery of invest to save projects and grow future income and resources.

Strategic Context

5. The Council's Business Plan 2018-22 sets out the Council's main priorities for the next four years. From a capital investment perspective these include:

Building shared prosperity

- The Council has pledged to build at least 1,500 genuinely affordable homes, of which 500 will be affordable part-ownership homes to buy, prioritising local residents. This will be achievable through development of a new partnership strategy with housing association partners
- Speed up Aids and Adaptations services for Disabled people
- Providing affordable office space
- Work with Old Oak Regeneration Corporation to deliver thousands of new affordable homes to rent and buy for H&F residents by May 2019
- Review all small sites that could be used to increase the number of affordable homes on every possible spare piece of land
- Deliver new affordable space through planning agreements with developers to support small businesses by May 2022

Doing things with residents, not to them

- The Council is also seeking to invest in a community-led redesign of the North End Road providing a long-term enhancement of the market and supporting the growth of existing and new businesses
- Delivering the fire safety plus programme

Taking pride in Hammersmith & Fulham

- Hammersmith and Fulham is aiming to be the greenest Borough in Britain
- The Council is seeking to put together scheme that works with private investors and TFL to build a Hammersmith Flyunder
- Continuing to invest in CCTV so that residents feel secure in their homes and on the streets

¹ The CIPFA Prudential Code for Capital Finance in Local Authorities – by regulation local authorities are required to pay regard to the code when carrying out their duties.

Creating a compassionate council

- The Council will support their outstanding special schools and will continue to ensure that services are designed to meet the additional needs of disabled children and their families
- The Council has a plan to develop a running track at Hurlingham Park for use by schools, and safer, pollution- free opportunity for recreational jogging for all ages by May 2019. There are also plans to develop more physical education, sport and youth facilities by May 2020.
- Reintroduce convalescent homes

Being ruthlessly financially efficient

- Hammersmith & Fulham will continue to be the best value council in the country
- The Capital Strategy is identified as a key document for delivering ruthless financial efficiency. We are reforming the way capital projects are managed to achieve greater efficiency and improve delivery. We are also improving the management of capital projects and introducing new reporting systems to tighten up oversight.
- Capital investment is an enabler of more efficient working and can enhance future financial resilience through growing income and other resources.

6. The Council's current four- year capital programme already contains schemes which address some of the above mentioned priorities. The Council is developing its Asset and Growth Strategic and Asset Management Plans. The programme will continue to be developed in line with the Council's priorities and new schemes will be added as and when they are identified and approved. A brief overview of the current and planned major schemes is provided in the Major Projects section of the report.

MAJOR PROJECTS

King Street Regeneration/Hammersmith Town Hall Refurbishment

7. On 3 December 2018, the Cabinet approved plans for major regeneration of the King Street area which will also include redevelopment of Hammersmith Town Hall. This will be considered by Full Council in January 2019. The Council's development partner is not-for-profit housing provider A2 Dominion.
8. Proposals have been developed to regenerate and energise the western part of King Street, which will deliver more affordable housing, a new four-screen cinema, and good quality flexible staff accommodation. The new proposals, with a mix of office, retail and restaurant uses and a high -quality design for the Town Hall, will regenerate this part of King Street and create an iconic destination for the borough. A separate part of the scheme will see the existing Town Hall fully refurbished and heritage elements restored. The proposed West King Street Renewal Programme will act as a catalyst for change, with the inclusion of open public realm to create public space, and shared spaces within the Town Hall to be utilised by the neighbourhood as a multi-purpose mixed use development, serving the greater community. The proposal will also attract more diversity of shops which will improve the retail offer on the High Street. This will create the opportunity for associated economic benefits, including increased footfall for local businesses, as well as wider commercial opportunities for businesses in the borough, with c.£140m of commercial contracts expected to be available because of the scheme.

9. The budget for the scheme has been included in the Council's 2019/20-2022/23 Capital Programme.

Earl's Court

9. The Council entered into the Conditional Land Sale agreement (CLSA), on 23 January 2013, of Council owned land including the West Kensington and Gibbs Green Estates to the developer Capital & Counties Properties Plc (CapCo). 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 continues to work for a better deal for local residents as such there are currently on-going negotiations with the developer and there has been a delay to the project as a result. The delay means that the valuations of and number of properties needed to be bought-back to enable the regeneration scheme and phasing plans for the scheme are likely to change. The variability of these factors could have a significant impact on the project finances.
10. Property valuations: The current financial model is based on a valuation done in December 2015. As property prices have changed since 2015, and are likely to change, estimating long -term buyback costs difficult. Due to the cost involved in updating the valuation the project team are waiting to conclude on-going negotiations prior to engaging with a refreshed valuation.
11. Variability in number of buybacks: The total number of buybacks required is uncertain. The current offer gives resident home owners the option to stay and receive a replacement home or to sell their property to the Council. At present there is no information residents' preferences. Non-resident owners will have their properties purchased by the council. As residential status is subject to change the total required number of buybacks are expected to change over time.
12. Phasing: The current phasing plan was submitted by the developer to the Council in March 2016 and rejected. If the scheme proceeds there is a chance it will be with a different phasing plan.

Housing Development Programme

13. The April 2017 Leaders Urgency Report (LUR) revised Phase 1 of Housing Development Programme to deliver 43 units of affordable housing over 2 sites financed by £4.7m of Right-to-Buy and Section 106 receipts. The LUR also approved abandoning Barclay Close and put a hold on Becklow Gardens schemes originally approved under cabinet report on 6th July 2015. Of the 2 remaining approved schemes, a contractor has been chosen for Spring Vale and will be appointed subject to Cabinet approval on 14th January 2019. Start on site is expected during Q4 2018/19 and will deliver 10 genuinely affordable homes. The other scheme, Jepson House / Pearscroft Road is being considered via the Affordable Housing Delivery Framework rather than direct delivery, along with Becklow Gardens. This will release the budget currently allocated to these to schemes. The proposal was formalised in the Quarter 2 Capital Budget report which was approved by the Cabinet in January 2019.
14. The Council's retained Right-to-Buy receipts must be spent within a specified period and can only fund up to 30% of the costs of developing or acquiring properties. To ensure the Council does not have to return these receipts to MHCLG, but uses those to enable the

delivery of affordable rented housing in the borough, future housing programmes will be delivered via the Affordable Housing Framework approved by Cabinet on 6 February 2017. Although the Affordable Housing Framework does not specify the cost of the scheme, a £15m provision has been made in the Capital Programme. Full financial appraisals and appropriate Cabinet reports and decisions will need to be completed for each individual site as it comes forward.

15. Fulham North Office Redevelopment: This scheme is being delivered by Shepherds Bush Housing and will provide 30 residential units, 18 of which are affordable rented homes. The costs and details of the scheme are being finalised and start on site is expected to follow the signing of the grant funding agreement and delegated officer decision on formalising the disposal early in 2019.
16. Lavender Court: This scheme is being delivered by A2 Dominion and is for 45 units to replace the hostel previously on the site, 24 of the new units will be genuinely affordable rented homes. Works have begun and the first grant claim has recently been received, payment is pending subject to checks being completed in January 2019.
17. In addition a separate approval has been agreed to grant fund the delivery of 6 affordable housing units at Emlyn Gardens by Shepherds Bush Housing. The site has been disposed of to Shepherds Bush and the funding agreement signed. This will be funded by Right-to-Buy receipts up to £522,000. The start on site for this scheme is expected to be end of Q4 2018/19 or early 2019/20.

Old Oak and Park Royal Opportunity Area

18. 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. More detailed information about the project can be found on the OPDC's website at:
<https://www.london.gov.uk/about-us/organisations-we-work/old-oak-and-park-royal-development-corporation-opdc>

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.

ARK Swift (EdCity)

19. The Council is in discussions with ARK schools' charity, who lease the ARK Swift primary school in White City from the Council, over proposals for the redevelopment of the site to include improved replacement facilities and new homes. The Council is considering its role in the ownership and management of the homes. A Leaders Urgency report requesting project enabling budgets and a cost sharing agreement with ARK is currently being considered.

Community Infrastructure Levy (CIL)

20. The Council has adopted its own CIL, which took effect on 1 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.
21. To date the Council has received £3.69m of Borough CIL. Due to the current economic circumstances, it is harder to predict the future CIL receipts, however, based on current performance, it is considered prudent to assume that increasing sums will be received in following years.
22. Council CIL can be used for the delivery, operation, maintenance and repair of infrastructure to support development in the borough. There are obligations to spend 15% on projects agreed with the community (or 25% where there is a neighbourhood plan in place). There is no legislative framework to define how this is done. To achieve this agreement, the Council has implemented a CIL page on Spacehive to enable community groups to put forward projects and the members of the public to contribute to, as a mechanism of achieving agreement.

Support of Invest to Save Projects

23. The Council has a number of Invest to Save projects which will deliver future revenue savings. The Council reserves the right to capitalise and fund some of this expenditure from available general fund capital receipts under Flexible Use of Capital Receipts dispensation. This enables the Council to preserve its reserves and free them up to meet pressures or to invest in priorities. More detailed guidance on Flexible Use of Capital Receipts as well as a summary of the current Invest to Save projects to be capitalised under this dispensation in 2018/19 and 2019/20 can be found in Appendix 5 of this report.

Health and Safety

24. In October 2017, Full Council approved £20m budget for the Fire Safety Plus Programme to make fire safety improvements to the Council's housing stock above and beyond current legal minimum standards. It is designed to improve the safety of Council Homes, both tenanted and leasehold. Out of the originally approved budget of £20m, £3.6m of budget relating to the cost of employing fire wardens has been reclassified to revenue, resulting in a total capital budget of £16.4m. The first major contract likely to be funded by this budget is the one for the Fire Doors replacement scheme.

The Fire Safety Plus work is in addition to the existing Housing Capital programme that funds essential Health and Safety works. There are also a number of projects related to Health & Safety capital works within the Council's mainstream funded Corporate Planned Maintenance Programme.

Other Schemes

25. The Council's Capital Programme contains a number of schemes which are necessary investments in the Council's assets to ensure their sustainability, to address health and safety and legislative requirements and to provide future revenue savings. Examples of such schemes are:

- Schools Organisation Strategy within the Schools' Capital programme expected to exceed £2.7m in 2019/20. The strategy continues to focus on expanding school places in light of increasing demand.
 - Schools Maintenance Programme of £7.6m
 - Schemes funded from ring-fenced resources within the Housing Revenue Account (HRA) such as major refurbishments, heating works, lift works, garage improvements, electrical installations, estate roads, disabled adaptations, etc
 - Required investment from Council resources, including capital receipts, to support strategic priorities such as investment in the highways infrastructure, ICT, asset management and parks.
26. The Council has recently set out its strategic ambition around specialist housing (short and long-term care and accommodation for groups such as care leavers, rough sleepers etc) through a report to Cabinet in December 2018. This provided an anchor for future investment decisions and strategic commissioning around these key preventative services. There are issues with supply of this type of housing, and the suitability of the borough's current stock to meet changing needs, much of which is owned and operated by housing associations. Over the course of the next six to nine months, the Council will do further work to understand the type of capital investment required and the levers for renewing this portfolio of assets which can help to reduce current and future pressures on the Council's revenue budget. This work will help define future calls on the Council's capital programme.
27. All capital investment decisions will be underpinned by a robust business plan that set out any expected financial return alongside the broader outcomes including economic and social benefits.

Governance

28. As part of being ruthlessly financially efficient the Council is reforming the way capital and other major projects are managed to achieve greater efficiency and improve delivery.
29. The Council is also improving the management of capital projects and introducing new reporting systems to tighten up oversight. The reforms include:
- Capital project audit - An audit of all major schemes and projects has been commissioned to assess governance and financial controls.
 - Capital project management - Directors must involve finance at the inception of significant capital projects to consider business cases (including affordability, best value, funding and ongoing revenue costs and savings).
 - For all large capital spend schemes - detailed reporting arrangements will be in place for all relevant service management teams, strategic leadership groups, the political administration and Cabinet.
 - Finance Board - Finance Board will be chaired by the Strategic Director of Finance and Governance. In addition to revenue budgets, S106, commercial income and audit issues, its remit will extend to large capital schemes. Capital expenditure governance, monitoring, controls, and slippage will be a standard item.

30. Finance Board will:
- consider the funding and feasibility of new large schemes
 - review business cases, approvals, and variations, signing off draft reports to Cabinet
 - oversee the procurement and delivery of capital works
 - monitor actual spend and forecast against budgets.

Decision making

31. Council investments should be made in line with the Capital Strategy priorities which are set out in this document. Capital expenditure is spent on the purchase or improvement of assets that have a long-term value to the Council, such as land and buildings. It is the Council's policy to capitalise any expenditure, over a total value of £10,000, which fulfils this criterion.
32. The capital expenditure and investment decision making process is the governance framework used by the Council when making decisions relating to the capital programme. The Council has recently tightened up the processes for formally authorising Council's expenditure, to ensure funding is in place and clearly understood, before any spending decisions are taken. Financial regulations and the scheme of delegation must be adhered to. The rules below cover amendments to capital and revenue budgets approved by the Council:

Finance Limits – Scheme of Delegation

Limit	Authorisation
Up to £24,999	Director's Delegated Authority counter-signed the Chief Executive or the Strategic Director, Finance and Governance
Between £25,000 and £99,999	Cabinet Member Decision
Between £100,000 and £5,000,000	Cabinet
Above £5,000,000	Full Council

33. Other relevant financial controls are:
- Any call on corporate or departmental reserves will need to be signed off first by the Strategic Director, Finance and Governance and the Chief Executive before progressing to Cabinet Members/Cabinet
 - Loans cannot be made to any external organisation without agreement from Full Council
 - All decisions reports will only be progressed if they are fully funded before any spend is incurred
 - All Cabinet Member Decisions, Cabinet, and Policy and Accountability Committee (PAC) reports must include full and transparent financial implications prepared by finance officers (with final sign off by Strategic Director, Finance and Governance).
 - Leader's Urgency reports will only be used in exceptional circumstances and these must be cleared in advance by the Chief Executive. The Strategic Director, Finance and Governance must fully consider the financial implications.

- Committee services will ensure that the correct review and sign off requirements have been followed before any papers are dispatched.

34. The Council's annual Capital Programme is approved by the Cabinet and Full Council. The Strategic Leadership Team and Cabinet receive quarterly updates on the programme detailing financial forecasts, risks, and expected outcomes. Variances to the Capital Programme are approved quarterly by Cabinet.
35. Detailed monitoring is also undertaken of significant projects and reported to Finance Board, Strategic Leadership Team and the Cabinet Member for Revenue and Commercial Service's Board.

Finance Strategy

36. The Capital Strategy is an integral part of the Council's wider finance strategy. As well as informing the capital programme it links directly to the Treasury Management Strategy and revenue budget. The revenue consequences of the programme are also allowed for within the Revenue Budget.
37. The Business Plan has a strong emphasis on growth and affordable housing and the use of capital to generate revenue. The Council is developing an **Asset and Growth Strategy** which will look at increasing the supply of housing, create income to close the budget gap and manage future demand and rising costs. This will entail a review of the Council's general fund and HRA assets to identify opportunities for development, with decisions on the early stages of a programme likely to be brought forth in early 2019/20. The Council will need to consider its approach to development and risk and reward to capture some of the potential benefits, including income from private sale and market rent to support its revenue position and subsidise the creation of new affordable housing.
38. Alongside the Asset and Growth Strategy, work has also begun to develop a more strategic approach to asset management. This will consider the Council's long-term accommodation requirements, greater corporate oversight of operational asset management, and investment in our data to ensure we are getting value from our property and land holdings. As initiatives are brought forward they will inform, and be considered as part of, the overall Capital Strategy

APPENDIX 5 - FLEXIBLE USE OF CAPITAL RECEIPTS GUIDANCE AND PROPOSED APPLICATION (2019/20)

The Secretary of State for Communities and Local Government issued guidance in March 2016, giving local authorities a greater freedom with how capital receipts can be used to finance expenditure. This Direction allows for the following expenditure to be treated as capital:

“Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide if a project qualifies for the flexibility.”

There is a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others).

Expenditure is only eligible if it has been incurred in the period between 01 April 2016 - 31 March 2022 and it can be funded from capital receipts generated only during this period.

In order to comply with this Direction, the Council must consider the Statutory Guidance issued by the Secretary of State. This requires authorities to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy with the initial strategy being effective from 1st April 2016 with future Strategies included within future Annual Budget documents.

There is no prescribed format for the Strategy, the underlying principle is to support local authorities to deliver more efficient and sustainable services by extending the use of capital receipts to support the revenue costs of reform projects

The Statutory Guidance for the Flexible Use of Capital Receipts states that the Strategy should include a list of each project which plans to make use of the capital receipts flexibility, together with the expected savings that the project will realise. The Strategy should also include the impact of this flexibility on the affordability of borrowing by including updated Prudential Indicators.

The Council has reviewed the Flexible Use of Capital Receipts guidance and identified the following schemes as meeting the eligibility criteria laid out in the guidance document,

in that they are forecast to generate on-going revenue savings through reducing costs of service delivery:

Efficiency Projects Delivery Savings that may be capitalised.			
	£000's	£000's	
Business Case	2018-19 Forecast Spend Amount	Annual Savings when fully Implemented	Notes
ICT Transition - Assuring Service Continuity Phase 3 - Transformation of Telephony and Network Services	449	4,700	Contributes to overall ICT savings of £4.7m
IT Transition phase 4 assuring service continuity – Desktop strategy and solution options	1,784		Contributes to overall ICT savings of £4.7m
DESKTOP STRATEGY: CHANGE MANAGEMENT RESOURCE	150		Contributes to overall ICT savings of £4.7m
MOBILE TELEPHONY STRATEGY AUGUST 2018	342		Contributes to overall ICT savings of £4.7m
Integrated Family Support Service (IFSS)	759	1,500	The Integrated Family Service is expected to deliver a savings of £1.5M. Business case approved by Cabinet on 10th Oct 2010.
Maximising Children's Social Care Effectiveness	669	1,500	The Maximising Children's Social Care Effectiveness is expected to deliver a savings of £1.5M. Business case approved by Cabinet on 7th Nov 2016.
Approval of Business Case 4: Transforming Services for Children and Young People with Special Educational Needs (SEN) & Disabilities	502	224	The business forecast is to deliver a savings of £1.5m in 18/19. Business Case approved by Cabinet on 7th Nov 2016.
Creation of H&F Social Letting Agency	133	180	Creation Of Social Lettings expected to deliver a savings of £180k. Business Case approved by Cabinet on 7th Nov 2016.
Funding Of Commercial Management Initiative	434	3,600	Implementation Of Commercial Initiative expected to deliver Savings of £13M expected by end 2022/23. Business case approved by Cabinet on 4th Nov 2017.
Draw down from Efficiency Reserve to fund new Landlord Licensing schemes as part of Decent Homes Smarter Budgeting savings Plan.	330	300	Business Case approved by Cabinet on 5th March 2018.
Total Funding Required For Saving Project	5,552	12,004	

In 2017/18 the Council applied £5.7m of capital receipts to fund various Invest to Save projects identified and approved in the last year's Capital Programme. Majority of the schemes are on-going and not yet fully implemented therefore their annual revenue savings targets have not been fully achieved so far. Of £22.7m identified savings, £5.45m have been achieved to date.

The capital programme is reviewed annually and approved by Full Council in the budget setting cycle in February each year. Any new eligible schemes will be included in this report, with clear indication that they will be fully or part-funded by the flexible use of eligible capital receipts.

Any changes to this programme during the year will be presented back to Cabinet, and notified to the MHCLG, as per the requirements of the guidance.

APPENDIX 6 - MINIMUM REVENUE PROVISION (MRP) STATEMENT 2019/20

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 [SI3146, 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. There is a consultation on the statutory guidance to be applied in 2018/19. The MRP will, over time, reduce the CFR.
2. The statutory guidance lists a number of options for calculating MRP. 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.
4. No MRP is required in respect of the Housing Revenue Account (HRA).

Annual MRP Statement – frequency of update and approval

5. The Secretary of State recommends that before the start of each financial year, Hammersmith and Fulham 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”

6. 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:


7. MRP is calculated using Option 1 - Regulatory Method. 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. For the expenditure above Adjustment A, the MRP rate will be calculated based on useful asset lives.

Capital Expenditure incurred after 1 April 2008 (unsupported borrowing):

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. This method spreads the cost over the estimated life of an asset.

9. The determination as to which scheme is funded from borrowing and which from other sources shall be made by the Strategic Director, Finance and Governance. 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.
10. 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. The Council'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.
11. Loans and grants towards capital expenditure by third parties: MRP should be charged using useful economic life of the assets for in relation to which the third-party expenditure is incurred.
12. 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.
13. The Strategic Director, Finance and Governance is responsible for implementing the Minimum Revenue Provision Statement and has managerial, operational and financial discretion necessary to ensure that MRP is calculated in accordance with this Statement and with regulatory and financial requirements and resolve any practical interpretation issues.

<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">CABINET</p> <p style="text-align: center;">4 FEBRUARY 2019</p>	
<p style="text-align: center;">TREASURY MANAGEMENT STRATEGY STATEMENT 2019/20</p>	
<p>Report of the Cabinet Member for Finance and Commercial Services – Councillor Max Schmid</p>	
<p>Open Report</p>	
<p>Classification: For Decision Key Decision: Yes</p>	
<p>Wards Affected: All</p>	
<p>Accountable Director: Hitesh Jolapara, Strategic Director, Finance and Governance</p>	
<p>Report Author: Phil Triggs, Director of Treasury and Pensions</p>	<p>Contact Details: Tel: 0207 641 4136 E-mail: p.triggs@westminster.gov.uk</p>

1. EXECUTIVE SUMMARY

1.1 The Local Government Act 2003 requires the Council to:

- set out a statement of its treasury management strategy for borrowing, having regard to the Prudential Code and setting out Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.
- prepare an Annual Investment Strategy, setting out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Treasury Management Strategy Statement and Annual Investment Strategy must both have regard to guidance issued by the Department of Communities and Local Government (DCLG) and must be approved by the full Council.

1.2 This report sets out the Council’s proposed Treasury Management Strategy and Annual Investment Strategy for 2019/20, and authorises the Strategic Finance Director to deliver the treasury management activities set out in the report.

- 1.3 The report is also designed to demonstrate compliance with the Local Government Act 2003, other regulations and statutory guidance for ensuring that the Council's borrowing and investment plans are prudent, affordable and sustainable, and comply with statutory requirements.

2. RECOMMENDATIONS

- 2.1 That approval be given to the future borrowing and investment strategies as outlined in this report and that the Strategic Finance Director, in consultation with the Cabinet Member for Finance, be authorised to manage the Council's cash flow, borrowing and investments in 2019/20 in line with this report.
- 2.2 In relation to the Council's overall borrowing for the financial year, to approve the Prudential Indicators as set out in this report and the revised Annual Investment Strategy set out in Appendix E.

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:
- The Council's capital programme and corporate investment plans are adequately funded;
 - Cash flow is adequately planned, with cash being available when needed to discharge the Council's legal obligations and to deliver Council services;
 - Surplus monies are invested wisely, in counterparties or financial instruments commensurate with the Council's low risk appetite, providing security of capital and adequate liquidity before considering investment return.
- 3.2 Treasury Management Strategies provide a guide to the borrowing needs of the Council, essentially 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, using cash flow surpluses, or restructuring any debts previously entered into to meet Council risk or cost objectives.
- 3.3 The Council has formally adopted CIPFA's Code of Practice on Treasury Management. The Code of Practice and Cross Sectoral Guidance Notes issued in 2009 and 2011 require that each Local Authority has a Treasury Management Policy Statement that is approved by the Full Council, and this is set out in Appendix A.
- 3.4 The Council also follows other key requirements of the Code as set out in Appendix B. Prospects for interest rate changes and investment returns have been considered in developing and updating the Council's Treasury Management Strategies. The Bank of England's Monetary Policy

Committee(MPC) has indicated they expect rates to be 2.5% in ten years' time but they declined to give a medium term forecast. It is unlikely that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Similarly, the MPC is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit. The Council's treasury management advisors, Link Asset Services (formerly Capita Asset Services), are currently forecasting a modest increase in rates to 1.00% by the June 2019 from the current 0.75% base rate (see Appendix C for more details).

3.5 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 D sets out the present views of our Treasury Consultants, Link Asset Services.

3.6 Sections 4 to 6 of this report comprise the Council's Treasury Management Strategy which covers three main areas as summarised below:

1. Borrowing

- Overall borrowing strategy
- Limits on external borrowing
- Maturity structure of borrowing
- CFR projections
- Affordability
- The Minimum Revenue Provision (MRP) policy
- Policy on borrowing in advance of need
- Debt rescheduling

2. Capital spending plans

- Capital spending plans
- Housing Revenue Account borrowing needs.
- Other investment opportunities

3. Managing cash balances and investments

- The current cash position
- Cash flow forecast
- Prospects for investment returns

- Council policy on investing and managing risk
- Balancing short and longer term investments
- Annual Investment Strategy

3.7 Section 7 of the report summarises the key prudential indicators. These provide a reference point or “dashboard” so that senior officers and Members can easily identify whether approved treasury management policies are being applied correctly in practice and take corrective action as required.

3.8 The Annual Investment Strategy in Appendix E provides more detail on how the Council’s surplus cash investments are to be managed in 2019/20. Approved schedules of specified and non-specified investments will be updated following consideration by Members and finalisation of 2019/20 budget plans. Changes from the previous year are summarised below:

Limit	Changes proposed	Rationale
Local Authorities	Increase individual loan limit from £20m to £30m and the overall cap from £100m to £200m	Local authorities are good credit quality as they are tax-backed, and subject to a strong regulatory financial regime. All loans to authorities are subject to a balance sheet check and review of their accounts to ensure capacity to repay, and all need to be approved by the Director of Treasury and Pensions This is subject to full review and all counterparty analysis saved on file.

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

4.0 **BORROWING**

Overall borrowing strategy

4.1 The General Fund has previously maintained 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 has been prudent as investment returns are very low and counterparty risk is high. The HRA’s funding requirements differ from the General Fund’s and internal borrowing in the HRA may be required in the future.

- 4.2 The Council's main objective when borrowing money is to strike an appropriate balance between securing low interest costs and achieving cost certainty over the period for which funds are required.
- 4.3 Given the significant cuts to public expenditure and, in particular, to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the long-term stability of the debt portfolio. The key factors influencing the 2019/20 strategy are:
- forecast borrowing requirements;
 - the current economic and market environment; and
 - interest rate forecasts.
- 4.4 The Council is currently maintaining an under-borrowed position. This means that capital expenditure has not been fully funded from loan debt as other funding streams (such as government grants and third party contributions, use of Council reserves and cash balances and capital receipts) have been employed where available. This policy has served the Council well over the last few years while investment returns have been low and counterparty risk has been relatively high.
- 4.5 With interest costs on borrowing still close to historic lows officers are constantly reviewing this to see if this remains the appropriate solution, or whether the Council should undertake more long term borrowing to match the anticipated capital financing requirements over the next few years. Given the Council's resources available for internal borrowing are expected to reduce as capital spending intensifies, the Council needs to maintain flexibility to borrow at opportune moments in line with the prudential indicators.

Limits on external borrowing

- 4.6 The Prudential Code requires the Council to set two limits on its total external debt, as set out in Table 1 below. The limits have remained at the same level compared with the 2017/18 Treasury Management Strategy Statement (TMSS) to reflect slippage in the capital programme from previous years. The limits are:
- **Authorised Limit for External Debt (Prudential Indicator 5a):** This is the limit prescribed by section 3(1) of the Local Government Act 2003, representing the maximum level of borrowing which the Council may incur. It reflects the level of external debt which, while not desired, could be afforded in the short term, but may not be sustainable in the longer term.
 - **Operational Boundary (Prudential Indicator 5b):** This is the limit which external debt is not normally expected to exceed. The boundary is based on current debt plus anticipated net financing need for future years.

Table 1: Overall borrowing limits

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23
Actual		Forecast	Estimate	Estimate	Estimate	Estimate
£m		£m	£m	£m	£m	£m
Authorised Limit for External:						
345	Borrowing and other long term liabilities	400	400	400	450	450
Operational Boundary for:						
275	Borrowing	325	325	325	350	350
15	Other long term liabilities	15	15	15	15	15
290	TOTAL	340	340	340	365	365

Maturity structure of borrowing

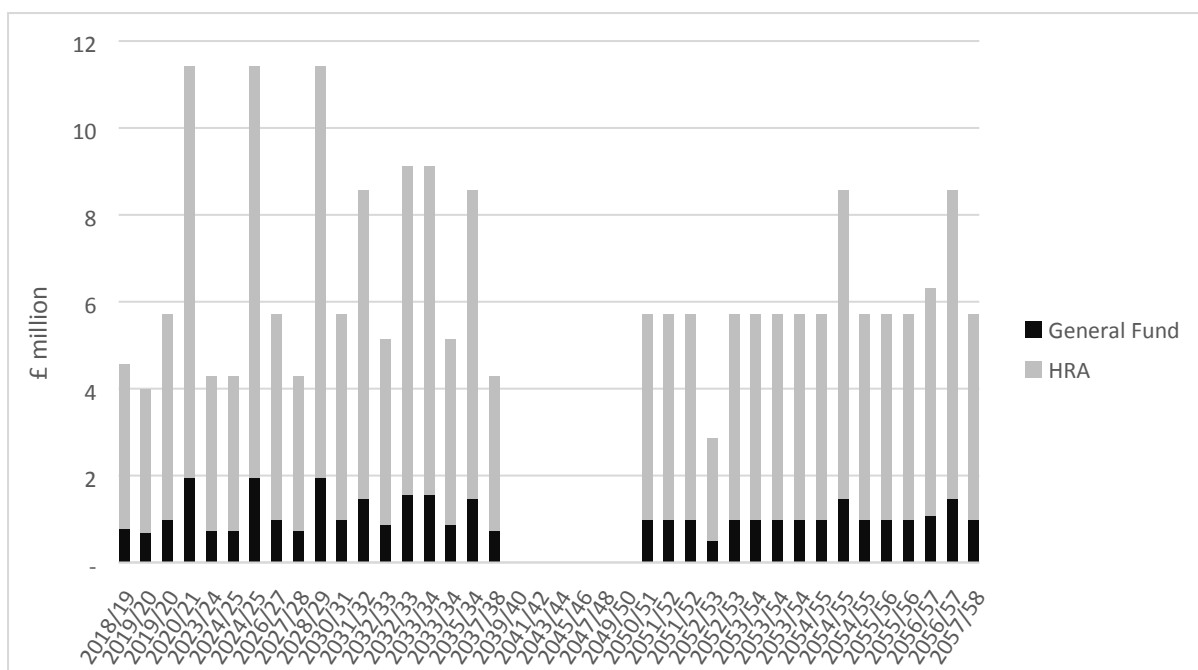
4.7 Managing the profile of when debt matures is essential for ensuring that the Council is not exposed to large fixed rate sums falling due for refinancing within a short period, and thus potentially exposing the Council to additional cost. Table 2 below sets out current upper and lower limits for debt maturity which are unchanged from 2018/19.

Table 2: Debt maturity profile limits

Actual Maturity at 30 Sep 2018		Lower Limit	Upper Limit
%		%	%
2	Under 12 months	0	15
4	12 Months and within 24 Months	0	15
7	24 Months and within 5 years	0	60
12	5 Years and Within 10 Years	0	75
74	10 Years and Above	0	100

Maturity profile of long-term borrowing

4.8 The chart below shows that the principal repayment profile for current council borrowing remains within these limits.



Capital Financing Requirement (CFR)

4.9 The CFR measures the extent to which capital expenditure has not yet been financed from either revenue or capital resources. Essentially, it measures the Council's underlying borrowing need. Each year, the CFR will increase by the amounts of new capital expenditure not immediately financed.

4.10 Table 3 shows that the CFR will increase over the medium term. Consequently, the capital financing charge to revenue will increase, reflecting the capital spending plans.

Table 3a: Capital Financing Requirement forecast

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23
Actual		Forecast	Estimate	Estimate	Estimate	Estimate
£m		£m	£m	£m	£m	£m
	CFR as at 31 March					
67	General Fund Closing CFR (detail in Table 3b)	97	137	173	209	210
210	Closing Forecast HRA CFR (including deferred costs of disposal)	211	222	239	256	260
277	TOTAL	308	359	412	465	470
	Annual Change					
5	General Fund	30	40	36	36	1
1	HRA	1	11	17	17	4
6	TOTAL	31	51	53	53	5

4.11 A more detailed analysis of the closing Forecast CFR is shown below:

Table 3b: General Fund Capital Financing Requirement forecast (detailed)

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23
Actuals		Forecast	Estimate	Estimate	Estimate	Estimate
£m		£m	£m	£m	£m	£m
50	General Fund CFR excluding DSG funded borrowing	80	88	94	102	106
7	DSG funded borrowing for schools windows	8	11	12	12	11
	Joint Venture		30	59	88	87
10	PFI and Finance lease liabilities	9	9	8	7	6
67	TOTAL	97	138	173	209	210

4.12 The schools window replacement programme is a £13m programme. The increase in MRP arising from this spend is to be met by top-slicing the schools DSG allocation.

4.13 Table 4 below confirms that the Council's gross debt does not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for current year and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

Table 4: Borrowing compared to the Capital Financing Requirement

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23
Actual		Forecast	Estimate	Estimate	Estimate	Estimate
£m		£m	£m	£m	£m	£m
217	Gross Projected Debt	213	203	192	192	192
277	Capital Financing Requirement	308	359	412	465	470
60	Under / (over) borrowing	95	156	220	272	278

Affordability

4.14 The objective of the affordability indicators is to ensure that the level of investment in capital assets proposed remains within sustainable limits and, in particular, the impact on the Council's "bottom line" as reflected in the impact on council tax and rent levels. Table 5 below sets out the expected ratio of capital financing costs to income for both General Fund and HRA activities:

Table 5: Ratio of capital financing costs to income

2017/18		2018/19	2019/20	2020/21	2021/22	2022/23
Actual		Forecast	Estimate	Estimate	Estimate	Estimate
%		%	%	%	%	%
0.10	General Fund	0.18	0.65	1.92	2.71	3.27
30.93	HRA	32.88	32.61	32.25	33.30	33.70

- 4.15 For 2017/18 and 2018/19, gross capital financing charges (loan interest, MRP and finance and PFI payments) for the General Fund capital programme are largely outweighed or balanced by income from investments and the commercial property portfolio.
- 4.16 The capital financing charges arising from the HRA capital programme increase in line with the forecast increased income, hence capital charges as a proportion of the HRA net revenue stream will remain fairly steady.

Minimum Revenue Provision (MRP) Policy

- 4.17 Capital expenditure is generally defined as expenditure on assets that have a life expectancy of more than one year. The accounting approach is to spread the cost over the estimated useful life of the asset. The mechanism for spreading these costs is through an annual MRP. The MRP is the means by which capital expenditure, which is financed by borrowing or credit arrangements, is funded by Council Tax.
- 4.18 Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended (Statutory Instrument (SI) 3146/2003) requires full Council to approve a Minimum Revenue Provision (MRP) Statement setting out the policy for making MRP and the amount of MRP to be calculated which the Council considers to be prudent. In setting a level which the Council considers to be prudent, the Guidance states that the broad aim is to ensure that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits to the Council.
- 4.19 The Council's proposed MRP policy for 2019/20 is reported at Appendix 4 of the Four Year Capital Programme 2019/20 – 2022/23.

Borrowing in advance of need

- 4.20 The Council has the power to borrow in advance of need in line with its future borrowing requirements under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated, and that the Council can ensure the security of such funds. Currently, there are no plans to incur any additional external borrowing in the medium term.

- 4.21 Risks associated with any borrowing in advance of activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt rescheduling

- 4.22 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the cost of debt repayment (premiums incurred).
- 4.23 The reasons for any rescheduling to take place will include:
- generating cash savings and / or discounted cash flow savings;
 - helping to fulfil the treasury strategy; and
 - enhancing the balance of the portfolio by amending the maturity profile and/or the balance of volatility.
- 4.24 Consideration will also be given to identifying the 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.
- 4.25 Any rescheduling must be authorised by the Strategic Director, Finance and Governance in consultation with the lead cabinet Member.

CAPITAL

Capital spending plans

- 5.1 The Prudential Code requires that any borrowing and investment decisions are taken in the light of capital spending plans and consideration of how that proposed capital expenditure will be purchased. The Council's capital expenditure plans have been reported in the Four-Year Capital Programme 2019/20-2022/23 reported elsewhere on the Committee's agenda, both in terms of those agreed previously, and those forming part of the current budget cycle.
- 5.2 Any slippage against the capital programme will impact on the figures reported throughout this report.

Housing revenue account

- 5.3 Borrowing for the HRA has to remain within the HRA Debt Limit (prescribed in the HRA Self Financing Determinations 2012) as detailed in the table below. Borrowing for the HRA is measured by the HRA CFR.

HRA borrowing

- 5.4 For the period 2018/19 to 2022/23, based on the planned four-year capital programme and other sources of capital resources, borrowing will be funded principally from internal resources. This will be kept under review and the HRA will need to maintain flexibility to undertake new borrowing under appropriate conditions.
- 5.5 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.
- 5.6 The HRA debt cap was scrapped in the autumn 2018 budget, which may change the way the HRA looks at affordability in the future.

Other investment opportunities

- 5.7 As well as investing in assets owned by the Council and used in the delivery of services, the Council also invests, or may invest, where appropriate, in:
- Infrastructure projects, such as green energy;
 - Loans to third parties;
 - Shareholdings in limited companies and joint ventures.
- 5.8 Such investments are treated as expenditure for treasury management and prudential borrowing purposes, even though they do not create physical assets in the Council's accounts. Appropriate budgets in respect of these activities will be agreed as part of the Council's budget setting and ongoing monitoring processes and considered as part of the Investment Strategy.

MANAGING CASH BALANCES

Current position and cash flow forecast

- 6.1 Table 7 below shows that cash balances have increased by £27m in the past six months which is mainly due to income such as council tax, business rates and grants received in advance. The cash largely comprises the Council's usable reserves, capital receipts and unspent grants. Whilst the level of cash has increased during the current financial year, it is expected to decline to £330m by the year-end. An explanation of specified and non-specified investments is explained in section 12 appendix E.

Table 7: Cash position at 30 September 2017

As at 31 March 2018			As at 30 September 2018		
Principal	Average Rate		Principal	Average Rate	
£m	%		£m	%	
Investments					
321	0.58	Specified	354	0.66	
18	1.14	Non-Specified	18	1.11	
339		Total	354		
Borrowing					
217	4.86	Public Works Loan Board	217	4.86	
217		Total	217		

- 6.2 The Council aims to manage daily cash flow peaks and troughs to achieve a nil current account balance throughout the year. As such the average yearly surplus cash balances should be fully invested throughout. The medium-term cash flow forecast shows that the Council has a substantial positive cashflow position with an average cash position fluctuating around £346m for the medium term.

Prospects for Investment Returns

- 6.3 Investment returns on cash based deposits are likely to remain low during 2019/20 and beyond. Borrowing interest rates were on an upward trend during most of 2018; they fell sharply to historically low levels after the EU referendum and then even further after the MPC meeting of August 2016 when a new package of quantitative easing purchasing of UK gilts was announced. In November 2017, the MPC raised rates from 0.25% to 0.50% and again to 0.75% in August 2018.
- 6.4 Gilt yields have since been volatile due to a rise in concerns around a 'hard Brexit', the fall in the value of sterling, and an increase in inflation expectations. The Council is therefore committed to investigating and pursuing alternatives to cash-based investments where it is considered prudent to do so.

Council policy on investing and managing risk

- 6.5 The aim is to manage risk and reduce the impact of any adverse movement in interest rates on the one hand but, at the same time, not setting the limits to be so restrictive that they impair opportunities to reduce costs or improve performance.

Balancing short and longer term investments

- 6.6 During the first half of 2018/19, there has been no new investments of surplus funds for more than 364 days. The 2017/18 Annual Investment Strategy permits

investing for more than 365 days. Using longer term maturity investments should improve yields.

Table 8: Investment limits

2017/18		2018/19	2019/20	2020/21	2021/22
Actual		Forecast	Estimate	Estimate	Estimate
£m		£m	£m	£m	£m
Upper limit for fixed interest rate exposure					
217	Net principal re fixed rate borrowing	400	400	400	450
Upper Limit for variable rate exposure					
0	Net Principal for variable rate borrowing	0	0	0	0
18	Upper Limit for principal sums invested for more the 364 days	120	120	120	120

Annual Investment Strategy

- 6.7 The Council holds significant invested funds, representing income received in advance of expenditure, balances and reserves. During the first half of the current year, the Council's average investment balance has been around £346m and the cash flow projections show this pattern is expected to continue in the coming year, but with additional regeneration projects expected to take place, average cash balances are expected to reduce in 2019/20.
- 6.8 The Local Government Act 2003 requires the Council to prepare an Annual Investment Strategy, setting out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. This strategy is set out in Appendix E.
- 6.9 Investments are made with reference to the core balance, future cash flow requirements and the outlook for interest rates. The Council's investment priorities will always be security first, liquidity second, then return.

SUMMARY OF PRUDENTIAL INDICATORS (PIs)

- 7.1 The purpose of prudential indicators (PIs) is to provide a reference point or "dashboard" so that senior officers and Members can:
- easily identify whether approved treasury management policies are being applied correctly in practice; and
 - take corrective action as required.
- 7.2 As the Council's S151 officer, the Strategic Director, Finance and Governance has a responsibility to ensure that appropriate PIs are set and monitored and that any breaches are reported to Members.

7.3 The Strategic Director, Finance and Governance has confirmed that the PIs set out below are all expected to be complied with in 2018/19 and he does not envisage at this stage that there will be any difficulty in achieving compliance with the suggested indicators for 2019/20

PI ref	Para ref		2017/18 actual	2018/19 forecast	2019/20 proposed
1	5.1	Capital expenditure	£73m	£92m	£121m
2	4.10	Capital Financing Requirement (CFR)	£277m	£308m	£359m
3	4.13	Net debt vs CFR	£60m underborrowing	£95m underborrowing	£156m underborrowing
4	4.14	Ratio of financing costs to revenue stream	GF 0.10% HRA 30.93%	GF 0.18% HRA 32.61%	GF 0.65% HRA 32.25%
5a	4.6	Authorised limit for external debt	£345m	£400m	£400m
5b	4.6	Operational debt boundary	£275m	£340m	£340m
6	6.2	Working capital balance	£0m	£0m	£0m
7	6.6	Limit on surplus funds invested for more than 364 days (i.e. non-specified investments)	£120m	£120m	£120m
8	4.7	Maturity structure of borrowing	Upper limit under 12 months - 15% Lower limit 10 years and above - 100%	Upper limit under 12 months - 15% Lower limit 10 years and above - 100%	Upper limit under 12 months - 15% Lower limit 10 years and above - 100%

7.4 CIPFA is currently updating the Prudential Code and Treasury Management Code to take effect for 2019/20. This TMSS has been prepared based on the current versions of these Codes and will be updated when the revised Codes are published.

8. FINANCIAL IMPLICATIONS

8.1 The comments of the Strategic Director, Finance and Governance and the Head of Corporate Accountancy and Capital are contained within this report.

8.2 This report is wholly of a financial nature.

9. LEGAL IMPLICATIONS

9.1 The legal implications are contained within the body of the report.

9.2 Implications completed by Joyce Golder, Principal Solicitor, tel. 020 7361 2181.

10. EQUALITY IMPLICATIONS

- 10.1 There will be no negative implications for protected groups arising from the Treasury Management Strategy.
- 10.2 Implications completed by Peter Smith, Head of Policy & Strategy, tel. 020 8753 2206.

11. IT IMPLICATIONS

- 11.1 There are no IT technical implications for the council.
- 11.2 Implications verified by: Veronica Barella, interim Chief Information officer, tel 020 8753 2927

12. IMPLICATIONS FOR BUSINESS

12. There are no business implications for the council.
- 12.1 Implications for Business completed by: David Burns, Interim Head of Economic Development (Regeneration, Planning and Housing Services).

13. RISK IMPLICATIONS

- 13.1 The financial risk categories typically managed by a treasury operation (and described in the report) include:
- liquidity risk
 - funding risk
 - interest rate risk
 - foreign exchange risk
 - commodity price risk
 - credit risk
 - operating risk.
- 13.2 The type and extent of exposure to financial risks will depend on the nature of its borrowings and its underlying business. Local authorities are required to report annually to full council on their treasury management strategy (TMS) before the start of the year, which sets the objectives and boundaries for its approach to treasury activity.
- 13.3 The authority supplements this with treasury management practice schedules (TMPs), which set out and provide assurance for the practical arrangement to achieve those objectives. The TMPs inform the day-to-day practices applied to manage and control treasury activities. A prudent investment policy has two key priorities: security (protecting the capital sum from loss) and then liquidity (resources readily available to meet cash demands when required). As these priorities are determined within the report 4.2 and 4.3, the Council seeks to optimise performance consistent with those risks to achieve a yield.

13.4 Implications verified by: Michael Sloniowski, Risk Manager, tel. 020 8753 2587.

14 **COMMERCIAL IMPLICATIONS**

14.1 There are no procurement implications resulting from this report. Commercial implications are contained within the main body of the report.

14.2 Implications provided by Andra Ulianov, Procurement Consultant, tel. 020 8753 2284.

LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT (all published)

Treasury Management Strategy Statement 2018/19 (approved by Council February 2018)

Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended

DCLG guidance on minimum revenue provision 2003

DCLG guidance on local government investments March 2010

CIPFA Prudential Code for capital finance in local authorities 2011

CIPFA Treasury Management Code of Practice 2011

If you have any queries about this report or wish to inspect any of the background papers please contact:

Phil Triggs, Tri-Borough Director of Treasury and Pensions

Tel 020 7641 4136

E-mail ptriggs@westminster.gov.uk

LIST OF APPENDICES

Appendix A: Treasury Management Policy Statement

Appendix B: Meeting CIPFA requirements

Appendix C: Interest Rate Prospects

Appendix D: Economic Update

Appendix E: Annual Investment Strategy

Appendix F: Credit Ratings

Appendix G: Approved countries investment list

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.

MEETING CIPFA REQUIREMENTS

The Council has formally adopted CIPFA's Code of Practice on Treasury Management (updated November 2011) and complies with the requirements of the Code as detailed below:

- Maintaining a Treasury Management Policy Statement setting out the policies and objectives of the Council's treasury management activities
- Maintaining a statement of Treasury Management Practices that sets out the manner in which the Council will seek to achieve these policies and objectives
- Presenting the Full Council with an annual Treasury Management Strategy Statement, including an annual investment strategy and Minimum Revenue Provision policy for the year ahead (this report), a half year review report and an annual report (stewardship report) covering compliance during the previous year
- A statement of delegation for treasury management functions and for the execution and administration of treasury management decisions (see below).
- Delegation of the role of scrutiny of treasury management activities and reports to a specific named body. At the London Borough of Hammersmith and Fulham, this role is undertaken by the Audit, Pensions and Standards Committee.

Treasury Management Delegations and Responsibilities

The respective roles of the Council, Cabinet, Audit, Pensions and Standards Committee, and of the Section 151 officer and the Director of Treasury and Pensions are summarised below. Further details are set out in the Statement of Treasury Management Practices.

Council

Council will approve the annual treasury management strategy statement, including borrowing and investment strategies. In doing so, Council will establish and communicate its appetite for risk within treasury management having regard to the Prudential Code.

Cabinet

Cabinet will recommend to Council the annual treasury strategy, including borrowing and investment strategies and receive a half-year report and annual outturn report on treasury activities. Cabinet also approves revenue budgets, including those for treasury activities.

Audit, Pensions and Standards Committee

This committee is responsible for ensuring effective scrutiny of treasury strategy and policies.

Section 151 Officer

The role of the Section 151 officer is delegated to the Strategic Director, Finance and Governance (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.

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.

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.

Director of Treasury and Pension Fund

Has responsibility for the execution and administration of treasury management decisions, acting in accordance with the Council's Treasury Policy Statement and CIPFA's 'Standard of Professional Practice on Treasury Management'.

Treasury Team

Undertakes day-to-day treasury investment and borrowing activity in accordance with strategy, policy, practices and procedures.

Training

The CIPFA code requires the S151 officer to ensure that Members with responsibility for making treasury management decisions and for scrutinising treasury functions to receive adequate training. The training needs of all officers are reviewed periodically as part of the Learning and Development programme. Officers attend various seminars, training sessions and conferences during the year and appropriate Member training is offered as and when needs and suitable opportunities are identified.

Monitoring and Reporting

The Treasury Management activities during the year will be included in the monitoring reports to the Audit, Pensions and Standards Committee.

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:

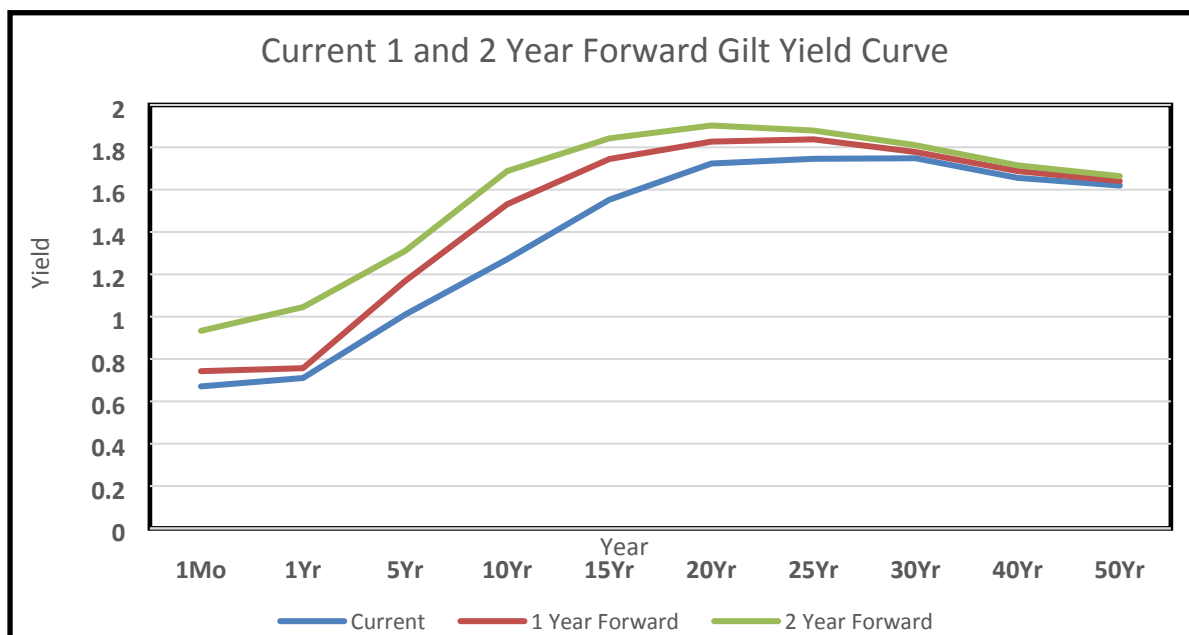
Area of Responsibility	Council / Committee / Officer	Frequency
Treasury Management Strategy	Full Council	Annually at meeting before the start of the financial year.
Scrutiny of Treasury Management Strategy	Audit, Pensions and Standards Committee	Annually
Treasury Management Strategy: Mid-year report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

PROSPECTS FOR INTEREST RATES

- The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view

	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.25%
5 yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.50%
10 yr PWLB Rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	2.90%	2.90%
25 yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.40%
50 yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.20%

- Link Asset Services undertook its last review of interest rate forecasts on 9 August 2017 after the quarterly Bank of England Inflation Report. There was no change in MPC policy at that meeting. However, the MPC meeting of 14 September 2017 revealed a sharp change in sentiment whereby a majority of MPC members said they would be voting for an increase in Bank Rate “over the coming months”.
- The November 2017 MPC meeting increased the Base Rate from 0.25% to 0.50%. there was a further increase of 0.25% in August 2018.
- The graph below shows the current UK Gilt curve, together with the one and two year forward Gilt curve (i.e. current market expectations for the Gilt rates in twelve and twenty-four months’ time).



Source: Bloomberg

5. Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Treasury Management team will continue to monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances (within their approved remit).
6. If it were considered that there was a significant risk of a sharp fall in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
7. Because the council existing borrowing is on fixed interest terms the Council is protected from future interest rate raises. However, any new borrowing would reflect current market rates which may fluctuate.

ECONOMIC UPDATE

UK: The first half of 2018/19 has seen UK economic growth post a modest performance, but sufficiently robust for the Monetary Policy Committee (MPC) to unanimously (9-0) vote to increase Bank Rate on 2 August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August 2018 Quarterly Inflation Report suggested that growth will pick up to 1.8% in 2019, albeit there were several caveats, mainly related to whether or not the UK achieves an orderly withdrawal from the European Union on 29 March 2019.

Some MPC members have expressed concerns about a build-up of inflationary pressure, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation is currently running at 2.5% but is expected to fall back towards the 2% inflation target over the next two years, given a scenario of minimal increases in Bank Rate. The MPC has indicated that the Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

Re unemployment, this is now at a 43-year low of 4% on the Independent Labour Organisation measure but, despite that, wage inflation is currently weak. This is a global theme for the major economies of the world. Indeed, with UK wages running in line with the CPI measure of inflation, real earnings are, in effect, neutral. Given the UK economy is very much services sector driven, any weakness in household spending power is likely to feed through into tepid economic growth. This is another reason why the MPC will need to tread cautiously before increasing the Bank Rate again, especially given all the uncertainties around UK exit from the EU. Additionally, business sentiment surveys, such as the Purchasing Managers Index collated by Markit, suggest the UK is set for only modest GDP growth in the second half of 2018 with the monthly updated figure for annual growth being 1.5% as at the end of July 2018. The housing market is going through a weak phase, with UK wide house price growth averaging 2% to 3%, but with London and the south-east experiencing price falls.

As for the political arena, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over UK exit from the EU. However, Prime Minister May's government could endure, despite various setbacks, along the route to 29 March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

EU: Growth has undershot early forecasts for a strong economic performance in 2018. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports, e.g., cars. For that reason, although growth is still expected to be in the region of 2% for 2018, the horizon is less clear than it seemed just a short while ago.

USA: President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth to around 1% in Q2 2018, but also an upturn in inflationary pressures. With inflation moving towards 3%,

the Fed has already tightened the Fed Funds interest rate to between 1.75% and 2%, and a further two increases to 2.25% to 2.5% are expected before the end of 2018 with the prospect of another increase or two next year. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019.

China: Economic growth has been weakening over successive years and, despite repeated rounds of central bank stimulus, medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

Japan: struggling to stimulate consistent significant growth and to get inflation up to its target of 2%, despite significant monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

ANNUAL INVESTMENT STRATEGY

1. The Council holds significant invested funds, representing income received in advance of expenditure, balances and reserves. During the first half of the current year, the Council's average investment balance has been around £346m and the cash flow projections shows this pattern is expected to continue in the forthcoming year. Investments are made with reference to the core balance, future cash flow requirements and the outlook for interest rates.
2. The Council's investment policy has regard to the DCLG's Guidance on Local Government Investments ("the Investment Guidance") and the 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, then return.
3. In accordance with the above guidance and to minimise the risk to investments, the Council applies minimum acceptable credit criteria to generate a list of highly creditworthy counterparties, which will provide security of investments, enable diversification and minimise risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Investment returns and time limits

4. The Bank Rate was increased in November 2017 from 0.25% to 0.50% and a further 0.25% to 0.75% in August 2018. The question still remains as to whether or not they will stop at this point for a lengthy pause, or will launch into a series of further rate increases in 2019 and beyond as Brexit uncertainties remain. The Bank Rate forecasts for financial year ends (March) are:

2018/19: 0.75%
 2019/20: 1.00%
 2020/21: 1.25%
 2021/22: 1.50%
 2022/23: 2.00%

5. The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year are as follows

2018/19: 0.75%
 2019/20: 0.75%
 2020/21: 1.00%
 2021/22: 1.25%
 2022/23: 1.50%

Source: Link Asset Services

Investment time limits

6. This limit is set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment. For the year 2019/20, the proposed limit of investments for over 364 days is £120m as set out in the TMSS.

Investment Policy

7. The Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to assess continually 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.
8. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Creditworthiness Policy

9. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:
 - It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security; and
 - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
 - The Strategic Finance Director will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to those which determine which types of investment instrument are either specified or non-specified as they provide an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.
10. The Council takes into account the following relevant matters when proposing counterparties:
 - the financial position and jurisdiction of the institution;

- the market pricing of credit default swaps¹ for the institution;
- any implicit or explicit Government support for the institution;
- Standard & Poors, Moodys and Fitch short and long term credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries; and
- Core Tier 1 capital ratios ².

11. Changes to the credit rating will be monitored and, in the event that a counterparty is downgraded and does not meet the minimum criteria specified in Appendix E, the following action will be taken immediately:

- no new investments will be made;
- existing investments will be recalled if there are no penalties; and
- full consideration will be given to recall or sale existing investments which would be liable to penalty clause.

Specified and Non-specified investments

12. The DCLG Guidance on Local Government Investments made under section 15(1) of the Local Government Act 2003, places restrictions on Local authorities around the use of specified and non-specified investments. A specified investment is defined as an investment which satisfies all of the conditions below:

- The investment and any associated cash flows are denominated in sterling;
- The investment has a maximum maturity of one year;
- The investment is not defined as capital expenditure; and
- 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.

13. Investments with UK local authorities are deemed to be high credit quality because of the strong regulatory financial framework within which local authorities are required to operate and which mitigates against the risk of default, summarised below:

- The requirement to set a balanced budget annually under sections 31A and 42A of the Local Government Finance Act 1992;
- The requirement to budget for a minimum level of reserves including risk under the Local Government Act 2003;

¹ Credit Default Swaps (CDS) are tradable instruments where the buyer receives a pay-out from the seller if the party to whom the CDS refers (often a financial institution) has a “credit event” (e.g. default, bankruptcy, etc.). The price of the CDS gives an indication to the market’s view of likelihood: the higher the price the more likely the credit event.

² The Tier 1 capital ratio is the ratio of a bank’s core equity capital to its total risk-weighted assets (RWA). Risk-weighted assets are the total of all assets held by the bank weighted by credit risk according to a formula determined by the Regulator (usually the country’s central bank). Most central banks follow the Basel Committee on Banking Supervision (BCBS) guidelines in setting formulae for asset risk weights. The Core Tier 1 ratios for the four UK banks that the Council uses are: Barclays: 10.2%, HSBC: 11.2%, Lloyds: 12.0% and RBS: 10.8%.

- The requirement for the S151 officer to issue a statutory report in the event that the authority intends to not set an adequate level of reserves or intends to undertake a course of action which he considers to be unlawful;
- The requirement for long-term borrowing to be solely for capital expenditure;
- The cap on excessive borrowing through the operation of the limits in the Prudential Code;
- All borrowing has to be secured on revenues of a local authority rather than assets.

14. A non-specified investment is any investment that does not meet all the conditions above. In addition to the long-term investments listed in the table at the end of Appendix E, the following non-specified investments that the Council may make include:

- **Green Energy Bonds:** Investments in solar farms 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.
- **Loans:** The Council may consider advancing loans (as a form of investment) to organisations delivering services for the Council where this will lead to the enhancement of services to Council Stakeholders. The Council will undertake due diligence checks to confirm the borrower's creditworthiness before any sums are advanced and will obtain appropriate levels of security or third party guarantees for loans advanced. The Council would expect a return commensurate with the type and duration of the loan. All loans would need to be in line with the Council's Scheme of Delegation and Key Decision thresholds levels.
- **Shareholdings in limited companies and joint ventures:** The Council may invest in three forms of company:
 - Small scale businesses aimed at promoting economic growth in the area. Individual investments are no more than £0.5m and the aim is for these to be self-financing over the medium term. Any such loans will be subject to due diligence and the Council's Scheme of Delegation and Key Decision thresholds levels..
 - Trading vehicles which the Council has set up to undertake particular functions. Currently the Council has interests in the following companies: Lyric Theatre Hammersmith Ltd, Hammersmith and Fulham Urban Studies Centre, Hammersmith and Fulham Bridge Partnership, HFS Developments LLP, HFS Developments 2 LLP, LBHF Ventures Ltd, LBHF Joint Ventures Ltd and LBHF Family Support Services Ltd. These are not held primarily as investments but to fulfil Council service objectives. Any new proposals will be subject to due diligence as part of the initial business case. As these are not to be held primarily as investment vehicles, then there is an expectation that they will break even.
 - Trading vehicles held for a commercial purpose where the Council is obliged to undertake transactions via a company vehicle. These will be wholly owned

subsidiaries of the Council with the aim of diversifying the investment portfolio risk.

15. For any such investments, specific proposals will be considered by the Director of Treasury and Pensions, and the Strategic Finance Director in consultation with the lead Cabinet Member for Finance and approvals to be in accordance with the Council's Constitution and governance processes, after taking into account:
- cash flow requirements
 - investment period
 - expected return
 - the general outlook for short to medium term interest rates
 - creditworthiness of the proposed investment counterparty
 - other investment risks
 - due diligence review

 - The value of non-specified investments will not exceed their investment allocation.

 - All investments with local authorities will be subject to due diligence review of their accounts and financial health by the Director of Treasury and Pensions.

Country of Domicile

16. The current TMSS allows deposits / investments with financial entities domiciled in the following countries: Australia, Canada, Denmark, Finland, France, Germany, Hong Kong, Luxembourg, Netherlands, Norway, Singapore, Sweden, Switzerland, UK and USA. This list will kept under review and any proposed changes to the policy reported to the next meeting

Schedule of investments

17. The current criteria for providing a pool of high quality short, medium and long-term, cash-based investment counterparties along with the time and monetary limits for institutions on the Council's counterparty list are in the table below:
18. The counterparties and specific limits, have been reviewed and updated.

All investments listed below must be sterling denominated

Investments	Minimum Credit Rating Required	Maximum Individual Counterparty Investment Limit	Maximum tenor	Changes from the 2018/19 TMSS
	(S&P/Moody's/Fitch)	£m		
DMO Deposits	Government Backed	Unlimited	6 months	No change
UK Government (Gilts/T-Bills/Repos)	Government Backed	Unlimited	Unlimited	No change
Supra-national Banks, European Agencies	LT: AA-/Aa3/AA-	£100m	5 years	No change
Covered Bonds*	LT: AA+/Aa1/AA+	£100m	5 years	No change
Network Rail	Government guarantee	£200m maximum	Oct-52	No change
TfL	LT: AA/Aa/AA	£100m	3 years	No change
GLA	N/A	GLA : £100M	3 years	No change
UK Local Authorities (LA)		LA : £30m per LA, per criteria £200m in aggregate	3 years	No change
Commercial Paper issued by and European Corporates	LT: AA-/Aa3/AA- ST: F2/P-2/A-3	£20m per name £80m in aggregate	1 year	No change
Money Market Funds (MMF)	LT: AAA By at least one of the main credit agencies	£30m per Fund Manager £200m in aggregate	3 day notice	No change
Enhanced Money Funds (EMF)	LT: AAA By at least one of the main agencies	£25m per fund manager, £100m in aggregate	Up to 7 day notice	No change
	ST: F2/P-2/A-3			
	ST: F2/P-2/A-3			

Investments	Minimum Credit Rating Required	Maximum Individual Counterparty Investment Limit	Maximum tenor	Changes from the 2017/18 TMSS
	S&P/Moody's/Fitch	£m		
UK Bank (Deposit/Certificate Deposit/Short Dated Bonds)	LT: AA-/Aa3/AA- (UK Government Ownership greater than 25%)	£70m	5 years	No change
UK Bank (Deposit/Certificate Deposit/Short Dated Bonds)	LT: A-/A3/A	£50m	3 years	No change
Non UK Bank (Deposit/Certificates of Deposit/Short Dated Bonds)	LT: AA-/Aa2/AA-	£50m	3 years	No change
	ST: F2/P-2/A-3			
	LT: A/A2/A ST: F2/P-2/A-3	£30m	1 years	No change
Green Energy Bonds	Internal and External due diligence	Less than 25% of the total project investment or maximum of £20m per bond. £50m in aggregate	10 years	No change
Rated UK Building Societies	LT: A-/A3/A ST: F2/P-2/A-3	£30m	3 year	No change
Approved countries investments list:	See Appendix G			

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

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


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

APPROVED COUNTRIES FOR INVESTMENTS

The list of approved countries set out below is based on the credit ratings as at 1 December 2018. Countries included on the approved list are those whose lowest rating, from Moodys, Fitch and Standard & Poors, meet or exceed the UK's credit rating of AA.

Country	Lowest rating
Australia	AAA
Canada	AAA
Denmark	AAA
Germany	AAA
Finland	AA+
France	AA
Hong Kong	AA+
Luxembourg	AAA
Netherlands	AAA
Norway	AAA
Singapore	AAA
Sweden	AAA
Switzerland	AAA
UK	AA
USA	AA+

Agenda Item 9

London Borough of Hammersmith & Fulham CABINET 4 FEBRUARY 2019	 hammersmith & fulham
CLOSURE OF ON-SITE PRINT SERVICES	
Report of the Cabinet Member for Finance and Commercial Services – Councillor Max Schmid	
Open report A separate report on the exempt part of the Cabinet agenda provides exempt financial information.	
Classification - For Decision Key Decision: Yes	
Consultation Affected staff to be consulted.	
Wards Affected: All	
Accountable Director: Director of Corporate Services, Mark Grimley	
Report Author: Louise Raisey, Assistant Director for Communications	Contact Details: Tel: 020 8753 2012 E-mail: louise.raisey@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. This report recommends the closure of the on-site printing service provided by Hammerprint, resulting in two potential redundancies, the costs of which are still to be confirmed.
- 1.2. This proposal will result in an additional on-going costs to the Council of £30,000 per year when compared against existing performance and this will be managed within the Corporate Services budgets in 2019/20. Closing the service will avoid an estimated £460,000 of premises costs over four years from reduced town hall decant costs.
- 1.3. There is an historic income target for the print service and the service is forecasting a budget shortfall of £144,000 in 2018/19. The closure of the service will mean that this target will not be met on an ongoing basis. This shortfall is currently being managed by mitigating actions within Corporate Services and will be expected to be managed by the Department in 2019/20. Corporate budgets will

be reviewed during the year to identify savings to resolve the underlying budget pressure.

2. RECOMMENDATIONS

- 2.1. To approve the closure of the on-site printing service provided by Hammerprint resulting in the deletion of two posts, as set out in option 3. Funding for any redundancy costs will be met from the Corporate budget provision for these costs.

3. REASONS FOR DECISION

- 3.1. The redevelopment of Hammersmith Town Hall necessitates the decant of all services, including Hammerprint. The decant project team are currently unable to source premises that can accommodate the current print operation. To do so would incur estimated costs (based on current floor space and market rental/purchase rates) of £115,000 per year, over four years (£460,000 in total). The current properties being investigated for the decant do not have the ground floor space required by the heavy print machines or the road access for bulk paper deliveries. Therefore, an on-site print service would be difficult to accommodate, and an additional building would need to be found.
- 3.2. The move to agile and paperless working is reducing the level of demand for some kinds of print work. The council is investing in new technology to meet its ambition to reduce its spend on print still further.

4. PROPOSAL AND ISSUES

- 4.1. Hammerprint income has consistently exceeded costs over recent years. Its income targets are met largely through internal recharges (£35,000 was generated from external trading in 2017/18). As a result of previous savings targets, Hammerprint has been expected, for some years, to produce a surplus by adding an on-cost on externally-sourced jobs – to bank print savings at point of delivery rather than by applying the saving to service print budgets.
- 4.2. However, Hammerprint has never achieved the budgeted levels of surplus. For 2017/18, Hammerprint was budgeted to achieve a surplus of £229,000, but achieved a surplus of £88,000.
- 4.3. Hammerprint, as a whole, has budgeted fixed costs of £191,000: £32,000 in copier lease costs and £159,000 in staff costs. Fixed costs include three staff members plus the costs of leasing four digital copiers (at £32,000 per year until November 2019). Production costs – paper, supplies, ‘click charges’ and the cost of buying print from external suppliers – vary according to demand.
- 4.4. Income targets are currently met through a direct charge for print jobs produced by the on-site services and through on-costs added to the value of work bought from external suppliers.

5. OPTIONS AND ANALYSIS OF OPTIONS

- 5.1. An options analysis has been done to establish how best to meet the council's printing needs for the future.
- 5.2. **Option 1 – continue with the current service**
- 5.3. With declining demand for print services, there is little prospect of the current service being able to meet existing income targets.
- 5.4. Moving the current Hammerprint service to new premises during the town hall decant is likely to cost in the region of £460,000 over four years.
- 5.5. This option has therefore been rejected as unsustainable.
- 5.6. **Option 2 - Outsource litho and digital print buying via a managed service**
- 5.7. The council has explored the option of drawing down a managed print service and on-site digital printing under the existing print framework with Ricoh. Or it can access existing government print frameworks to do this.
- 5.8. This would involve a managed service supplier sourcing print work through either their own supply chain, or via an on-site team, depending on the specification of each job – much as Hammerprint does now.
- 5.9. An external supplier would provide a link officer as part of the contract. However, capacity for contract monitoring and management will need to be retained in-house to ensure value for money. The print manager post could continue to provide this function, funded by retaining current on-costs on print jobs.
- 5.10. That would leave two posts surplus to requirements.
- 5.11. There could be reduced space for an on-site print service when the town hall is decanted to a new building for a four-year period. A new on-site service would need to include fewer copier machines and reduced capacity, but this could be sufficient to meet services' needs. There would be a corresponding increase in deliveries of externally-produced material.
- 5.12. Access to out-of-hours emergency printing and express jobs would form an essential part of the specification, but is likely to be more limited under an agreed set of service standards compared to the flexible in-house offer which currently provides an instant printing service for small-run emergency jobs.
- 5.13. Evaluation of the value for money offered by the external contractor would be done via the pricing of a basket of typical jobs at the outset of the contract. The scale of external suppliers' business would potentially allow access to better prices resulting from their greater buying power with third-party suppliers.
- 5.14. Any contract with a managed service supplier would need to demonstrate competitive quotes had been sought for each job and be closely monitored by

experienced council officers.

5.15. However, like-for-like print prices are difficult to evaluate over the longer term. The specification for print jobs varies widely from job to job. Outside the evaluated basket of goods, there is considerable scope for any external buyer to inflate charges for the majority of jobs, either by over-specifying requirements (ie ordering high-quality paper or non-standard finishing processes), or because there is no existing price comparator.

5.16. While it is possible that an outsourced solution could meet the council's print requirements at lower cost, this cannot be safely determined for the reasons set out above.

5.17. Therefore, this option is not recommended.

5.18. **Option 3 - End on-site printing but retain print-buying capacity in-house**

5.19. An external managed service option would not be needed if the council decided to manage without an on-site service. The majority of work is already procured from a wide range of external contractors via competitive bids for each job. The number of jobs that need urgent or confidential treatment has declined significantly over recent years, to the extent that an on-site service is difficult to justify.

5.20. Closing the on-site bulk printing service is likely to result in an increase in bulk copying via the MFD network.

5.21. The remaining in-house work could be transferred to existing external suppliers without the need for any new contractual arrangements. The external litho and digital supplier frameworks were [re-tendered in November 2017](#) to ensure they provide competitive prices.

5.22. It is proposed that the post of Print Manager be retained to provide client-side contract monitoring and brokerage services to secure best value print and production. The justifications for this proposal are:

- To bring professionalism and experience to negotiating prices for individual jobs
- To provide day-to-day advice on print specifications – it is easy to over-specify numbers, paper quality and production techniques without some experience of print buying, with consequential loss of value for money
- The Print Manager currently plays a useful role in challenging whether individual print jobs are needed at all and, as part of the corporate communications team, enables the co-ordination of print work with other communications activities
- To enable best value by combining job orders where possible and overseeing job prioritisation – without this, services will find it difficult to negotiate priority from suppliers when they need it
- To monitor complex contractual arrangements across all print services to ensure requirements are being delivered at best value
- To trouble-shoot problems with orders

- To continue to police the application of corporate identity and presentation standards
- To work with suppliers to drive down costs and develop future savings proposals.

5.23. In light of the anticipated decline in print volumes in future, it is proposed to review the need for the Print Manager role after a year, and then each year after if needed.

5.24. Option 3 is the recommended option for the future delivery of services.

6. CONSULTATION

6.1. Consultation with affected staff is in progress.

7. EQUALITY IMPLICATIONS

7.1. There are no anticipated negative impacts on any groups with protected characteristics under the terms of the Equalities Act 2010 (age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity race; religion or belief, and; sex) from the closure of the on-site print services.

7.2. *Implications verified by: Peter Smith, Head of Policy and Strategy, tel. 020 8753 2206.*

8. LEGAL IMPLICATIONS

8.1. Hammerprint is not a separate legal entity, it is just the brand name of the council's in-house service. Therefore, there are no contracts with Hammerprint to terminate or otherwise deal with.

8.2. The council will continue to hire the print equipment from Ricoh under their existing contract – no changes to this contract are proposed in this report.

8.3. The printing that still needs to be undertaken will be done with third party companies with whom the council already holds contracts. These contracts, such as the lithographic print framework agreements, have been procured in accordance with the Public Contracts Regulations 2015 ("PCR 2015") and/or the council's internal Contract Standing Orders as applicable. Provided that the additional work performed under these contracts does not result in a contravention of regulation 72 of the PCR 2015 (for example, by taking them substantially over their estimated value as set out in any OJEU contract notice), then this will not present any procurement law risk.

8.4. *Implications verified/completed by: Hector Denfield, associate with Sharpe Pritchard, on secondment to the council; hdenfield@sharpepritchard.co.uk*

9. FINANCIAL IMPLICATIONS

- 9.1. Further information is set out in the exempt report on the exempt Cabinet agenda.
- 9.2. The net budget for the Hammerprint service is a net income budget of £229,000 in 2018/19.
- 9.3. The recommended option would necessitate the deletion of 2 posts and the retention of the current print manager post (with support from the existing Communications team) funded by continuing to apply an on-cost on all jobs commissioned. This would result in a cost saving of £81,000 per annum on salary costs. There would be potential one-off redundancy costs in line with the council's redundancy policy, the costs of which have not yet been confirmed.
- 9.4. The council would no longer lease bulk copiers from Ricoh, saving £32,000 per annum in fixed lease costs.
- 9.5. Work currently done on-site by Hammerprint could be sourced from existing framework suppliers (in-house prices are similar to a typical basket of goods priced by external bidders during the letting of the existing external print frameworks last year). It is expected that this would result in an increase in these costs of £38,000.
- 9.6. Because of the proposed closure of onsite printing, the service will not be able to meet the overall income target, and therefore there are no budget savings that can be realised as a result of any reduced costs.
- 9.7. The figures above assume reduced income as a result of some jobs stopping and other jobs being produced locally on MFDs. By closing the existing service, there is a risk that there could be an increase in MFD costs as printing volumes may increase internally with officers opting to use the council's MFD network for bulk print jobs. However the impact of this is unknown at this stage.
- 9.8. Should the recommended option be chosen and print buying is retained in-house, there will also be an annual cost pressure of £174,000. This is made-up of an existing shortfall against income targets of £144,000 and an extra £30,000 shortfall from the new arrangements.
- 9.9. The print service budget sits within the Corporate Services department. The current pressure arising from not achieving the income target is being managed through mitigating actions within Corporate Services. The closure of the service will mean that this income target will not be met on an ongoing basis.
- 9.10. The estimated shortfall of £174,000 identified for 2019/20 is expected to be addressed through a review of existing Corporate Service budgets and charges during the year which will seek to resolve the underlying budget pressure.
- 9.11. *Implications completed by: Andre Mark, Finance Manager, tel. 020 8753 6729*
- 9.12. *Implication verified by Emily Hill, Assistant Director, Corporate Finance, tel. 020 8753 3145*

10. IMPLICATIONS FOR BUSINESS

- 10.1. The transfer of work currently undertaken in-house to existing suppliers will increase revenue for those suppliers. The business implications of setting up existing framework agreements were included in the relevant approval reports for those frameworks.
- 10.2. *Implications verified/completed by: Albená Karameros, Economic Development Team, tel. 020 7938 8583.*

11. COMMERCIAL IMPLICATIONS

- 13.1 The existing litho frameworks were set up in November 2017, running for four years and with a notional value of £1.6million over that period, although the report noted that demand is variable and the frameworks do not commit the council to any specific contract spend. Together with the existing contract for the MFDs, these existing arrangements provide sufficient headroom for increasing demand, resulting from the closure of the on-site Hammerprint service, to be met without the need for further contract to be agreed.
- 13.2 The council's commitment to reducing print spend, and its investment in technology to enable staff to operate in a print-free environment, is designed to result in lower print expenditure over future years.
- 13.3 *Implications verified/completed by: Andra Ulianov, Procurement Consultant, tel. 020 8753 2284.*

12. IT IMPLICATIONS

- 12.1 The strategy to move away from providing an internal bulk printing service is supported by the Desktop Strategy where officers will be able to access information electronically on the move, and reduce the need for printing.
- 12.2 However, there is a risk that some services will find it easier to do more bulk printing themselves due to perceived difficulty in commissioning external parties. This could increase the cost of the variable charge from our third-party suppliers. Printing on the Ricoh MFDs costs an average of 0.2p for black and white pages, and 2.5p for colour.
- 12.3 Departments would not see the impact of that change in behaviour because the cost of running the Ricoh service is managed corporately by IT, whereas commissioning of bulk print jobs comes from departmental budgets.
- 12.4 IT Services can monitor usage and flag with relevant services if there's an increase in local bulk printing, however at this point it is difficult to predict whether there will be any impact, or to what level, on the IT operational budget.
- 12.5 *Implications verified/completed by: Veronica Barella, Chief Information Officer, tel. 020 8753 2927.*


13. RISK MANAGEMENT

- 13.1 This proposal mitigates the on-going financial risk of Hammerprint income targets being un-met. It also mitigates the risk to the Town hall refurbishment programme associated with the costs and practicalities of moving and housing an on-site print service, both should be seen in consideration of Being Financially Ruthlessly Efficient, improving the Environment, and the trend towards increase in use of digital and mobile technology and away from printed paper.
- 13.2 Implications verified by: Michael Sloniowski Risk Manager, tel 020 8753 2587, mobile 07768 252703.

14. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

None

Agenda Item 10

London Borough of Hammersmith & Fulham CABINET 4 FEBRUARY 2019	 hammersmith & fulham
AWARD OF A SUPPORT CONTRACT FOR INFORMATION@WORK	
Report of the Cabinet Member for Finance and Commercial Services - Councillor Max Schmid	
OPEN REPORT	
Classification - For Decision Key Decision: Yes	
Consultation All council services	
Wards Affected: All	
Accountable Director: Veronica Barella, Chief Information Officer	
Report Author: Tina Akpogheneta, Strategic Relationship Manager, IT Services	Contact Details: Tel: 020 8753 5748 E-mail: Tina.Akpogheneta@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. Information@Work (I@Work) is the corporate Electronic Document Management System (EDMS) for H&F and is currently used by a number of services across the council including Housing, Revenue and Benefits, and corporate Anti-Fraud.
- 1.2. The I@Work software is supported by Northgate Public Services Limited ('Northgate') and the council owns perpetual licences for the system.
- 1.3. One of the requirements of Public Sector Network Code of Connection (PSN CoCo) compliance is that all council systems must be supported by a current support contract. Having PSN accreditation is a council requirement.
- 1.4. The support contract for I@Work was one of the contracts that was novated back to the council when IT Services moved back in-house in November 2016. The contract expires in July 2019.
- 1.5. The corporate EDMS procurement was originally being taken forward under the Integrated Management Systems (IMS) programme to jointly procure

the council's Self-Service, Housing Management, Revenue and Benefits and EDMS systems. When the Self-Service reprourement had to be brought forward in March 2018, the IMS programme was restructured with each system's reprourement being taken forward by individual project teams within the relevant service areas, but remaining interoperable with the Self-Service solution and aligned to the other 2 systems. This cabinet paper updates that original IMS procurement strategy for EDMS.

- 1.6. However, due to the reasons outlined below, there are questions about the need for a corporate EDMS. These can only be answered after the council's file shares are migrated to SharePoint Online as part of the Desktop Strategy programme, and an accurate assessment is made.
- 1.7. As a result, the recommended approach is to award the contract for the provision of support to Northgate for a 2-year period with an option to extend for 1 additional year. This is to allow sufficient time for the file shares to be migrated and subsequent investigation done into the future need for a corporate EDMS system.
- 1.8. The Strategic Director for Finance and Governance supports the recommendations in this paper.

2 RECOMMENDATIONS

- 2.1 To approve a waiver under Contract Standing Orders (CSO) 3.1 in relation to the competition requirement (for obtaining 3 quotes) set out in CSO 10.2 to award a support contract for I@Work on the basis that it is in the council's overall interest and that the nature of the market for the goods to be purchased has been investigated and is demonstrated to be such that a departure from these CSOs is justifiable.
- 2.2 To approve the award of the support contract to Northgate Public Services Limited for 2 years with an option to extend for 1 additional year at a total contract value of £120,000 for the three-year period to be funded from the existing operational budget.

3 REASONS FOR DECISION

- 3.1 I@Work is the corporate EDMS for H&F. However, there are a number of services that make use of alternative EDMSs that are supplied as part of their existing line of business applications e.g. Idox provide an EDMS for use alongside Uniform, which is used by Planning, Building Control and others.
- 3.2 It is likely that the reprourement of the Housing and Revs and Bens systems will also result in an integrated EDMS system which will further reduce the requirement for a corporate EDMS solution.
- 3.3 Other services currently make use of SharePoint or of file shares to manage their existing documents.

- 3.4 The migration from file shares to SharePoint Online as part of the Desktop Strategy will enable us to better manage our electronic documents. The migration will also involve developing SharePoint to manage the application of retention and deletion rules. This means that, following the Desktop Strategy programme rollout, SharePoint will offer the same basic functionality offered by an EDMS at no additional cost.
- 3.5 Consideration will still need to be given to those service areas that might require **records management** or other functionality that would not be met by SharePoint Online and to understanding whether a corporate Electronic Documents and Records Management System (EDRMS)¹ would be required over and above existing line of business EDMS and case management systems. The Fraud team may be one of these areas with an on-going requirement.
- 3.6 However, given the requirement to deliver MTFs savings in 19/20, the timeline for the migration of file shares to Sharepoint Online needs to be completed by 30th April 2019. Therefore, the migration to SharePoint is being managed in two phases:
- Phase 1 – essentially a “lift and shift” to SharePoint of our existing file shares and the application of basic retention and deletion rules, to be completed by 30th April 2019.
 - Phase 2 – a data cleansing exercise combined with more in-depth work on policies and retention periods to ensure that only documents that need to be retained going forward remain. This is currently estimated for completion by end November 2019.
- 3.7 This means it will not be possible to assess whether there is a continuing need for a corporate EDMS, or an unmet need for an EDRMS, until the end of 2019, when an assessment can be made based on the actual volume of electronic records and documents held in SharePoint and I@Work, and on what proportion of these records/documents might require functionality that is not provided by SharePoint.
- 3.8 This approach does not rule out services procuring ED(R)MSs as part of their own line of business application re-procurements.
- 3.9 If the council required a corporate ED@MS system, then a paper will be brought back to cabinet to approve the procurement strategy.

4 PROPOSAL AND ISSUES

- 4.1 H&F propose to award a support contract for I@Work for two years with an option to extend for one year, at a cost of £40k p.a.
- 4.2 This should give sufficient time to allow for Phase 2 of the file share migration to SharePoint to be completed so that an accurate assessment can be made of the council’s need for a corporate EDMS going forward.

¹ Most EDMS systems offer EDRMS functionality as an add-on.

4.3 This is dependent on a successful and timely completion of Phase 2 of the file share migration to SharePoint.

5 OPTIONS AND ANALYSIS OF OPTIONS

5.1 The following options were considered:

- Option 1 – do nothing
This option has been discounted because one of the requirements of PSN CoCo compliance is a current support contract.
Not recommended.
- Option 2 – proceed with the EDMS reprocurement as originally planned
Given the migration to SharePoint as part of the Desktop Programme this is not considered to be an effective use of the council's time and resources. It makes sense to delay this procurement until the on-going requirement for a corporate EDMS can be properly assessed ensuring the most cost effective and appropriate solution is procured.
Not recommended.
- Option 3 – migrate to an alternative EDMS with a valid support contract (for example, Idox)
This option was rejected as unfeasible as the current EDMS has a number of customisations and interfaces with other applications in place making migration a major undertaking in its own right. Resources will be used more effectively if they are focused around a single re-procurement and potential migration to a new system based on actual need.
Not recommended.
- Option 4 – award a support contract for I@Work for a shorter period than two years.
The tasks leading up to a successful procurement and implementation are summarised below. This confirms that an extension of 2 – 3 years is required while the council moves all its file share data, and subsequently conducts an analysis of future requirements.

Description	Elapsed time
Current support contract expires	Jul 2019
Complete Phase 2 of file share migration and analyse data	May-Nov 2019
Confirm requirements for corporate EDMS or EDRMS system	Dec 2019 – Mar 2020
Procurement strategy governance process	Apr - Jul 2020
Procurement of new system assuming suitable framework exists	Aug - Dec 2020
Implementation of new EDMS or EDRMS system	Jan 2021 – Jun 2021
New EDMS or EDRMS contract starts	June 2021

Not recommended.

- Option 5 – award a support contract for I@Work for two years with a potential to extend for a further year. This option would allow sufficient time for Phase 2 of the file share migration to SharePoint Online to be completed, and an informed assessment of the need for a corporate EDMS and/or EDRMS to be made. This would ensure that the most appropriate solution, based on actual need, is procured.

Recommended option.

6 CONSULTATION

- 6.1 IT Services consulted with the affected business users and internally with the members of the Applications team responsible for supporting the EDMS.

7 EQUALITY IMPLICATIONS

- 7.1 As required by Section 149 of the Equality Act 2010, the Council has considered its obligations regarding the Public-Sector Equality Duty and it is not anticipated that there will be any direct negative impact on groups with protected characteristics, as defined by the Act, from the approval of this additional change management resource.

- 7.2 Implications verified by: Joanna McCormick, Strategic Lead, tel. 020 8753 2486.

8 LEGAL IMPLICATIONS:

- 8.1 The current EU threshold set for services under the Public Contracts Regulations 2015 (PCR) is £181,302. Whilst this is a direct award for a short-term period, the contract has been with Northgate for a number of years. The cumulative value of the contract with Northgate is above the threshold and therefore there is a risk of challenge in awarding this contract to Northgate even for a short-term period. The Council is required to comply with the Public Contract Regulations 2015 and to comply with the general principles of transparency, equal treatment, non-discrimination and proportionality. Accordingly, undertaking a competition exercise would be encouraged in order to adhere to these principles.

- 8.2 As this proposed direct award is a contract with a value that is greater than £100,000 but below the current EU threshold for services of £181,302, the Council's CSOs require Framework arrangements to be considered or otherwise to seek public quotations using the e-tendering system and the Government's "Contract Finder" portal (CSO 10.2). In the absence of using a Framework, CSO 11.2 provides the competition requirement to publish an open invitation through the "the Contract Finder" portal using the Council's e-tendering system. The report is seeking a waiver pursuant to CSO 3.1 of the requirement to seek quotations (CSO 10.2). An exemption to these requirements can be granted under CSO 3.1 where one of five specified

grounds for doing so is made out. Here the ground being relied on is that “the nature of the market for the goods to be purchased has been investigated and is demonstrated to be such that a departure from these CSOs is justifiable” and that the waiver “is in the Council’s overall interest”. The decision-maker needs to be satisfied on the basis of the information set out in the report that a direct award would be justified when compared with opening the service up to competition.

- 8.3 A waiver is being sought for a contract with the value of more than £100,000, and CSO 3.1 states that this is a decision for the appropriate Cabinet Member and the Leader of the Council. However, as this report is also seeking approval to award the contract and the value exceeds £100,000, it is for the Cabinet to take the decision.
- 8.4 In accordance with CSO 3.1, a record of the waiver needs to be kept within the relevant department.
- 8.5 *Implications verified/completed by: Hannah Ismail, Solicitor with Sharpe Pritchard LLP, external legal advisers seconded to the Council, tel. 02074054600.*

9 FINANCIAL IMPLICATIONS

- 9.1 The current cost of the support contract for I@Work is £40k per annum.
- 9.2 Revenue budget for I@Work is a part of the overall applications budget within IT Services. This budget is forecast to breakeven in 2018/19.
- 9.3 There are no expected MTFs implications as a result of the Desktop Strategy which will impact on this budget.
- 9.4 The cost of the contract extension will be met from existing operational budgets.
- 9.5 Implications completed by Andre Mark, Finance Manager, tel. 0208 753 6729. Implications verified by Emily Hill, Assistant Director, Corporate Finance, tel. 0208 753.

10 IMPLICATIONS FOR BUSINESS

- 10.1 There are no implications for local businesses.
- 10.2 Implications verified/completed by: Albena Karameros, tel. 020 7938 8583.

11 COMMERCIAL IMPLICATIONS

- 11.1 This report seeks agreement to directly award the support contract for I@Work to Northgate for a maximum total value of £120,000, for up to three years (2+1).
- 11.2 The estimated value is under the statutory threshold for services, £181,302. Therefore, the full statutory procurement regulations do not apply. However,

the Council's Contracts Standing Orders (CSOs) 10.2 require 'medium value' services contracts to be procured by considering established framework agreements or by seeking public quotations using the e-tendering system and Contracts Finder.

- 11.3 A waiver to these requirements may be agreed by the appropriate Cabinet Member(s) and the Leader of the Council if they are satisfied that a waiver is justified.
- 11.4 A contract award notice should be published on the Government's Contracts Finder platform.
- 11.5 A contract entry must be created in the Council's Contracts Register and managed in accordance with the agreed KPIs.
- 11.6 Implications completed by Andra Ulianov, Procurement Consultant, tel. 020 8753 2284.

12 IT IMPLICATIONS

- 12.1 Extending the support contract for Information@Work will enable suitable options for the corporate EDMS going forward to be accurately explored and assessed once Phase 2 of the migration to SharePoint online is complete. This will ensure that any corporate ED(R)MS procurement going forward is fit for purpose.
- 12.2 The recommended approach supports the council's vision to be Ruthlessly Financially Efficient by looking to reduce its overall number of applications and therefore minimise operational support costs.
- 12.3 This proposal supports the likely future strategy of keeping documents in the line of business systems, such as Housing and Revenues and Benefits, to support better integration for service delivery.
- 12.4 This support contract extension will also ensure that a key line of business application, our corporate EDMS, remains PSN CoCo compliant.
- 12.5 Implications completed by: Veronica Barella, Chief Information Officer, tel. 020 8753 2927.

13 RISK MANAGEMENT

- 13.1 In managing, maintaining and securing records regarding its residents and customers, the Council needs to demonstrate compliance with a range of requirements, including the General Data Protection Regulations and the government's Public Service Network accreditation scheme.
- 13.2 During the coming period the Council is embarking on a number of change and transformation programmes which will impact on the future requirements for document and records management. On this basis, it is prudent to maintain the

current corporate EDMS arrangements to enable the impact of those changes and future requirements to be fully assessed and subject to an appropriate procurement exercise once requirements have been determined.

13.3 Implications completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance, tel: 0207 361 2389.

14 OTHER IMPLICATIONS PARAGRAPHS

14.1 None.


15 BACKGROUND PAPERS USED IN PREPARING THIS REPORT

15.1 None.

16 LIST OF APPENDICES:

16.1 None.

Agenda Item 11

<p>London Borough of Hammersmith & Fulham</p> <p>CABINET</p> <p>4 FEBRUARY 2019</p>	
<p>LINFORD CHRISTIE OUTDOOR SPORTS STADIUM – PUBLIC CONSULTATION ON OPTIONS</p>	
<p>Report of the Cabinet Member for the Economy and the Arts : Councillor Andrew Jones</p>	
<p>Open report A separate appendix on the exempt part of the Cabinet agenda provides exempt financial information.</p>	
<p>Classification – For Decision Key Decision: Yes</p>	
<p>Wards Affected: College Park and Old Oak</p>	
<p>Accountable Director: Jo Rowlands, Strategic Director Growth and Place</p>	
<p>Report Author: David Burns, Assistant Director - Growth</p>	<p>Contact Details: Tel: 020 8753 6090 E-mail: david.burns@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. This report sets out the current considerations around the Linford Christie Outdoor Sports Stadium (“the Stadium”) and proposes to complete a public consultation on the options available to Wormwood Scrubs Charitable Trust (“the Trust”) for the Stadium, with the consultation to be completed jointly by the Council and the Wormwood Scrubs Charitable Trust.
- 1.2. This report highlights that the continued subsidising of the Trust by the Council in maintaining the stadium site and associated management of pitches is not sustainable in the medium term, given that the Council’s own financial position means this cannot continue
- 1.3. The report notes that the Trust’s income is, without additional fundraising, inadequate to maintain the stadium site and the rest of the Trust’s land, or pay for any renovation of the stadium site.

- 1.4. Once the consultation has been completed the Council and the Trust will analyse the responses. Officers will prepare a further report for Cabinet setting out the results of the consultation and a preferred option.

2. RECOMMENDATIONS

- 2.1. To note the ongoing financial challenge that the Council and the Trust face in continuing to maintain and operate the Linford Christie Outdoors Sports Stadium and the associated sports facilities on the Scrubs.
- 2.2. To approve a joint public consultation with the Wormwood Scrubs Charitable Trust on the options for the Linford Christie Outdoors Sports Stadium for a period of 12 weeks.
- 2.3. To approve a budget of £100,000 to cover costs arising from 2.3 for professional advice required in assessing the consultation responses and making recommendations to Cabinet, to be funded from the Corporate Demands and Pressures reserve.

3. BACKGROUND AND REASONS FOR DECISION

- 3.1. The Wormwood Scrubs Trust is a Victorian Charity established and governed by the Wormwood Scrubs Act (WSA). The Council is the sole trustee of the Trust.
- 3.2. Under the WSA the Scrubs is held by the Council “for such military purposes as the [MOD] from time to time directs, and subject thereto, upon trust for the perpetual use thereof by the inhabitants of the metropolis for exercise and recreation.”
- 3.3. In practice the MOD makes infrequent use of the Scrubs, and in particular the Council understands the MOD has not used any part of the Scrubs for the past three years. However, any decisions in relation to the Trust land must take account of the MOD and their rights over the land.
- 3.4. In May 2013 at Full Council, the Council agreed to establish the Wormwood Scrubs Charitable Trust Committee in response to guidance from the Charities Commission on the role of Councils as corporate trustees and to ensure that the Council continues to comply with its duties under the Act.
- 3.5. The Trust Committee has delegated authority from the Council to make decisions or recommendations back to the Council on the operation of Wormwood Scrubs. It receives a manager's report and monitors the finances of the Trust. The Committee is made up of three members, two administration and one opposition. There are also two co-opted non-voting members, who are also members of the Friends of Wormwood Scrubs a local amenity group.
- 3.6. The Linford Christie Stadium and associated land is 6.47 hectares in size, representing 8% of the Scrubs itself. It comprises sports playing and changing facilities, and associated car parking areas. In addition to the 400m

athletics track and equipped athletics field, this includes the Thames Valley Harriers Clubhouse, as well as changing facilities for those using the stadium and the pitches on the Scrubs itself.

- 3.7. The Stadium officially opened on 5th September 1970 as the West London Stadium, but was in use from November 1968. It was given its present name in 1993. It is currently used by local sports clubs, schools and the public, with the Thames Valley Harriers having formal arrangements for use of Thames Valley Harriers' Clubhouse on part of the stadium site.
- 3.8. The Stadium site is closed and locked when not in use. Public access to the Stadium is in practice controlled, and to some extent restricted. This accords with what has been the position for almost all the period since the WSA was passed: the Stadium site has been used successively as a rifle range, an airship garage, civil defence headquarters, and currently as the Stadium.
- 3.9. The Stadium and pitches on the Scrubs are managed on behalf of the Council by the Parks and Leisure department on behalf of the Trust, however the income and expenditure on is not recognised within the Trust's accounts – instead it is managed and monitored from within the Council. This is likely to be an historical arrangement, from when the site was developed for athletics and other sports and when the difference between Council and the Charity was not recognised. The Council will consider what steps to regularise this arrangement it needs to take so there is transparency for the Trust as to total income and expenditure associated with the Trust land.

3.10. Linford Christie Stadium and Sports Pitches Income and Expenditure

- 3.11. The table below sets out the revenue income and expenditure on the Stadium

Activity	2016/17	2017/18
Fees and Charges	168,155.00	123,480
Contribution from WSCT	31,500.00	31,500.00
Total Income	199,655.00	155,023.00
Salaries	158,966.00	164,336.00
Stadium Running Costs	38,354.00	79,971.00
Maintenance and Equipment	61,414.00	11,357.00
Support Services	56,649.00	41,000.00
Misc.	3,431.00	2,310.00
Capital Charges	139,845.00	144,995.00
Total Expenditure	458,659.00	443,969.00
Profit/(Loss)	(259,004.00)	(288,946.00)

- 3.12. The income in fees and charges comes from the hire of the sports pitches and use of the athletics track and field.

- 3.13. The primary costs for operating the Stadium are the salaries of those employed on site, depreciation charges, and charges for central services. These relate to HR, finance and other costs but also include charges for the work that Corporate Property Services provide in managing repairs and capital works, and thus they fluctuate year on year depending on the level of investment required. However, Corporate Property Services does not charge for the work it does in supporting income generation for the Charity, and advising the Trust.
- 3.14. The costs above also exclude some services that are simply provided by the Council free of charge (or more accurately are gifted to the Charity). For example, the work of the commercial services team in developing income generating ideas; full recharging of officer time at meetings; work related to HS2; and the cost of the Parks Police and their work in the park, all of which are not recovered from the Trust.
- 3.15. As the table above demonstrates the Council is in effect subsidising the work of the Charity by c£120,000 a year, and by more than £250,000 a year when capital charges are considered, by not fully recovering the costs of operating the site from the Trust. The Council has consistently capped the WSCT charges at £31,500 in recent years.
- 3.16. In terms of capital spending, the Council has invested £598,781.51 in the Stadium in the period from 2011/12 to 2014/15 (which included major repairs such as the new running track), has committed to £169,614.54 in 2015/16 and 2016/17, and has planned a further £27,911.65 of works. This gives a total capital commitment in recent years of £796,307.70.
- 3.17. This does not include the recent capital expenditure in the Scrubs itself of £51,721 on a play area for young children; and £49,135 on an outdoor gym behind the Stadium.
- 3.18. In addition to this, the Facilities Management team have identified £675,000 of capital works that are required in the short term. This is separate from the capital requirement for the demolition of the artillery wall between the car parks, which is currently estimated at £500,000. This brings the total capital investment required to £1,175,000. As the Artillery wall requires capital investment, some management actions are in place and it has been fenced off (fencing provided by the Council at its cost). None of the works required include refurbishment of the buildings or bringing the facilities up to a better standard and are simply essential capital works. They would not have the benefit of increasing the revenue potential of the Stadium site.
- 3.19. Recently, there have been problems with the water systems, which has resulted in shower facilities being unavailable for the clubs that use them. The Facilities Management team have investigated and developed a solution, and costs are estimated at c.£50,000. A separate proposal to the Trust has been made with regards to this.

3.20. WSCT Financial Position

- 3.21. The Trust's primary source of income comes from:
- a) Pay and display parking
 - b) Leased parking income from Hammersmith Hospital
 - c) Lease income from utilities (UKPN)
 - d) One off events
- 3.22. In 2017/18 the Trust received a windfall income stream from the placing of the Kensington Aldridge Academy (KAA) on the Wormwood Scrubs (on the site known as the Redgra) following the Grenfell fire.
- 3.23. This produced an additional income of £216,930 in 2017/18 and is forecasted to produce an income of £93,000 in 2018/19 – although this may increase if the school remains on site for longer.
- 3.24. In addition, there was a windfall back payment from UKPN for lease charges of £100,000.
- 3.25. The primary expenditure of the Trust is on:
- a) Maintenance of the Scrubs (through the Quadrant contract)
 - b) A contribution to the operation of the Stadium
 - c) Governance and other costs
- 3.26. A summary of this is provided below:

Activity	Outturn 2015/16	Outturn 2016/17	Budget 2017/18	Outturn 2017/18	Variance
Pay and Display Parking Meters	(303,538)	(287,012)	(287,225)	(259,674)	27,551
Hammersmith Hospital Car Park Licence	(294,070)	(316,505)	(322,896)	(324,619)	(1,723)
Other income from activities for generating funds	(80,964)	(95,873)	(90,112)	(488,002)	(397,890)
Total Income and endowments	(678,572)	(699,390)	(700,234)	(1,072,295)	(372,062)
Grounds Maintenance	684,032	686,568	699,473	706,909	7,435
Contribution to Linford Christie Stadium	32,405	32,344	32,312	32,330	18
Other Expenditure	21,335	19,694	25,637	35,093	9,456
Total Expenditure	737,772	738,606	757,423	774,332	16,909
Net (income)/expenditure	59,199	40,139	57,189	(297,964)	(355,153)

- 3.27. As the table shows, the original budget was for a deficit, however the additional income has produced a surplus which will be added to the Trust's unrestricted reserves. The reserves position is therefore improved from £217,279 to £515,243 at 31 March 2018.
- 3.28. This puts the Trust in a more secure position than previous years, where the ongoing losses would have put the Trust in a position of having exhausted its reserves within five years. However, this assumes that the Council chooses to continue to subsidise the activities of the Trust and Linford Christie Stadium and as a result the Trust doesn't recognise the real costs of operating the Scrubs and the Stadium as a whole.
- 3.29. A consolidated financial position for both the Trust and the costs currently accounted for by the Council for the last two financial years shows the following:

Income	2016/17	2017/18
Fees and Charges	168,104	123,480
Trust contribution to the Stadium	31,500	31,500
Car Parks	604,000	584,293
Other Income Films, UKPN	95,000	271,072
Other Income KAA	-	216,930
Consolidated Income	898,604	1,227,275
Expenditure		
Running Costs	262,164	257,974
Council Overheads	56,649	41,000
Wormwood Scrubs Grounds Maintenance	686,568	706,909
Other Costs	19,694	35,093
Contribution to the Stadium	31,500	31,500
Consolidated Expenditure	1,056,575	1,072,476
Net Excluding Capital Expenditure and Depreciation	(157,971)	154,799
Depreciation	139,845	144,995
Consolidated Annual Surplus/(Loss) (Excluding Capital Expenditure)	(297,815)	9,804

4. SUMMARY OF THE FINANCIAL POSITION AND REASONS FOR EXPLORING OPTIONS

- 4.1. The Stadium site is considered to be in a poor state of repair and no longer fit for purpose, and major work is required to bring the facilities to the necessary standard and create a sustainable income stream. The Council has been providing regular financial and other support to the Trust pursuant to its objectives, but its own financial position means that this cannot continue.
- 4.2. The Trust's income is inadequate to maintain the Stadium and the rest of the Trust's land, let alone pay for any renovation of the Stadium and facilities.

Neither the Trust, nor the Council itself, has sufficient unallocated resources to undertake the additional necessary remedial work. The Trust would have to raise additional income through commercial activity or through fundraising in order to fund these works.

- 4.3. The income reserves currently available to the Trust will not bridge the Trust's income gap much longer, and if the Council decides to charge the actual cost of maintaining the Stadium will be exhausted within the next five years. The reserves are wholly inadequate to fund the necessary capital investments in, or serious improvements to, the Stadium site, leaving aside the need – as part of prudent management – to maintain sufficient reserves in the Trust.
- 4.4. There is therefore a risk to the future financial viability of the Trust as a whole, but the Stadium site in particular. The Trust has the option to raise the funds needed to fund repairs or make improvements however in reality it does not have the capability to achieve this. The Council does not have the unallocated budget to complete the work. Any income generation (e.g. large scale events on the Scrubs) may generate some funds that can contribute to the Trust's reserves, but they can't be guaranteed over the long term. In addition, they would only maintain the current situation with the Stadium site and would not provide for improvement to the Stadium site that may create a sustainable income.
- 4.5. The Council in its roles as trustee of the Trust is committed to finding ways for the Trust to achieve a sustainable financial position.
- 4.6. However, the Council does have an overall obligation, as a trustee, to promote the Scrubs for exercise and recreation by the inhabitants of the metropolis; and the need to promote for the public benefit the advantages of exercise, healthy recreation and community development.
- 4.7. There is an opportunity to harness the considerable potential which the Scrubs has to meet these needs, through improved facilities at the Scrubs themselves and at Linford Christie Stadium. However, the current financial position and facilities on site prevents the Council or the Trust from doing so.
- 4.8. Before any decisions are made the Council proposes to consult the public and stakeholders on the options being considered, before making any proposals to the Trust.

5. PROPOSALS AND OPTIONS FOR THE STADIUM SITE

- 5.1. The Council presented a report to the WSCTC in July 2017 outlining the above information and recommending that options be explored for the site.
- 5.2. The Council proposed to the Committee that the following objectives should be considered for any changes to the site.
 - a) Continue to provide an athletics track and field, accessible to the public
 - b) Continue to provide facilities for Thames Valley Harriers

- c) Continue to provide access to facilities for existing user groups, and be mindful of key users of the Scrubs
- d) Provide new changing facilities for teams using the Scrubs sports pitches
- e) Provide additional opportunities for community use and engagement
- f) Not disturb the operation of Hammersmith Hospital and the Pony Club
- g) Leave the Trust in a sustainable financial position for the long term
- h) Have the potential to generate income for the in the Long Term, so that any changes are financially sustainable
- i) Enable the furthering of the Trust's objectives

5.3. These objectives were developed by officers and refined with the Trust Committee to reflect the known requirements at the time, ahead of options appraisal and public consultation. As part of the public consultation residents and stakeholders will be asked what the objectives should be for any changes to the site.

5.4. Options

5.5. The Committee agreed on the 21st June 2017 that the Council should explore at least four options at this stage

- Option 1 – Do Nothing
- Option 2 – Enhance the current facilities (either through partnership or directly)
- Option 3 – Redevelop the site – Council Led or partnership led

5.6. In addition, the Committee asked the Council to explore how Imperial College London could be potentially be involved in any options. This has been considered below as part of the detailed study of option 3.

5.7. Stage 1 Options Appraisal

5.8. As part of the options appraisal officers reviewed the current facilities, their users and usage and confirmed the land title. Stakeholder consultation meetings were held with user groups and potential users to understand their needs and demands of the site. This included all the current users plus QPR football club and Imperial College's sports section.

5.9. High level design and financial assessments were carried out to establish an initial baseline of what is practically feasible and what might offer the most benefits.

5.10. The options assumed that improvements are made to the sports pitches on the Scrubs and changes to the Redgra site, along with the Stadium site.

5.11. For any of these options to proceed they would need to meet the requirements of the Wormwood Scrubs Act, and the Trust would require the consent of the Ministry of Defence and the Charities Commission.

- 5.12. The Wormwood Scrubs Act sets out obligations on the ongoing use of the Scrubs and that it is held by the Council as Trustee “for such military purposes as the [MOD] from time to time directs, and subject thereto, upon trust for the perpetual use thereof by the inhabitants of the metropolis for exercise and recreation.”
- 5.13. Therefore, before any proposals are progressed following the public consultation they will need to be assessed for compatibility with the Act.
- 5.14. In addition, as noted in in paragraph 5.2, any proposals will need to consider the impact on the Hammersmith Hospital and the Pony Club before they can be presented to the Council or the Trust.

5.15. Option 1 – Do Nothing

- 5.16. Doing nothing is a revenue losing option, with no realistic prospect of enhancing revenue generation for the facilities on site.
- 5.17. To keep the facilities functioning, the Trust will need to expend its reserves, raise charitable donations or income, or the Council will need to subsidise further, including capital works.

5.18. Option 2 – Enhance the current facilities (either through partnership or directly)

- 5.19. The site could be refurbished with improved and enhanced facilities provided on site and on the Scrubs. This would include:
- New 12 team changing rooms and clubhouse
 - New training centre for football and all-weather pitches
 - Upgrade of astro turf pitches
 - New athletics stand
 - Resurfacing of track
 - New 11 a side pitch and spectator facilities
 - Upgrades to car park
 - Improvements to access
- 5.20. These improvement options were developed following consultation with the existing users of the facilities, the parks and leisure team and based on current schools’ usage of the site. Imperial College were also consulted to identify if their requirements could be accommodated. All dimensions of sports pitches used in developing options following Sport England guidelines and for football, FA advice.
- 5.21. By improving the facilities, this creates an opportunity to increase revenue generation through both increasing the number of available weeks and sessions of the facilities from the current state (e.g. through all-weather facilities) and enabling higher charges to users of the facilities.

- 5.22. An initial assessment suggests that this could generate an additional £200,000 in fee income. This additional income is generated by doubling the number of bookings and from increasing charges to users. Prices for five a side pitches are lower than local competitors and to newer facilities, so higher quality facilities could justify higher charges.
- 5.23. An initial financial assessment is shown in appendix 1, which demonstrates that this would generate an operational surplus before capital costs are considered. However, once capital costs are considered the Council would need to continue to subsidise the Trust to cover the costs of construction.
- 5.24. A summary of a consolidated cost and income is shown in the appendix, which assumes that the maximum use of the facilities can be achieved, and which assumes costs are as in an 'average' year. The tariffs increase would impact on other parts of the Council as it would involve increased charges to local schools.
- 5.25. As a variant within this option, the Trust and the Council could consider partnership arrangements with the private sector or with the voluntary sector.
- 5.26. **Option 3 – Redevelopment of the Site – Council or Partnership Led**
- 5.27. A high-level masterplan options appraisal has identified that it is physically and practically possible to redevelop the site and provide the following uses:
- A performance venue of c.45,000 seats which could accommodate football and other sports
 - A new athletics track, stand and other facilities
 - Additional facilities that would meet the needs of Imperial College, the Thames Valley Harriers, Chiswick Hockey Club, Kensington Dragons and additional users such as through the creation of a skate park and outdoor play facilities
 - Create improvements to the Scrubs itself including improved leisure facilities which would also have revenue generating potential.
- 5.28. The capital cost of this option is higher than the other options – and is estimated at £159,000,000 for a simple construction and the external facilities. This could be funded either directly by the Council or through a partnership with an external stadium operator, e.g. a football club (option four identified above) or a combination of the two.
- 5.29. Sub leases to tenants could be granted for its use – such as sports clubs, entertainment operators – and generate a revenue stream to cover the costs of capital and create an additional surplus.
- 5.30. This option creates the following potential benefits:
- 1) Significant enhancement of the sporting facilities on site and on the Scrubs
 - 2) Long term funding security and a revenue funding stream

- 3) Long term improvements to the Scrubs for the benefit of wider population
- 4) A funder or operator may construct all facilities, removing the need for Council funding.

5.31. Option 3 Detailed Study

5.32. The first stage demonstrated that option 3 – large scale intervention – could bring about significant improvement to the site, benefits to the community and the Trust whilst also being financial sustainable. However, before confirming whether this option was suitable for public consultation and to confirm that it is an option that has a realistic proposition of being delivered, further work was instructed ahead of a public consultation.

5.33. In order to fully test the larger scale intervention more detailed work has been carried out by the Council. The Council appointed Populous architects to develop different masterplan options for the site, which could then be costed and evaluated.

5.34. This stage of the assessment has reviewed:

- a) Deliverability – Practical and physical challenges and how to overcome them
- b) Economic Scheme viability
- c) Economic opportunity and benefits

5.35. This stage has also produced:

- a) Financial capital investment development model cashflow
- b) Financial operating income and expenditure model (based on a typical year) including leasing/ownership sensitivities
- c) Capital funding
- d) Stakeholder workshops
- e) Market testing

5.36. As part of this process the Council has spoken to a number of stakeholders, including the current occupiers and users of the site, local professional football clubs, and venue operators in order to understand both market demand for this type of proposal and the community needs.

5.37. Consultation with event operators have identified that there is demand for a performance and conference space either incorporated into a stadium or as a stand-alone entertainment venue. This has been considered as part of the feasibility.

5.38. These consultations have identified the following potential demands for the site:

Community/University Demands

- Imperial College – multipurpose athletics, training and biomedical facility
- Thames Valley Harriers – ongoing clubhouse and athletics facilities
- Kensington Park Dragons – a main pitch, stand and facilities capable of meeting FA level 5 requirements
- Ongoing provision of five a side and 11 a side football pitches, grass and all weather, hockey, cricket and baseball facilities
- Facilities on the Scrubs for changing and refreshments

Operator Demands

- A multi-use entertainment venue with a capacity of 20,000 to 45,000 for a range of functions (e.g. concerts, trade shows, exhibitions, theatre)
- Capacity for football and other sports provision within a range of 30,000 to 45,000 that can be co-located with an entertainment venue
- Flexible conference facilities for up to 2,000 people within a separate facility
- A separate performance box of between 6-8,000

5.39. Populous has therefore produced a high-level masterplan vision that can accommodate all of these demands, but is flexible so that changes are possible if a final option is brought forward. This has allowed for a realistic design option to be tested ahead of a public consultation.

5.40. The site can be configured in more or less complex ways, with for example the option for the main venue to have a roof that can be raised or lowered depending on the circumstances.

5.41. This goes further than the option tested in the first phase described at 5.30 above, but provides a wide range of facilities that meet the community's needs, while providing economic opportunity for the Borough and revenue for the Trust and the Council.

5.42. There are several ways that such a facility could be arranged, designed and operated and a summary of this is set out in appendix 1.

6. CONSULTATION

6.1. This report seeks authority to complete a joint public consultation with the Trust over a minimum 12 week period on the options available for the Stadium. The results of this consultation will be considered by the Council and the Trust as part of the decision making process on the future of the Stadium.

6.2. At a meeting on the 19th December 2018 the Trust Committee received a report from Council officers proposing that a joint consultation with the Council be carried out on the options available for the site. The Committee agreed the principles of the report, but asked for amendments to be made (set out below) and the consultation will commence when the committee members have approved the final report.

6.3. The consultation period is proposed to last for 12 weeks and the key options that would be consulted on are:

- 1) Maintain the Status Quo/Do nothing
- 2) Discontinue the current uses
- 3) Complete a minor intervention to refurbish the site – with either a) the Trust or b) the Council leading and raising funds for this
- 4) Complete a major intervention, including additional facilities such as those set out in section 5 of this report - with either a) the Trust or b) the Council leading and raising funds for this

6.4. In addition, the Trust Committee asked that the following be included as part of the consultation:

- Whether a community and engagement hub related to sporting activities should be considered
- Whether an ecology centre, linked to Imperial College, should be considered
- The impact of any development on green space and the ongoing use of the Scrubs

6.5. Residents and local stakeholders will be asked for their views on these options and the facilities that could be included in any future proposals, and be provide comments on the options available.

6.6. The consultation will take place via the Council's online portal and will promoted through the usual channels, and the Council will also send letters to residents in the local area of the stadium and Wormwood Scrubs. The costs of the consultation will be paid for by the Council at no cost to the Trust.

6.7. When the consultation is finished, the Council will complete its business case process and make firm recommendations for a preferred way forward. This proposal will then be presented to the Trust committee for it to consider.

6.8. In order for the Council to assess the results of the consultation fully it will require some additional professional advice. It will specifically require legal advice as well as advice on any redevelopment proposals. These services will be procured under the Council's Contract Standing Orders, using available public sector frameworks or open tender processes.

7. EQUALITY IMPLICATIONS

7.1. It is not anticipated that proposals in this report will have any direct negative impact on groups with protected characteristics, under the terms of the Equality Act 2010. Any potential adverse impact of pursuing the different options will be assessed as part of the consultation and option development. Consultation will be undertaken ensuring access for groups of people with protected characteristics.

- 7.2. Once consultation has been completed and a consultation report completed, an EQIA should be completed on any preferred proposals.

Verified by Joanna McCormick, Strategic Lead, tel. 020 8753 2486.

8. LEGAL IMPLICATIONS

8.1. Consultation requirements

- 8.2. The proposed consultation is not a statutory consultation however it is good practice to enable the public and key stakeholders to inform future decisions.

- 8.3. The proposed consultation will need to be extensive, timely, and considered: R v Brent London Borough Council ex parte Gunning 1985 "To be proper, consultation must be undertaken at a time when proposals are still at a formative stage; it must include sufficient reasons for consideration and proposals to allow those consulted to give intelligent consideration and intelligent response; adequate time must be given for this purpose; and the product of consultation must be conscientiously taken into account when the ultimate decision is taken".

- 8.4. The proposals detailed in this report are still at a formative stage. If approval is given to consult upon these proposals the Council will embark on a detailed consultation exercise. Any future decision on the Stadium will not be made until the consultation has been completed and the results of the consultation have been properly considered by the Council and the Trust. Any final decision will need to ensure that the legal and statutory duties of the Trust have been complied with. The outcome of the consultation should be conscientiously taken into account when the ultimate decision is taken on the future of the Linford Christie Stadium

Comments provided by Adesuwa Omoregie Chief Solicitor (Planning, Highways, Licensing and Property), tel. 0208 753 2297.

8.5. Council's statutory and contractual duties

8.6. Governance and Decision Making

- 8.7. **Conflicts of Interest** – the Trust (effectively the Council trustee) must take independent legal and valuation advice and be able to demonstrate to the Commission how conflicts of interest have been managed. Representatives of the Council as corporate trustee should not participate in the Council's own decision making in relation to the site. This in effect means that Council officers and Councillors who have a decision making role at the Council should not participate in the Trust's decision making. To manage this risk thoroughly the Council could consider appointing independent trustees following a recruitment process.

8.8. Future Consents

8.9. Following consultation, if recommendations are made that if implemented would lead to changes to the activities on site or to development, the Trust will need to seek the consent of the Charities Commission, and the Ministry of Defence. The legal position between the Council and the MOD is regulated by a legal agreement entered into in 1980. This divides the Scrubs into a portion to the west which is available for potential military use, with remaining portion, to the east of the scrubs and including the Stadium site, being designated as 'free from military use'.

Gowling WLG (UK) LLP, 28 September 2018 RVB1/SRP1/2658104

9. FINANCIAL IMPLICATIONS

Financial context

- 9.1. This report sets out the rationale and high-level options for a public consultation exercise on the options for Linford Christie Stadium. The financial rationale as set out in 3.11- 3.19 sets out the costs borne by the Council in running Linford Christie Stadium and 3.20-3.29 includes the financial position of the Wormwood Scrubs Charitable Trust.
- 9.2. Whilst the Council receives a contribution of £31,500 from the Trust towards running costs of the Stadium, Council expenditure on the Stadium exceeds income generated by c£120,000 (excluding capital charges) per annum. In addition, the Council has committed significant capital sums to the Stadium with significant essential capital work of over £1 million being identified as necessary in the short term. These costs may be revenue costs if the works do not enhance or lengthen the life of the asset.
- 9.3. In line with Council's priority of being ruthlessly financially efficient, the Council needs to consider and challenge this expenditure to ensure that it is value for money and achieves Council priorities in the context of needing to continue to identify and deliver significant savings in the medium term.
- 9.4. The Trust's current financial position does not allow it to meet the full running costs of the Stadium in the medium term without the Council contribution to running costs and its reserves would not be sufficient to fund the essential capital works identified should the Council choose not to invest its own funds in these works.

Consultation costs

- 9.5. Recommendation 2.3 requests that Cabinet approve a budget of £100,000 to cover costs of professional advice in assessing the consultation responses and making recommendations to Cabinet. There is currently no revenue budget for this one-off activity and therefore this will be funded from the Corporate Demands and Pressures reserve.

Future costs

- 9.6. Following the consultation exercise, the Council will complete its business case process and make recommendations for a preferred way forward. The financial implications of the preferred option will be fully set out in the business case and reflected in a future decision report.
- 9.7. Implications completed by Emily Hill, Assistant Director, Corporate Finance, tel. 020 8753 3145.

10. COMMERCIAL IMPLICATIONS

- 10.1. This report seeks approval to allocate £100,000 for professional advice services. There are no direct procurement implications. However, the allocated budget must be spent in accordance with the Council's Contracts Standing Orders and the Public Contracts Regulations 2015.
- 10.2. Appropriate approval shall be sought to spend the allocated money.
- 10.3. Implications provided by Andra Ulianov, Procurement Consultant, tel. 020 8753 2284.

11. IT IMPLICATIONS

- 11.1. IT Implications: There are no apparent IT implications resulting from the proposals in this report.
- 11.2. IM Implications: If the public consultation process will involve the processing of sensitive data on behalf of H&F, a Privacy Impact Assessment will need to be completed to ensure all potential data protection risks in relation to this proposal are properly assessed with mitigating actions agreed and implemented.
- 11.3. The contracts for consultant services will need to include H&F's data protection and processing schedule. This is compliant with the General Data Protection Regulation (GDPR) enacted from 25 May 2018.
- 11.4. *Implications to be verified/completed by: Karen Barry, Strategic Relationship Manager, IT Services, tel. 0208 753 3481*

12. IMPLICATIONS FOR BUSINESS

- 12.1. There are no implications for business directly at this stage, but the consultation process should be completed in a way that allows for local businesses to make their views known to the Council and the Trust.
- 12.2. Implications completed by David Burns, Assistant Director Growth, tel. 020 8753 6090.

13. RISK MANAGEMENT IMPLICATIONS

- 13.1. primary risks at this stage are that the Council and the Trust do not complete an adequate consultation, following the requirements set out section 8.1. The Council will ensure that an internal legal review of all consultation materials is undertaken before the consultation is started, and it will use a variety of communications methods. There is some risk associated with addressing concerns of local residents' access to Leisure facilities in the borough, these should be addressed by the consultation and analysis of the data. Consultation contributes to the Council's Objective of 'Doing Things with Residents, not to them'.
- 13.2. Future decisions will need to follow the conflict of interest guidance set out in paragraph 8.7, and, depending on the outcome of the consultation, further advice in respect of permitted activities, third party consents, land transfer/disposal and the governance requirements of the Council and the Trust in taking decisions. The professional and legal advice that is being procured will support the Council in this process, and the Trust will need procure its own.
- 13.3. The responsibilities for advising the Trust have been allocated to the Director for Transport and Highways, who acts as the manager for the Trust. They are not involved in the options process for the Stadium.

14. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

None

LIST OF APPENDICES:

Appendix 1 – Further financial analysis of the options

Appendix 2 – Confidential Appendix 2 – Financial Modelling (*contained in the exempt report on the exempt Cabinet agenda*).

Appendix 1 - Further financial analysis of the options

1. Analysis of Option 2 – Enhance the current facilities

1.1. The table below sets out the expected income and expenditure from Option 2 referred to in paragraph 6.18 onwards.

Income	£
Existing Car Parking and other Income	700,000
Current Sports Fee Income (Max Usage)	200,000
Additional Sports Fee Income	200,000
Total	1,100,000
Expenditure	
Running Costs	300,000
Ground Maintenance	700,000
Other WSCT Costs	30,000
Total	1,030,000
Net Surplus	70,000

1.2. This shows that the site has the potential to generate a small surplus on its operations. However, this does not include any capital charges, including the costs of borrowing.

1.3. An initial costs assessment has highlighted the following potential capital costs for this option:

Indicative Capital Costs	£
Remove Artillery Wall	500,000
New 12 Team Changing Rooms	1,750,000
New all-weather facilities	1,500,000
Upgrade astro turf pitches	1,500,000
New Spectator facilities	250,000

Resurface Athletics Track	500,000
New Grass football pitch	250,000
Car Park upgrade	250,000
Access improvements	500,000
Total	7,000,000

1.4. There are funding opportunities

from the Football Foundation and given the interest of the local sports clubs who have commented in the consultation that they would also help a crowdfunding campaign the capital costs could be funded in the following way:

- 50% Sports England Parklife Football Hub funding
- 10% Crowdfunding
- 40% LBHF mainstream borrowing

1.5. This would produce a capital funding requirement of £2.8m from LBHF if the Council takes a role in funding it. If this was funded from borrowing, then it would incur additional costs of c.£220,000 in interest and capital repayments, before MRP is considered.

1.6. This option would therefore require ongoing subsidy from the Council.

2. Analysis of Option 3 – Delivery a larger multi-purpose venue

2.1. There are three main options for how any scheme could be operated

- 1) All facilities are managed by a single operator;
- 2) Facilities are split between a sports operator and an entertainment operator
- 3) The facilities are sub-divided into three areas and managed under three separate contracts:
 - A) Schools and community;
 - B) University and clubs;
 - C) Professional Operators

2.2. Options Tested in Financial Model

2.3. In order to test the affordability of any schemes the designs provided by Populous have been:

- a) Tested by cost consultants
- b) Reviewed by facilities management operators to give an indication of costs
- c) Uses revenue estimates from market information
- d) Tested against potential capital funding models identified above

2.4. The model has tested the following scenarios

- a) The optimum scheme including all facilities, and with the most expensive construction option and 45,000 seats (including a roof that can be lowered or raised)
- b) The optimum scheme with 42,000 seats and a traditional roof and pitch arrangement
- c) As B but with a smaller venue of 35,000 seats
- d) No entertainment venues and only a traditional stadium of up to 35,000 seats funded by the occupier

2.5. In Options A, B and C it is assumed that development costs are funded through a long-term income funding arrangement with an institutional investor. In this scenario LBHF would grant a lease to the investor, who would grant a 50 year lease back to LBHF. The investor would provide all of the funds for the land acquisition and the construction. On completion, the Council would be required to make lease payments (rent) back to the investor. The Council would cover the costs of these lease payments through the events that happen on site. It can protect itself by entering into sub-leases with operators and tenants who would guarantee to make set payments. Any income generated above the lease payments would be surplus for the Council to control. It is unlikely the Trust would be able to enter into such arrangements directly or at least on less favourable terms than to the Council – the Trust has limited financial standing, whereas the Council has a strong covenant against which funders can rely.

2.6. In Option D it's assumed that the stadium venue is simply disposed of to the main tenant (i.e. a football club) who fund its construction and that no entertainment venues are included. The Council or Trust would need to fund all other facilities, i.e. the replacement of existing running track and other facilities, potentially from funds realised from the disposal.

2.7. The exempt appendix of this report sets out the economic appraisal for these options, but a high level summary is provided below.

	Option A	Option B	Option C	Option D
Capital Costs	425,650,621	351,227,530	316,983,815	70,396,681
Yr 1 Operating Costs	7,605,576	7,605,576	7,605,576	7,605,576
Yr 1 Finance Costs	16,045,050	13,272,217	11,996,375	2,809,107
Total Operating Costs	23,650,626	20,877,793	19,601,951	10,414,683
Yr 1 Income	27,312,106	22,312,106	20,312,106	9,343,247
Yr 1 Surplus	3,661,480	1,434,313	710,155	-1,071,436
Yr 10 Cumulative Surplus	41,399,447	16,217,424	8,029,549	-12,114,452

<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">CABINET</p> <p style="text-align: center;">4 FEBRUARY 2019</p>	
<p>BUSINESS CASE & PROCUREMENT STRATEGY FOR THE PROCUREMENT OF LEGAL ADVICE SERVICES TO SUPPORT THE COUNCIL ON THE EARL'S COURT REGENERATION SCHEME</p>	
<p>Report of the Cabinet Member for The Economy and the Arts – Councillor Andrew Jones</p>	
<p>Open report</p> <p>A separate report on the exempt part of the Cabinet agenda provides information about the tender evaluation.</p>	
<p>Classification: For decision</p> <p>Key Decision: Yes</p>	
<p>Consultation: <i>Legal, Procurement, Finance, and Business</i></p>	
<p>Wards Affected: North End</p>	
<p>Accountable Director: Jo Rowlands, Strategic Director of Growth and Place</p>	
<p>Report Author: Matt Rumble, Head of Regeneration Area</p>	<p>Contact Details: Tel: 07786 747 488 E-mail: matt.rumble@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. This report sets out the procurement strategy and award for a contract for the supply of legal support to the council on the Earl's Court Regeneration Project.
- 1.2. The procurement strategy is to call off from the CCS framework and award a contract to the incumbent legal advisors, Lewis Silkin LLP. The report seeks authorisation of the procurement strategy and the award.

2. RECOMMENDATIONS

- 2.1. To Approve the Procurement Strategy and Business Case, attached as Appendix 1, which is to call off from the Crown Commercial Service Framework.

- 2.2. To approve the award of a contract to Lewis Silkin LLP for the supply of legal support to the Council in relation to the Earl's Court Regeneration Project and the Conditional Land Sale Agreement (CLSA) for an initial duration of two (2) years with an option to extend for up to two (2) more years on the rates as set out in the CCS framework and at a contract value contained within budgets as set out in sections 9.3 & 9.4, in the exempt report on the exempt Cabinet agenda.
- 2.3. To delegate the decision to extend the contract by up to two years (as set out in section 2.5 of appendix 1) to the Strategic Director of Growth and Place.

3. REASONS FOR RECOMMENDATIONS

- 3.1. The Council requires ongoing specialist legal advice to continue to negotiate termination of the CLSA or an improved deal for residents.

4. PROPOSAL AND ISSUES

- 4.1. The proposal is for the Council to retain the existing legal support for the Earl's Court Regeneration Scheme and the Conditional Land Sale Agreement through the re-appointment of the existing provider in accordance with the terms of the CCS Framework.
- 4.2. Proposal and issues are covered in more details in the attached Procurement Strategy and Business case (Appendix 1 sections: 3, 4, 5).

5. OPTIONS AND ANALYSIS OF OPTIONS

- 5.1. The regeneration team has undertaken a review of available options as outlined in the Procurement Strategy and in accordance with Contracts Standing Orders and terms of CCS Framework (Appendix 1, sections: 2 to 11).

6. CONSULTATION

- 6.1. No external consultation was undertaken regarding this decision to award a contract.

7. EQUALITY IMPLICATIONS

- 7.1. It is not anticipated that there will be any negative impacts on any groups with protected characteristics, under the terms of the Equality Act 2010, from a decision to use the CCS framework nor from approval of the Procurement Strategy.
- 7.2. *Implications completed by Peter Smith, Head of Policy & Strategy, tel. 020 8753 2206.*

8. LEGAL IMPLICATIONS

- 8.1. The Council has statutory powers under its constitution to provide for suitable staff and resources to facilitate discharge of its functions including the provision of suitable legal advice.

8.2. The proposal to engage Lewis Silkin Solicitors to provide advice on Earls Court matters by calling off the CCS Framework to award a contract for 2 years with the possibility of a two-year extension would be in compliance of the Council's obligations under the Public Contracts Regulations 2015.

8.3. *Implications completed by Rhian Davies, Assistant Director of Legal and Democratic Services, tel. 020 8753 2729.*

9. FINANCIAL IMPLICATIONS

9.1 Further information is set out in the exempt report on the exempt Cabinet agenda.

Financial Context

9.2. The current projected level of HRA cashable reserves before any appropriation or transfer to the reserve for the 2018/19 financial year outturn, is forecast to be £40.1m. The Capital Programme Monitor & Budget Variations, 2018/19 (First Quarter) report that went to Cabinet on 14 January 2019 sets out that the CFR is forecast to be within prudential borrowing limits.

9.3. As referenced in recent quarterly Capital Programme Monitor and Budget Variations reports spend against the Earls Court Project budget are accounted for as deferred costs of disposal which are recognised when the schemes capital receipts are realised as land transfers to the developer. As these costs effect the net capital receipt any variance to budgeted spend will either adversely or positively affect the CFR in the HRA 40-year Business Plan.

9.4. In the event that the scheme doesn't materialise these costs will need to be written off to revenue. The current earmarked reserve covers costs, including legal costs, to 31st March 2018. Therefore, any costs incurred on this contract would in the event the scheme doesn't proceed need to be written off to revenue and met by existing budgets or reserves.

9.5. *Financial Implications completed by Firas Al-Sheikh – Head of Housing Financial Strategy & Investment, tel. 020 8753 4790.*

9.6. *Implications verified by Emily Hill, Assistant Director, Corporate Finance, tel. 020 8753 3145.*

10. IMPLICATIONS FOR BUSINESS

10.1. There are no business implications on businesses in the borough arising from the proposals in the report.

10.2. *Implications verified/completed by: David Burns, Assistant Director of Growth, tel. 0208 753 6090.*

11. COMMERCIAL IMPLICATIONS

11.1. Further information is set out in the exempt report on the exempt Cabinet agenda.

- 11.2. This report seeks approval to directly award the contract for legal services and contract negotiation for the Earls Court Project to Lewis Silkin LLP under the CCS Framework Agreement RM3788, Lot 1.
- 11.3. The framework agreement has been procured in accordance with the Public Contracts Regulations (PCR) 2015. The framework agreement allows for direct award under its lots. The contract will run for two years, with the option to extend to up to two years.
- 11.4. While the framework allows for direct award, value for money is not demonstrated in the report. Therefore, it cannot be assessed whether the contract is commercially viable for the Council.
- 11.5. The new contract, due to start in March 2019 must be created in the Contracts Register as a separate contract entry.
- 11.6. The contract must not be awarded until the Privacy Impact Assessment (PIA) is drafted and approved by the relevant Information Officers.
- 11.7. The contract document shall ensure compliance with the statutory and the Council's GDPR and Social Value policies.
- 11.8. *Implications verified/completed by: Andra Ulianov, Procurement Consultant, tel. 0208 753 2284.*

12. SOCIAL VALUE CONSIDERATIONS

- 12.1. Social Value has been considered in this report as required by the Council's Standing Orders (CSOs) and the Social Value Act (2012). As the report suggests, Social Value will be delivered as part of the contract by creating work experience and employability skills or offering Pro-Bono legal advice to the local community.
- 12.2. It is recommended that, as part of the contract, a minimum number of each activity is clearly specified.
- 12.3. Social Value commitments should be part of the contractual agreement as part of the Key Performance Indicators (KPIs) and should be monitored accordingly. The deliverables must be measurable and quantifiable. Therefore, Social Value must be agreed prior to awarding the contract, not post award as suggested in the report.
- 12.4. *Implications verified/completed by: Ilaria Agueci, e-Procurement Consultant, tel. 020 8753 4762.*

13. IT IMPLICATIONS

- 13.1. IT Implications: There are no apparent IT implications resulting from the proposal in this report.
- 13.2. IM Implications: As Lewis Silkin LLP will be processing data on behalf of H&F, a Privacy Impact Assessment will need to be completed to ensure all potential data protection risks in relation to this proposal are properly assessed with

mitigating actions agreed and implemented. For example, a contract data protection and processing schedule or an information sharing agreement template and a Supplier Security Checklist to ensure the systems used by the contractor comply with H&F's regulatory requirements.

13.3. The contract with Lewis Silkin LLP will need to include H&F's data protection and processing schedule. This is compliant with the General Data Protection Regulation (GDPR) enacted from 25 May 2018.

13.4. *Implications to be verified/completed by: Karen Barry, Strategic Relationship Manager, IT Services, tel. 0208 753 3481.*

14. RISK MANAGEMENT IMPLICATIONS

14.1. It is proposed that the council retains the provision of external legal advisor for the project through the procurement of a legal advisor under the Crown Commercial Services (CCS) Framework Agreement to support the next phase of the project including any potential Compulsory Purchase Order process, if necessary. This is recommended to ensure that knowledge and experience is retained in accordance with management of continuity risk. The provider is a highly regarded practice having received a commendation from the Financial Times, FT Innovative Lawyers awards 2016 – 'Standout' commendation and listed for nine consecutive years in the Sunday Times Best Companies Top 100 and are active in Community Based Projects as part of their Corporate Social Responsibility Programme.

14.2. Other legal firms may challenge the direct award of a contract to Lewis Silkin LLP. This risk is mitigated by the very limited availability of solicitors with the relevant experience and resources required but have no conflict as well as our experience of using the CCS framework. Further and based on an earlier mini competition carried out for the procurement of the same service, there seems to be a limited market capacity and high levels of conflict of interest in the market, almost eliminating this risk.

14.3. The Council continues to retain the services of SNR Dentons and can commission them to advise on the CLSA as and when required.

14.4. The contract will provide a mechanism to review and agree a fee for work before instruction is formalised, reducing the risk that costs will exceed budgets.

14.5. *Implications verified by: Michael Sloniowski. Risk Manager, tel: 020 8753 2587.*

15. OTHER IMPLICATIONS

15.1. There are no other implications that have not been considered in this report that need to be considered and included where they are relevant.

15.2. *Implications verified/completed by: Matt Rumble, Head of Regeneration Area; tel: 07786 747 488.*

16. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

None

LIST OF APPENDICES:

APPENDIX 1 - BUSINESS CASE

APPENDIX 1

REPORT RELATING TO:

BUSINESS CASE;

PROCUREMENT STRATEGY; and

PROJECT MANAGEMENT AND GOVERNANCE

PROCUREMENT OF LEGAL SUPPORT FOR EARL'S COURT REGENERATION

Further information is set out in the exempt report on the exempt Cabinet agenda.

BUSINESS CASE

1. BACKGROUND

- 1.1 On 3rd September 2012, the Conservative Cabinet agreed to enter into the Conditional Land Sale Agreement (CLSA) to sell the 20.87 acres of prime land, on which 760 homes forming West Kensington and Gibbs Green Estates are situated, to EC Properties LP; part of the Capital and Counties plc group of companies (Capco).
- 1.2 Following a change in the Council's administration in May 2014, the Labour Administration undertook a review of the Earl's Court scheme. This was in response to varied and wide concerns expressed by residents about the agreement.
- 1.5 Before the appointment of Lewis Silkin, the Council was supported by SNR Dentons solicitors from the negotiation stage till the appointment of Lewis Silkin LLP. In addition to SNR Dentons, the Council procured a separate firm, Bond Dickinson to support the Compulsory Purchase Order process. However, following the appointment of Lewis Silkin LLP, the Council terminated the services of Bond Dickinson and for a while maintain an option to use SNR Dentons for clarification type advice on the CLSA.
- 1.6 It is proposed that the council retains the provision of external legal advisor for the project through the procurement of a legal advisor under the Crown Commercial Services (CCS) Framework Agreement to support the next phase of the project including any potential Compulsory Purchase Order process, if necessary.
- 1.7 To achieve this, the Council proposes to utilise the direct award provision under the Crown Commercial Services (CCS); Wider Public Sector Legal Services Framework Agreement (RM3788). This new framework agreement divides suppliers into multiple geographical lots.
- 1.8 It is proposed that Lewis Silkin LLP is re-appointed by way of a direct award using CCS Framework.

- 1.9 Direct award through this framework is in recognition of the need to maintain an uninterrupted specialist legal advice to the Council on the CLSA. This would allow the Council to respond quickly and efficiently to any contractual notices or trigger event arising from or in connection to the CLSA and enable the continuation of the negotiation for the termination of the CLSA
- 1.10 This proposal, if adopted, would allow the continuation of the existing comprehensive legal support provided by Lewis Silkin LLP and therefore mitigate against any disruption in the provision of the service. Not re-appointing Lewis Silkin would result in the loss of their acquired, extensive and direct knowledge of, and expertise in, the CLSA.
- 1.11 Inability to re-appoint through a direct award may require the Council to undertake a competition exercise involving all suppliers, in the relevant geographical lot of the Framework, who are not in conflict and can meet the council's specific needs and requirements. From the council's experience in 2016, any alternative supplier selected will need a significant period of time to familiarise themselves with the complex aspects of the CLSA before being able to provide a comprehensive legal support to the Council.
- 1.12 The use of the Framework offers the council a good value for money. Price was the main selection criteria for suppliers to be included in the Framework. Appointment through the Framework would allow the Council to focus on other critical issues such as the timely availability of the legal support as well as the quality and comprehensiveness of the support.

2. FINANCIAL AND LEGAL INFORMATION

- 2.1. The proposed contract will be based on the schedule of rates under the CCS framework.
- 2.2. Fee schedules providing rates for a range of lawyers for all suppliers under the CCS legal framework have already been evaluated and benchmarked. The Framework Prices set out under Pricing Schedule 2 are the maximum that the Supplier (Law Firm) may charge pursuant to any Call-Off Agreement and the provisions of the pricing Schedule do not stop the Council from agreeing Charges that are lower than the Framework Prices. The CCS has benchmarked prices against current chargeable rates within the market. Tendering authorities may achieve average savings of 25% using the CCS Framework Agreement, however this figure is based on 2009/10 (+RPI) charging rates.
- 2.3. Throughout the life of the Framework Agreement, the CCS continues to benchmark the rates of the Supplier's prices to ensure value for money. On this basis, the council will therefore be able to demonstrate value for money in its selection process.
- 2.4. The broad scope of the work and the level of negotiation required concerning the CLSA means that it is difficult to estimate the total annual cost of the service provided. Therefore, the annual cost estimate is based on the historic information.

- 2.5. The proposal is for a two (2) year contract with Lewis Silkin LLP with an option to extend the contract by up to two years (by a period of two years or as two one-year extensions), in accordance with Direct Award provisions of the Framework.
- 2.6. Although the Public Contract Regulations 2015 do not specifically set out the maximum length of a call off contract – the regulations do state that call off contracts must be in accordance with the terms laid out within the relevant Framework Agreement.
- 2.7. CCS Framework offers the council a significant discount on standard rates. This discount is further enhanced through an additional discount negotiated with the supplier.

3. OPTIONS APPRAISAL AND RISK ASSESSMENT

- 3.1. There are four principle options considered as part of this procurement strategy:
- 3.2. Option 1: The “do nothing” option. Allowing the current external legal provision to expire would mean the Council would need to rely on internal legal support. This is not recommended because this approach has not delivered a better deal for the council or affected residents and the council legal department doesn't not have the special real estate/contractual expertise to provide this function.
- 3.3. Option 2: The Council could run a full OJEU compliant tender process. This would add significant time to the procurement process requiring a PIN notice and full pre-qualification and ITT stage. Given the limited number of legal' firms with the relevant skills and expertise to meet the council's requirements it is likely that a full procurement process will only attract those already signed up to the CCS Legal Services Framework. The added risk to this strategy is that tendered rates will exceed the rates included in the CCS legal services framework which have been significantly reduced through the procurement process.
- 3.4. Option 3: The recommended option: the Council can use the CCS 'Wider Public Sector Legal Services'; Framework Contract (RM3788) to make a direct award to a supplier in accordance with the terms of the Framework- It is recommended that this approach is followed as it will reduce time and ensure costs are below market rates for legal services.
- 3.5. Option 4: is mini competition under the framework. However, this option is considered not a viable option due to:
 - (i). There are only a few Legal firms on the framework with the relevant skills and experience in major regeneration and development schemes and of those the majority are conflicted by work with associated parties to the regeneration scheme,

- (ii). Any new successful supplier would need time to familiarise themselves with the complexity of the CLSA before being able to offer effective legal support that can be relied on. Further, due to the CLSA incorporating time specific triggers, appointing a new legal advisor raises specific risks arising from time critical notices or trigger events. Such risks significantly outweigh any hypothetical benefits that might be gained from procurement through competition.

4. RISKS AND MITIGATIONS

- 4.1. There is a risk that other legal firms may challenge the direct award of a contract to Lewis Silkin LLP. This risk is mitigated as the framework was tendered to allow for a direct award and, based on an earlier mini competition carried out for the procurement of the same service, there seems to be a limited market capacity and high levels of conflict of interest in the market, significantly reducing this risk.
- 4.2. There is a risk that Lewis Silkin LLP are unable to continue to meet the needs of the council. To mitigate against this, the Council continues to retain the services of SNR Dentons and can commission them to advise on the CLSA as and when required.
- 4.3. There is a risk that the cost of legal support provided by Lewis Silkin exceeds annual budgets – the contract will provide a mechanism to review and agree a fee for work before instruction is formalised, reducing the risk that costs will exceed budgets.

4. THE MARKET

- 5.1. As described above, the procurement strategy is to use the CCS Legal Services Framework: Wider Public Sector Legal Services (RM3788).
- 5.2. An earlier research has identified a very limited number of firms with the relevant skills and experience in major regeneration projects and who are not conflicted by other relationships. Following this, Lewis Silkin LLP was appointed in January 2017.
- 5.3. The framework includes a quality criteria test to ensure value for money and quality is achieved. Since the appointment of Lewis Silkin LLP, the Growth and Place department has been satisfied with the quality of the legal support provided as well as the speed and responsiveness of the supplier to the department's needs.
- 5.4. Given the significance of the scheme, the level of skills and experience required as well as the determination of the Council in achieving its objectives while limiting any adverse risk arising from contractual obligations in the CLSA decision, it would not be possible to ring-fence a tender exercise to local solicitors.

PROCUREMENT STRATEGY

6. CONTRACT PACKAGE, LENGTH, AND SPECIFICATION

- 6.1. The contract will be for the supply of legal services including advice in relation to negotiation of the Earls Court CLSA, compliance with the existing CLSA terms, property contracts and transactions and delivery of CPO process and related advice.
- 6.2. Success will be measured by the council achieving the aims and the goals set out in the Council's strategic priorities, the relevant one being the return of the estates to council control.
- 6.3. As set out in paragraph 2.5 the proposal is for a two (2) year contract with Lewis Silkin LLP with an option to extend the contract by up to two years (by a period of two years or as two one-year extensions), in accordance with Direct Award provisions of the Framework.
- 6.4. The contract will be based on pre-procured rates framework rates which, following the CCS procurement process, are significantly below standard rates for the supplier. Basing the contract on a schedule of rates will allow the council to effectively and accurately manage spend and maintain spend within the approved budget.
- 6.5. Under the CCS framework the council can terminate the contract with immediate effect with written notice. This will also ensure that the costs of services can be contained within existing budgets as well as responding quickly to poor service performance.
- 6.6. The redevelopment of Earl's Court and the Council Housing estates included within the option land is a long-term regeneration project and is divided into several independent development phases. The phases can be varied both in terms of timeframe and order by the Developer (Capco). It is therefore important that the council lets a contract that allows for a long term and responsive partnership with a legal firm (subject to the Public Contract Regulations 2015), but also provides flexibility in terms of termination should the vision of the Council be delivered.

7. SOCIAL VALUE, LOCAL ECONOMIC AND COMMUNITY BENEFITS

- 7.1. Before start of the proposed contract, the council will work closely with the supplier to create a tailored programme of social value utilising the supplier's Corporate Social Responsibility programme. The benefit of this programme is envisaged to include as a minimum:
 - provision of ad-hoc work experience to local residents' subject to supplier capacity;
 - a volunteer programme to provide residents with employability skills such as CV workshops and mock interviews;

- Provision of supplier's employees to help with community projects throughout the Borough as part of their CSR teambuilding days, for instance painting schools, helping with gardens in public areas and council estates lands;
- integration of the supplier's Pro Bono programme in local provisions of free legal advice;
- Provision of toolkits to help with setting up community led response to inequality in all its forms.

OTHER STRATEGIC POLICY OBJECTIVES

- 7.2. This contract is critical to the delivery of the council administrations manifesto and housing strategy objectives to improve the provision of affordable housing at earl's court and the quality of the offer to existing residents.

8. STAKEHOLDER CONSULTATION

- 8.1. Consultation has taken place with appropriate Lead Council Members and the Chief Executive. Consultation has also taken place with the council's commercial director regarding the strategy to use the framework

9. PROCUREMENT PROCEDURE

- 9.1. Call off from the Crown Commercial Services (CCS) -Wider Public Sector Legal Services Framework Agreement (RM3788), geographical lot covering Greater London – on a direct award basis to a single supplier (Lewis Silkin LLP) based on their experience, quality of their service, and value for money criteria as determined by the Framework (below).

10. CONTRACT AWARD CRITERIA

- 10.1. Lewis Silkin as a single Supplier will be selected as this supplier is not in conflict as we as demonstrating the relevant experience needed and detailed knowledge of the scheme acquired as this supplier is the current legal support provider under an earlier CCS Framework award. This supplier was selected under that earlier Framework after satisfying the following criteria:

- (i). Speed of available response, (including, without limitation: capacity to meet required deadlines);
- (ii). Quality (including: capability, expertise, past performance, availability of resources and proposed methods of undertaking the work); and
- (iii). Price

11. PROJECT MANAGEMENT

- 11.1. This procurement process will be led by the Strategic Director of Growth and Place and Borough Monitoring Officer with operation management of the process including making of the direct award and contract negotiation delivered by the Head of Area Regeneration in partnership with Legal Services.

- 11.2. The day to day management of the contract will be led by the Head of Area Regeneration.


12. INDICATIVE TIMETABLE

- Cabinet decision – 4th February 2019
- Implement decision/procurement strategy from 12 February 2019
- Contract live – 1st of March 2019

13. CONTRACT MANAGEMENT

14. Post implementation the lead officer for the contract will be the Head of Area Regeneration

Agenda Item 13

<p>London Borough of Hammersmith & Fulham</p> <p>CABINET</p> <p>4 FEBRUARY 2019</p>	
<p>APPROVAL TO WAIVE CONTRACT STANDING ORDERS AND TO APPOINT ARKBUILD PLC. AS MAIN CONTRACTOR FOR THE CONSTRUCTION OF 10 GENUINELY AFFORDABLE NEW HOMES AT SPRING VALE ESTATE</p>	
<p>Report of the Cabinet Member for the Economy and the Arts : Councillor Andrew Jones</p>	
<p>Open report A separate report on the exempt part of the Cabinet agenda provides exempt financial information.</p>	
<p>Classification - For Decision Key Decision: Yes</p>	
<p>Wards Affected: Avonmore and Brook Green</p>	
<p>Accountable Director: Jo Rowlands, Strategic Director for Growth and Place</p>	
<p>Report Author: Matt Rumble Head of Area Regeneration</p>	<p>Contact Details: Tel: 0208 753 4552 E-mail: matt.rumble@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1 This report seeks approval to appoint ArkBuild Plc. as main contractor for the construction of 10 genuinely affordable new homes at Spring Vale Estate and approval of further budget to deliver the scheme. The report also seeks a waiver of the tendering requirements of Contract Standing Orders and sets out the contract price and background to the decision.

2. RECOMMENDATIONS

- 2.1. That Cabinet approves a waiver of the standard tendering requirements of Contract Standing Orders to permit a direct award of contract for the appointment of a contractor for a building scheme at Spring Vale Estate on the basis that the market for the works has been investigated and demonstrated to be such that a departure from Contract Standing Orders is justified.

- 2.2. That Cabinet approves an increase in the project budget of £352,559 to allow for development costs that fall outside of the scope of the contract as well as a 5% contingency on the build contract.
- 2.3 That the increase in the project budget of £352,559 be funded by:
 - £105,768 of Right to Buy one for one receipts
 - A £246,791 increase in the Housing Capital Financing Requirement, financed initially by internal borrowing.

3. REASONS FOR DECISION

- 3.1. The decision is to appoint a contractor to build 10 genuinely affordable new homes.
- 3.2. Site preparation works have been undertaken at the Spring Vale Estate development site and any delay in appointing a contractor could result in complaints from residents.
- 3.3. The development will enable the Council to use its banked 1-4-1 Right to Buy receipts towards replacing social housing sold through Right to Buy.

4. PROPOSAL AND ISSUES

- 4.1 In March 2017 approval was granted under an Urgency Report of the Leader to undertake a procurement exercise to appoint a contractor / contractors to carry out the construction works for the land adjacent to Jepson House (garages and stores) and Spring Vale Estate projects included in the Council's direct delivery programme.
- 4.2 This approval followed an abortive tender exercise using the Haringey-owned London Construction Programme framework forming part of the Southern Construction Framework. No tenders were received in response to that earlier tender exercise.
- 4.3 In August 2017 an open tender was carried out via the Council's Capital E-Sourcing portal for the Spring Vale Estate development project.
- 4.4 The Council received only a single tender return - from ArkBuild Plc. All other suppliers who were alerted about the opportunity (36No.) declined to tender or did not respond.
- 4.5 ArkBuild Plc. submitted a valid tender which was evaluated by officers and the Council's appointed cost consultant. ArkBuild Plc. demonstrated quality in their tender return and the Council received positive references and credit checks.
- 4.6 Following evaluation of the tender the Council decided to revise the scope of works to alter the frame type from a timber frame to a hybrid frame comprising of steel and traditional masonry. It therefore went back to its sole tenderer and asked it to re-price for the revised scope.

- 4.7 Furthermore, there will be 16 months between the tender and recommendation of award of the contract due to negotiations around the frame cost uplift. In the initial tender exercise, ArkBuild Plc. were required to hold their price for 6 months.
- 4.8 As more than 12 months have elapsed from the original tender submission, ArkBuild Plc. also submitted revised build costs to allow for inflation.
- 4.9 Minor sewer diversion works are required before construction can start. The most efficient strategy for delivery of sewer diversion works is for this to be included within the main works contract. This will reduce mobilisation time between sewer works and main building works and reduce further costs associated with procurement and project administration.
- 4.10 It should also be noted that the consented scheme (granted in 2013) was for 6 intermediate and 4 private market homes however, the Council chose to vary this to 10 social rented homes. This did not require further consultation under planning and residents have not been formally notified of the change. This will be communicated to residents at a public exhibition –to be held before works start. It should be noted that the development team will work with housing teams to value engineer the specification of the units and expect to realise further cost reductions to the overall contract sum on a like-for-like basis.
- 4.11 The Legal Implications below indicate the legal basis on which the appointment of ArkBuild Plc. is being recommended so as to still comply with Contract Standing Orders despite the departure from the tender process that Arkbuild Plc. originally responded to.

5. OPTIONS AND ANALYSIS OF OPTIONS

- 5.1 **Option 1** – Appoint ArkBuild Plc. and award the contract for construction works at Spring Vale Estate.

5.1.1 This option is recommended for the reasons set out in Section 3.

- 5.2 **Option 2** – Amend the delivery strategy and transfer the site to the Council's Housing Association Framework.

5.2.1 It is unlikely that this project would appeal to the Council's Housing Association Framework partners. It is a relatively small project (10 units) on an existing council-owned housing estate.

5.2.2 It is likely that a Housing Association would want to increase the density of units planned for the site. This would require a re-submitted planning application which would cause significant delays to starting construction.

5.2.3 Management of such a small number of properties on an existing council-owned housing estate would be difficult for a Housing Association Framework partner.

5.3 **Option 3** - Re-tender the project via alternative accessible frameworks.

5.3.1 The Spring Vale Estate development site has been tendered three times previously - including an unsuccessful tender via the London Construction Programme Framework, where no bids were received. It is therefore unlikely that the Council would find appropriate suppliers from alternative accessible frameworks.

5.3.2 Were the Council to find appropriate suppliers from alternative frameworks there is a risk that their tenders may be above the current price.

5.4 **Option 4** – do not proceed with the construction works and return the site to its former use (a car park).

5.4.1 The site was previously used as a car park. Studies show that the car park was under-used and had been somewhat neglected.

5.4.2 The construction of 10 genuinely affordable new homes offers far greater benefits than the re-instatement of an under-used car park.

6. **CONSULTATION**

6.1. The Council has committed to a public exhibition once the contract has been awarded and ArkBuild Plc. are appointed - likely to be held in early-March 2019.

7. **EQUALITY IMPLICATIONS**

7.1. The Council has paid due regard to its Public Sector Equality Duty (PSED), as set out in section 149 of the Equality Act 2010, and it is not anticipated that there will be any negative impact on any groups with protected characteristics from the awarding of this contract.

7.2. The table over the page provides analysis in respect of three groups of protected characteristics in relation to the development proposals:

Characteristic	Analysis	Impact (Positive, Neutral or Negative)
Age	<p>The tenure of the new homes will be social rent with tenants selected from the Council's housing register. The new homes will be one, two and three bedroom making them suitable for single people, couples and small families.</p> <p>The location has well established and convenient transport links.</p>	<p>Neutral</p> <p>Neutral</p>
Disability	The new homes will conform to Lifetime Homes requirements and the ground floor homes can be easily adapted for wheelchair users.	Neutral
Race	It is not uncommon for ethnic minorities to be over-represented in low income groups. All 10 homes will be let at social rents so affordability will not be a barrier.	Neutral

- 7.3. The redevelopment of this underused ex-car parking site to provide genuinely affordable new homes will have a positive impact on the local area. The urban environment will be greatly improved strengthening communities and increasing investment in local businesses.
- 7.4. The construction of 10 genuinely affordable new homes will help create new jobs and investment in local labour and supply chains in line with the Council's procurement, diversity and inclusion policy commitments.
- 7.5. Equality Implications verified by Peter Smith, Head of Policy and Strategy, tel. 020 8753 2206.

8. LEGAL IMPLICATIONS

- 8.1. This report seeks approval for the award of a contract for works. It is below the threshold for following an EU-compliant tender process but the EU requirements of fairness, transparency and non-discrimination still apply.
- 8.2. A tender process was undertaken through the Council's capEsourcing portal and only one tender was received. This followed an earlier unsuccessful procurement when no tenders were received using a construction framework run by Haringey Council.
- 8.3. Following the receipt of a single tender, officers found themselves unable to accept that tender because of a need to depart from the specification of works for which tenders had been invited. Rather than doing a new tender exercise, the decision was taken to negotiate directly with the sole tenderer. Under the

EU rules, the circumstances under which this can be done are very limited. However as this procurement is below the EU threshold, there is a wider ability to do this, as recognised by Contract Standing Order 15.

- 8.4. However after that exercise to amend the specification, the validity of the tender expired. As a result, the tender with its revised specification is no longer open for acceptance. However it is still proposed to award a contract on the basis of that tender submission, but with a negotiated increase in price due to an uplift for inflation due to lapse of time from the original submission.
- 8.5. Furthermore, the scope of works has changed again due to the proposal to include the drainage works within the contract.
- 8.6. The recommendation to award the contract can therefore not be said to be in response to the tender exercise, because of the lapse of time and subsequent negotiations on the price uplift and additional works after that. Therefore the recommended award is a direct award of contract, being otherwise than in accordance with the standard tendering requirements of Contract Standing Order 10.2 to use a framework or follow a tender process. However overall this approach is considered to be in the best interests of the Council in light of the failed tender exercises that have occurred.
- 8.7. Under Contract Standing Order 3, it is possible for a decision-maker to waive tendering requirements of CSO 10.2 where one of a number of specified grounds is made out. Here there has already been a failed tender exercise using the Haringey framework, followed by a tender exercise where only one tender was received. The relevant ground here is that the “the nature of the market for the works to be carried out ... has been investigated and is demonstrated to be such that a departure from these CSOs is justifiable...” Accordingly a waiver is being requested on this basis, in order to permit the proposed award of contract to go ahead, on the basis of the description in the report concerning lack of interest from the market.
- 8.8. There is a risk of challenge from other potential tenderers on the basis of breach of the general EU duties as referred to in paragraph 8.1. They could argue that they would have tendered had the hybrid frame been specified during the tender process as opposed to timber. However this risk is considered low because of the lack of interest in tendering for the contract from those very companies.
- 8.9. *Deborah Down, Senior Associate at Sharpe Pritchard on secondment to the Council – email: ddown@sharpepritchard.co.uk*

9. FINANCIAL IMPLICATIONS

Budget Impact

- 9.1 The April 2017 Leaders Urgency Report approved a budget of £3,100,000 with the Decent Neighbourhoods Capital Programme for this development. Of this

budget £3,074,790¹ remains, and in addition a deposit of £27,000 has been paid to Thames Water from previously approved budgets, which is refundable upon completion of sewer works. This makes the total remaining budget available to £3,101,790 which is sufficient to cover the cost of this contract.

9.2 The additional budget requirement of **£352,559** is sufficient to cover the remaining development costs that fall outside of the scope of the contract as well as a 5% contingency on the build contract.

9.3 The proposed budget increase of **£352,559** will be 30% funded by retained Right to Buy 1-4-1 receipts and remaining will be funded by Housing Capital Receipts / internal borrowing as per the summary table below:

Spring Vale	Remaining Budget as at 31/10/2018	Proposed Revised Budget	Proposed increase
Project costs	3,101,790	3,454,349	352,559
Funded by:			
RtB retained 1-4-1 Receipts	930,537	1,036,305	105,768
S106 Contributions	977,385	977,385	-
Housing Capital Receipts / Internal Borrowing	1,193,868	1,440,659	246,791
Total Funding	3,101,790	3,454,349	352,559

9.4 The Capital Programme Monitor & Budget Variation report for the first quarter of 2018/19 approved at 8 October Cabinet forecasts the Housing Revenue Account capital financing requirement (CFR)² to be £253.8m by 31 March 2022. The Government has lifted the previously imposed limit on the Housing CFR at the end of October 2018. The above addition to the budget will be added to the forecasted CFR, to uplift by £246,791.

Financial Benefit of Additional Affordable Units

9.5 The provision of ten additional affordable rented homes will contribute to the avoidance of temporary accommodation costs incurred by the Council. Based on the 2018/19 temporary accommodation budget this cost avoidance equates to £21,000 per annum.

9.6 The additional units will also make a direct contribution to the HRA from the rental income generated³.

9.7 Implications completed by: Firas Al-Sheikh, Head of Financial Investment & Strategy (Growth & Place), tel. 0208 753 4790.

¹ As at 31st October 2018.

² The Capital Financing Requirement is the non-funded element of capital spend which is in respect of borrowing or credit arrangements used to **finance capital** expenditure on assets. This is not restricted to external borrowing as the council may elect to internally borrow against cash balances.

³ The rents to be charged are yet to be determined but will be established via the social or affordable rent formula.

9.8 Implications verified by: Emily Hill, Assistant Director, Corporate Finance, tel. 020 8753 3145.

10. IMPLICATIONS FOR BUSINESS

10.1. The proposed contractor has been selected through an open competition process, following council procurement rules. No local companies have expressed interest and participated in this opportunity.

10.2. Business implications completed/verified by: Albena Karameros, Economic Development Team, tel. 07739 316 957.

11. COMMERCIAL IMPLICATIONS

11.1. The estimated value of the contract is under the statutory value for works, currently set at £4,551,413. Therefore, following a complete OJEU compliant tender is not required. However, the market was tested in a fair, transparent manner and an initial attempt of awarding the contract through an open tender took place. ArkBuild Plc. were the only interested bidders who submitted a proposal. The need to alter the scope of works of the project led to negotiations with the sole tenderer. The new value also includes an uplift for inflation.

11.2. It is considered that, by negotiating and changing the scope of the project, the initial tendering exercise has been abandoned, this being the reasoning behind a direct award rather than an awarding procedure following the tendering exercise.

11.3. For contracts over £100,000, the appropriate Cabinet Member in consultation with the Leader of the Council can waive the requirements of the CSOs and directly award the contract as recommended in the report. (CSOs table 3.1). It is believed that, considering the tendering exercise that resulted in a sole tenderer, *the nature of the market for the works to be carried out, or the goods to be purchased, or the services to be provided has been investigated and is demonstrated to be such that a departure from these CSOs is justifiable.* (CSOs 3.1.)

11.4. The contract shall be entered in the Council's Contracts Register and a copy of the signed version shall be attached.

11.5. The contract must be managed in accordance with the established KPIs and constantly monitored accordingly.

11.6. Commercial implications provided by Andra Ulianov, Procurement Consultant, tel. 0208 753 2284

12. IT IMPLICATIONS

12.1. There are no IT Implications.

12.2. IT implications provided by Veronica Barella, interim Chief Information Officer, tel. 0208 753 2927.

13. RISK MANAGEMENT IMPLICATIONS

13.1. Officers have undertaken two procurement exercises which resulted in the second instance, using the open tender process, in only one bid being received. Officers have taken reasonable steps to demonstrate competition and to secure value for money in recommending a direct award in this instance. The construction of 10 new genuinely affordable new homes contributes to the Council's priorities.

13.2. Approval of this proposal will take the current HRA the HRA Capital Financing Requirement very close to the cap. As a result, careful monitoring and management of the HRA CFR will be required when considering any further schemes which would increase the requirement.


13.3. Risk Management Implications provided by David Hughes, Director of Audit, Fraud, Risk and Insurance, tel. 0207 361 2389.

14. OTHER IMPLICATIONS PARAGRAPHS

14.1. None

LIST OF APPENDICES:

APPENDIX 1 – RIDER LEVETT BUCKNALL, SPRING VALE ESTATE, VALUE FOR MONEY REPORT 2018 *(contained in the exempt report on the exempt Cabinet agenda)*

<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">CABINET</p> <p style="text-align: center;">4 FEBRUARY 2019</p>	
<p>MODERNISATION OF 6 PASSENGER LIFTS, SPRINGVALE ESTATE W14 (THACKERAY COURT A&B, ELGAR COURT, CALCOTT COURT, BRONTE COURT, WALPOLE COURT)</p>	
<p>Report of the Cabinet Member for Housing – Councillor Lisa Homan</p>	
<p>Open report A separate report on the exempt part of the Cabinet agenda provides exempt financial information.</p>	
<p>Classification - For Decision</p> <p>Key Decision: Yes</p>	
<p>Consultation Legal, Procurement, Finance, ICT</p>	
<p>Wards Affected: Avonmore and Brook Green</p>	
<p>Accountable Director: Jo Rowlands, Strategic Director, Growth and Place</p>	
<p>Report Author: Vince Conway</p>	<p>Contact Details: Tel: 020 8753 1915 E-mail: vince.conway@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. This report seeks approval to award a contract to undertake works to modernise the existing passenger lifts serving five blocks on the Springvale Estate W14.
- 1.2. The procurement strategy for this project was approved by Cabinet on 8th May 2017. The delay in proceeding to tender is due to the need to undertake a review of the original lift specification, including consultation with Building Control, and provide enhanced fire safety measures where possible.
- 1.3. The proposed works will form part of the 2019/20 Housing Capital Programme for which the Cabinet Member for Housing has responsibility.

2. RECOMMENDATIONS

- 2.1. That approval be given to award a contract for replacement of the lifts on the Springvale Estate to Liftec Lifts Ltd in the sum stated in the exempt report for

an anticipated contract period of 45 weeks. Following off-site design and fabrication of the new lifts the works are expected to start on site on 3rd June 2019, with a completion date of 23rd December 2019.

- 2.2. That approval be given to the inclusion of the contingency sum stated in the exempt report in the overall budget, making a total sum for approval as stated in the exempt report.
- 2.3. To note that this award is subject to completion of consultation with affected leaseholders under Section 20 of the Landlord and Tenant Act 1985.

3. REASONS FOR DECISION

- 3.1. These works need to be undertaken because major components of the existing equipment associated with each lift are obsolete, with many parts having passed their economical useable life span of 25 years, resulting in an increased risk of lift breakdowns. Further, in the event of breakdown, the components required for repairing these lifts are increasingly difficult to obtain as they are not readily available from the respective manufacturers with some having to be made to order. This may potentially result in prolonged delays to return lifts to working order.
- 3.2. The increased number of breakdowns and unreliability of these lifts causes inconveniences to residents, visitors and impacts on their quality of life as the lift installations are the only means for some residents to access their homes, particularly elderly and disabled people.
- 3.3. The Council's contract standing orders (CSOs) provide for cabinet members to sign off tender acceptance reports over £100,000 and up to £5m, where cabinet has previously approved the procurement strategy as a Key Decision. Cabinet on the 8th May 2017 approved the strategy for this report. However, the tender sum recommended for acceptance is more than 10% over the estimated value stated in the exempt report included in the procurement strategy. The increase is partly attributable to amendments to the original specification to enhance the firefighting capabilities of each lift and improve communications facilities within the lift car. Consequently, under CSO 17.3, Cabinet approval is required where the tender sum is more than 10% above the contract estimate.

4. PROPOSAL AND ISSUES

Properties

- 4.1. The subject properties are each multi-storey deck access blocks forming part of the Springvale Estate W14 which was built between 1952 and 1962. Thackeray Court comprises 48 flats arranged over eight floors and is served by two lifts. Elgar Court (24 flats), Calcott Court (24 flats), Bronte Court (11 flats) and Walpole Court (24 flats) are six storeys in height and are each served by a single lift.

Proposed Works

- 4.2. The works include the dismantling and removal of the existing lift installations within each block, including the main drive units, control systems, lifts cars, landing equipment, associated wiring, and the installation of new modern equipment that can be supported for the foreseeable future. The works do not include renewal of the existing guides and counter weights which are serviceable, and are therefore to be retained.
- 4.3. The new equipment selected is more energy efficient than the existing. The new drive machines come with variable frequency motors, the proposed new lifts control systems are equipped with Eco-friendly facilities, which at given times shut down unwanted circuits, such as car lighting, fans and power factors, which will all resume back to normal functions upon call demand, thus saving energy usage.
- 4.4. Associated equipment such as Elevator Monitoring Units (EMUs) to enable remote monitoring of performance and early detection of faults, and automatic phone call system used in the case of emergencies will be upgraded as necessary. The contract also allows for the installation of new CCTV in lift cars, linked to the council's central control room, and for the provision of new information display panels in lobby areas.

Programming

- 4.5. The Works will be programmed to be completed as quickly as possible in order to minimise the inconvenience to residents and visitors to the buildings whilst the lifts are out of service during works. Where a block is served by a single lift, it follows that there will be no lift service available to residents throughout the duration of the construction period. The contract includes for a resident liaison officer to be posted on site throughout the construction period to provide assistance to residents with their shopping and transporting of heavy loads via the stairs. The resident liaison officer will also deal with complaints and resident queries on a daily basis between the hours of 9am – 5pm (Monday to Saturday).
- 4.6. At Thackeray Court, which is served by two lifts, it is proposed to phase the works so that only one lift in is decommissioned and worked upon at a time. This will maintain a lift service throughout the duration of the scheme, albeit a reduced one. Works to the second lift in Thackeray Court will only start after a successful trial period of one week following completion of the first lift. Further, where there are two lifts serving the building we are aware of the risk of failure of the in-service lift and of the inconvenience this would cause should breakdown occur. Accordingly, it is a requirement in the contract for the successful contractor to respond to breakdown repairs on the in-service lift within one hour of notification of same. In addition, redundant parts removed from the decommissioned lift will be kept on site as spares used to maintain the in-service lift.
- 4.7. A detailed impact assessment will be carried out by officers to establish how the loss of the lift service will affect residents, particularly vulnerable, with

appropriate measures put in place to minimise inconveniences to their daily lives. In some cases this may require a temporary decant to other suitable accommodation within the borough until completion of the lift modernisation works.

Programme

4.8. The anticipated Programme of Works for the project is as follows:

Activity/Milestone	Estimated Date
Issue section 20 notices	07 January 2019
Expiry of section 20 notices	11 February 2019
Cabinet Meeting	04 February 2019
Contract Start	18 February 2019
Resident Consultation, on or around	25 March 2019
Start on site	03 June 2019
Completion	23 December 2019

4.16 It should be noted that, following award of contract, there is a period of sixteen weeks during which the new lifts are designed and fabricated off-site.

5. OPTIONS AND ANALYSIS OF OPTIONS

5.1. This tendering exercise has been carried out following an analysis of procurement options which were considered in the strategy report to Cabinet on 8th May 2017. The delay in proceeding to tender is due to the need to undertake a review of the original lift specification, including consultation with Building Control, and provide enhanced fire safety measures where possible.

5.2. There is no realistic alternative to doing this work if a reliable lift service is to be provided for the longer term. The lifts proposed for modernisation are past their recommended life of 25 years. In the event of breakdown parts become increasingly difficult to source leading to lifts being out of service for prolonged periods.

6. CONSULTATION

6.1. There will be ongoing consultation with residents to explain the nature and scope of the works, programme, and timescales. Lift engineers and the contractor will liaise with housing management to arrange assistance during lift downtimes for any residents with specific needs.

6.2. Leaseholders have been notified in accordance with the statutory consultation legislation. Notices of intent were sent out on 22nd June 2018 and expired on 27th July 2018. The Notices of Estimate are expected to be issued on 7th

January 2019 and the consultation period will expire on 11th February 2019. The contract will not be issued until expiry of the section 20 notices.

7. EQUALITY IMPLICATIONS

- 7.1. The works will have a short-term negative impact on the elderly, people in wheelchairs, ambulant disabled people, pregnant women and people with very young children, as these groups are most reliant on lifts. Equally, these groups suffer most when breakdowns occur and the proposed works will ultimately reduce the frequency of such breakdowns.
- 7.2. Lift engineers and the contractor will liaise with housing management to arrange assistance during lift downtimes for any residents with specific needs.
- 7.3. Implications verified by: Peter Smith, Head of Policy & Strategy, tel. 020 8753 2206.

8. LEGAL IMPLICATIONS

- 8.1. The value of the contract outlined in this report is below the threshold for works contracts above which a tender has to be carried out in accordance with the EU public procurement regime. However, a process generally complying with the open procedure (as set out in the relevant regulations) was followed.
- 8.2. The procurement has been carried out in compliance with the Council's Contract Standing Orders (CSOs), firstly through the approval of a Procurement Strategy as required by CSO 8.12, and secondly by the following of a process complying with the requirements of CSO 10 (to advertise the opportunity unless the Council's Housing Repairs contract is to be used). The open procedure was adopted.
- 8.3. As tenderers were advised that award would be made to the tenderer submitting the most economically advantageous tender on the basis of the published award criteria, Members need to be satisfied on the information in the public and exempt reports that the recommended award is in accordance with that commitment.
- 8.4. As the procurement is not subject to the EU public procurement rules, it is not necessary to follow a formal standstill process. Accordingly, the contract can be awarded on expiry of the standstill process for this report, assuming that the consultation with leaseholders pursuant to S.20 of the Landlord and Tenant Act 1985 is complete, though it would be good practice to follow a feedback process with the 5 unsuccessful tenderers.
- 8.5. The service department have received legal advice throughout the process and are recommended to use legal services further in order to produce a formal written contract as required by CSO 19.

- 8.6. *Implications verified/completed Implications verified/completed by: Deborah Down, senior associate with Sharpe Pritchard solicitors, on secondment to the Council drown@sharpepritchard.co.uk*

9. FINANCIAL IMPLICATIONS

- 4.5 Further information is set out in the exempt report on the exempt Cabinet agenda

Financial Context

- 9.1. The plans set out in this report are not expected to adversely impact on the current projected level of HRA cashable reserves. The plans in this report are also not expected to adversely impact on the level of debt in the HRA as measured by the HRA Capital Financing Requirement (CFR), as the Capital Programme Monitor & Budget Variations, 2018/19 (Second Quarter) report that went to Cabinet on 8 October 2018 has a sufficient budget envelope to fund the award of this contract.
- 9.2. Implications completed by: Sudhir Kafle, Housing Investment Accountant, tel. 020 8753 4391.
- 9.3. Implications verified by: Emily Hill, Assistant Director, Corporate Finance, tel. 020 8753 3145.

10. IMPLICATIONS FOR BUSINESS

- 10.1. The award of this contract does not create any opportunities for local business other than the site team are likely to avail of local services such as shops and cafes.
- 10.2. Implications verified Albena Karameros, Economic Development Team, tel. 020 7938 8583.

11. COMMERCIAL IMPLICATIONS

- 11.1 The value of the contract is below the statutory thresholds for works, £4,551,413. Therefore, the full procurement regulations do not apply.
- 11.2 The procurement was undertaken in accordance with the Council's Contracts Standing Orders (CSOs), following an open procedure. The tender has been advertised on the Council's e-tendering system and Contracts Finder.
- 11.3 The proposal is to award the contract to the most economically advantageous tenderer, based on a quality-price ratio, following the meeting of the Tenders Appraisal Panel (TAP).
- 11.4 An award notice shall be published in Contracts Finder and a contract entry shall be created and adequately monitored in the Council's Contracts Register.

- 11.5 The agreed KPIs shall be constantly monitored and evidence shall be kept in the system.
- 11.6 Implications completed by: Andra Ulianov, Procurement Consultant, tel. 07776672876.

12. IT IMPLICATIONS

- 12.1. IT Implications: If Liftec Lifts Ltd requires access to H&F IT equipment, systems and/or networks (example: for the Elevator Monitoring Units) H&F IT Services must be consulted to ensure all necessary safeguards, permissions and budgets are in place.
- 12.2. IM Implications: If Liftec Lifts Ltd will be processing personal data on behalf of H&F, (such as names and addresses of residents) a Privacy Impact Assessment will need to be completed to ensure all potential data protection risks in relation to this proposal are properly assessed with mitigating actions agreed and implemented. For example, a contract data protection and processing schedule or an information sharing agreement template and a Supplier Security Checklist to ensure the systems used by the contractor comply with H&F's regulatory requirements.
- 12.3. The contract with Liftec Lifts Ltd will need to include H&F's data protection and processing schedule. This is compliant with the General Data Protection Regulation (GDPR) enacted from 25 May 2018.
- 12.4. Implications verified/completed by: Karen Barry, Strategic Relationship Manager, tel. 020 8753 3481

13. RISK MANAGEMENT

- 13.1. These works are required because major components of the existing equipment are obsolete, with many parts having passed their economical useable life span of 25 years, resulting in an increased risk of lift breakdowns, and are increasingly difficult to obtain, result in prolonged delays to return lifts to working order. The increased number of breakdowns and unreliability of these lifts causes inconvenience to residents, visitors and impacts on their quality of life as the lift installations are the only means for some residents to access their homes, particularly elderly and disabled people.
- 13.2 Risks relating to the project's pre-construction processes have been ascertained, and the project will not commence until the necessary actions identified on the register have been undertaken. A post-contract risk register will be developed jointly with the contractor once they have been appointed, in order that risks can be managed throughout the duration of the project.
- 13.3 As part of the tender evaluation process Liftec Lifts Ltd have provided all necessary insurances and accreditations to demonstrate that they have the capabilities to carry out the proposed works.


13.3 Implications verified/completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance on tel. 07817 507695 and tel. 0207 361 2389.

14. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1	Procurement Strategy Report, Cabinet, May 2017 - <i>published</i>	Vince Conway, x1915	Growth & Place, 3 rd floor, HTH Extension

LIST OF APPENDICES:

Appendix 1 - Modernisation of 6 passenger lifts, Springvale Estate W14: Details of Tender Evaluation (*contained in the exempt report on the exempt Cabinet agenda*)

<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">CABINET</p> <p style="text-align: center;">4 FEBRUARY 2019</p>	
<p>DETAILS OF THE INTERIM HOUSING REPAIRS DELIVERY MODEL</p>	
<p>Report of the Cabinet Member for Housing: Councillor Lisa Homan</p>	
<p>Open report A separate report on the exempt part of the Cabinet agenda provides exempt financial information.</p>	
<p>Classification - For Decision Key Decision: Yes</p>	
<p>Consultation: Finance, Risk, Legal, Commercial, Business, IT, Equalities</p>	
<p>Wards Affected: All</p>	
<p>Accountable Director: Jo Rowlands, Strategic Director Growth and Place</p>	
<p>Report Author: Mark Brayford, Assistant Director, Direct Delivery + Will Shanks, Delivery Manager, Growth and Place</p>	<p>Contact Details: Tel.: 020 8753 6007 Email: william.shanks@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1 The Cabinet Paper 'Mitie Partnership Progress Update' of 8th October 2018 approved the termination of the Council's Housing Repairs and Maintenance Contract with Mitie Property Services (UK) Limited in accordance with the terms of the contract for termination on 26 weeks' notice.
- 1.2 Notice was served to Mitie on 16th October 2018. A project is now underway to demobilise the Mitie contract and transition to a new repairs delivery model.
- 1.3 The Cabinet Paper also approved in principle the establishment of a Direct Labour Organisation (DLO) to take over some of the services currently carried out by Mitie, with a final decision to be taken through a subsequent Cabinet report. The Cabinet Paper featured a commitment to bring, in a future Cabinet

Paper, further details of the DLO and the wider repairs delivery model that will replace the Mitie contract. The purpose of this report is to provide the details of the DLO and new repairs model.

- 1.4 This report discusses the *interim* delivery model for repairs that will be in place from 17th April 2019 to early 2020 (12-15 months). The expectation is that the long-term solution will closely follow the transition arrangements but will be informed by lessons learnt over the next 12-15 months of operating the post Mitie service.
- 1.5 The interim model may not be the long-term solution. However, it has been developed to minimise the risks on transfer and to respond to what has been identified as weaknesses in the way repairs have been delivered through Mitie. The interim model is expected to deliver two quick wins from April 17th:
 - visible presence of liveried operatives on estates, addressing long standing issues
 - marked improvement in quality of customer service from Call Centre staff

2. RECOMMENDATIONS

- 2.1 To approve in principle the details of the DLO and interim repairs delivery model that will be in place from 17th April 2019. A further report will come to Cabinet in March to confirm the financial implications and request budget approval.
- 2.2 To note that there are further recommendations on the exempt report.

3. REASONS FOR DECISION

- 3.1 The Cabinet Paper of 8th October (that terminated the Mitie contract), featured a commitment to bring, in a future Cabinet Paper, further details of the DLO and the wider repairs delivery model that will replace the Mitie contract.
- 3.2 Further information is set out in the exempt report on the exempt Cabinet agenda.

4 ISSUES

Further information is set out in the exempt report on the exempt Cabinet agenda.

4.1 The Outline Repairs Solution

- 4.2 The Cabinet Paper of 8th October described how the current repairs service is not meeting the Council's objectives, and how the Council needs more flexibility in how it manages its housing assets to deliver a higher level of resident satisfaction in its repairs service.

- 4.3 The Cabinet Paper of 8th October also described how the current service does not maximise social value in Hammersmith and Fulham or provide enough opportunities for local SMEs.
- 4.4 An operating solution for the interim repairs model is described in this paper, along with provisional costs (based on the current information available to the Council). It is built around a detailed analysis of the Mitie service history, feedback from residents and other stakeholders, other landlord experiences of repairs, and the characteristics of the borough.
- 4.5 In essence, the interim operating model will be based on:

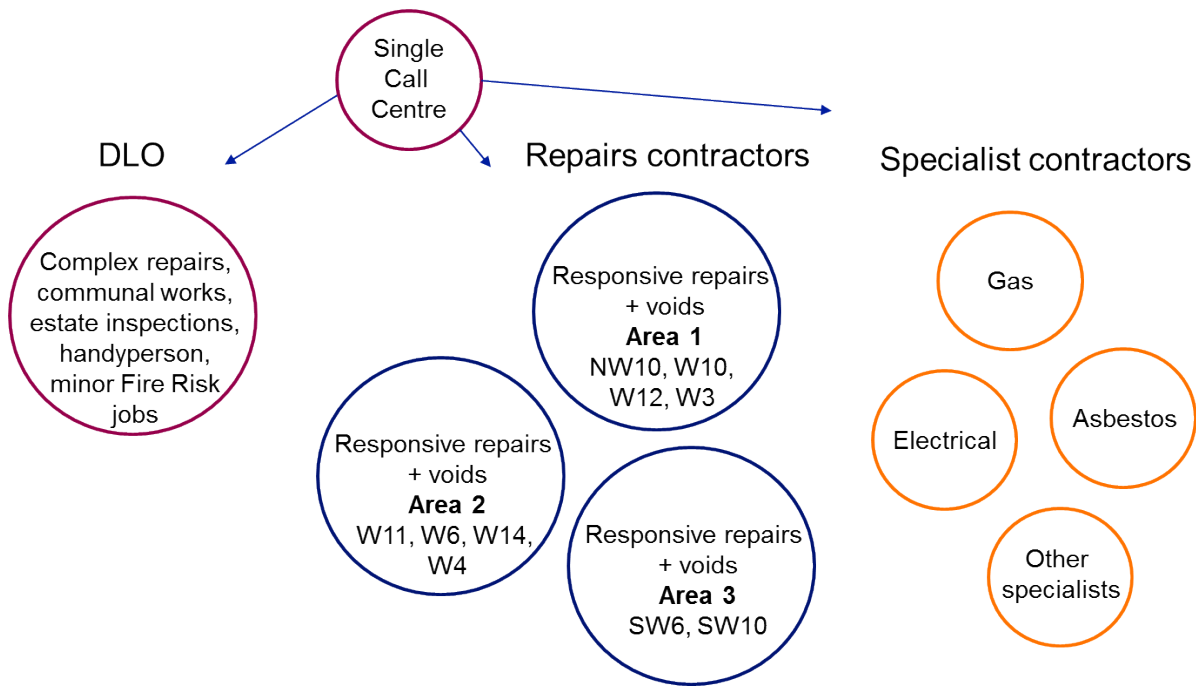
- A single, in-house, repairs call centre that will take calls and allocate them to the DLO and all contractors. This is critical to ensuring that the repairs service can function on day one post Mitie. The transition will involve a short period of dual running to ensure that the new service is ready to go from the cutover date. There will be a major and ongoing focus on training and instilling a customer service ethos in the call centre staff, many of whom will TUPE over from the Mitie Call Centre. Engagement with residents, tenants and leaseholders has confirmed that this is a priority for our customers.

The initial projected cost of the repairs call centre staffing and operating costs will be c£1.2m. This includes the annual software and licensing costs for the NetCall system (£106k) as well as the saving from the termination of the 'Rant and Rave' product (£100k). The latter action reflects resident feedback. Officers are reviewing current call centre structures and resources. A further update will be provided through the appropriate governance channels (see Next Steps section 5).

There is an ambition, in the medium term, to establish a joint housing and repairs Customer Service Centre (CSC). This will create a more joined up housing and repairs service and as an operating model is in line with most other London Boroughs. However, extending the call centre to cover housing is dependent on available budgets and will be subject to a separate budgeting and governance process.

- Three external contractors who will undertake general day-to-day repairs in geographically defined areas of Hammersmith and Fulham. The annual value of these works will total c£5.5m. The procurement process is underway with a closing date for tender returns of 31st December.
- The newly formed DLO which will focus on complex repairs (which are defined below), communal repairs, (a programme is being developed and will be completed by March 2019), handy person services, actions coming out of estate walkabouts, and minor Fire Risk Assessment (FRA) works. The annual value of these works is estimated to be c£4.5m. This estimate includes the staffing costs associated with the DLO.

- A range of specialist services and what are termed ‘out of scope’ works will be separately procured. This will mean that all services are delivered by expert rather than generic providers. These works fall into two categories: compliance related such as asbestos and gas and general repairs including voids and roofing. The total anticipated annual value of these works is c£8m. However, some of these works would be capitalised and some could be undertaken by the DLO (for example voids and aids and adaptations). These aspects will be contracted out flexibly to allow the DLO resources always to be fully engaged.



4.6 The logic for creating a DLO and the split of functions and organisation of works is discussed later in this report (section 4.34 and appendix B - *contained in the exempt report on the exempt Cabinet agenda*)

Project at a glance

3 x Repairs & Maintenance contractors – one per region:
 Area 1: NW10, W10, W12, W3
 Area 2: W11, W6, W14, W4
 Area 3: SW6, SW10

Will carry out responsive repairs recorded by the call centre e.g:

- Plumbing (leaks, blockages)
- Electrical (plugs, sockets, lights)
- Carpentry (doors, window)

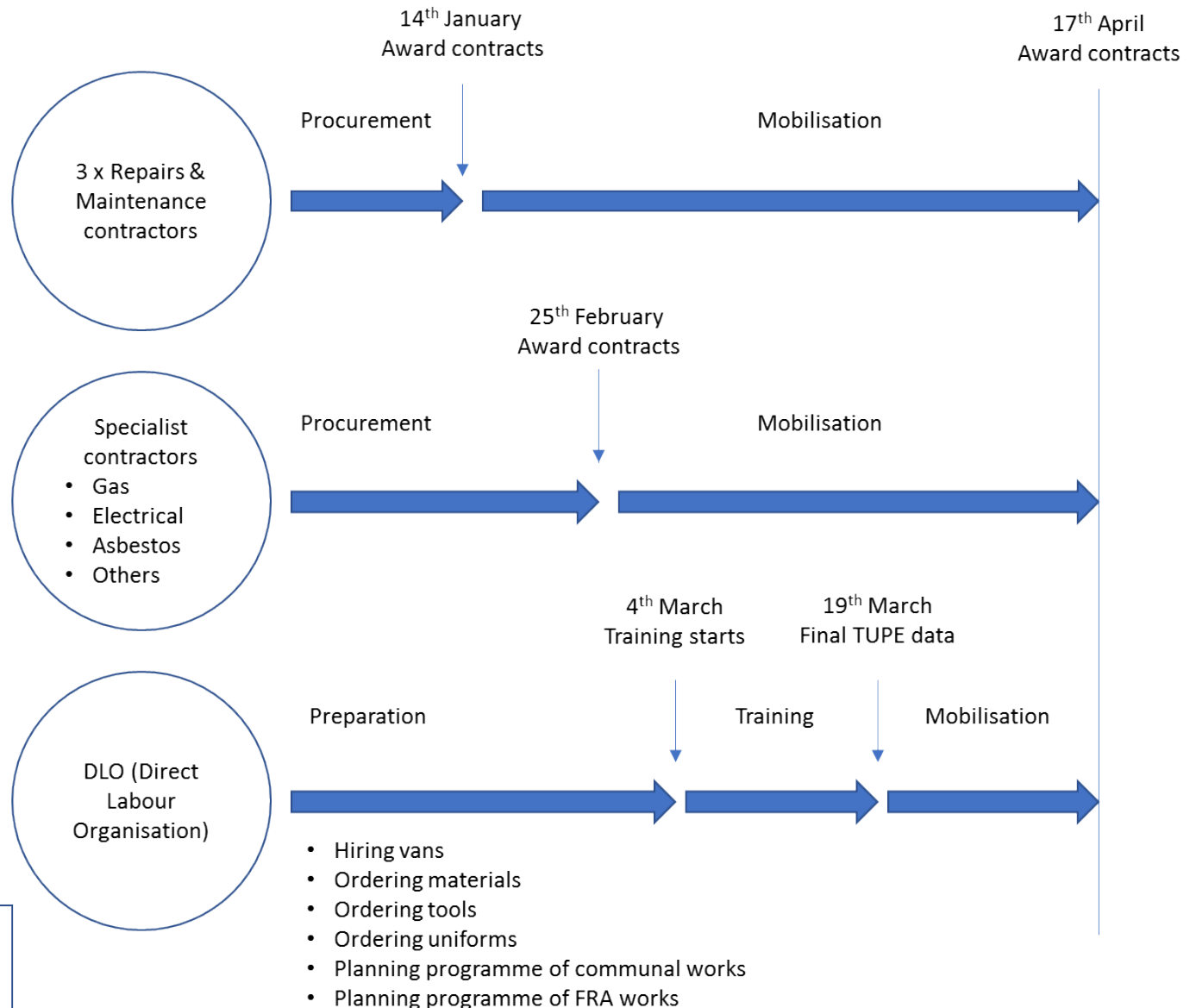
Specialist contractors will carry out

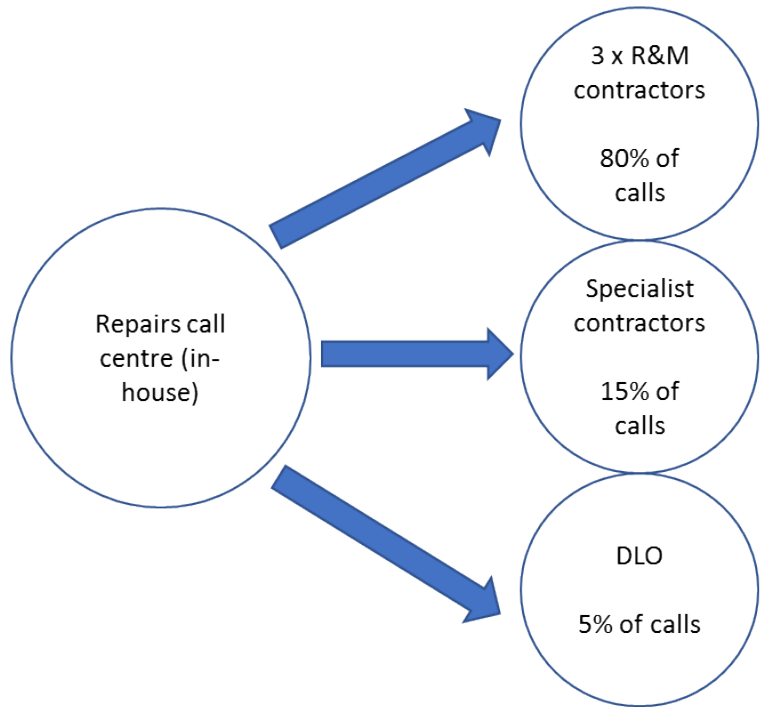
- Programme of gas and boiler inspections
- Programme of electrical inspections
- Asbestos removal works
- Drainage works
- Roofing
- Aids and Adaptations

DLO will carry out

- complex repair works
- communal works
- works arising from estate inspections
- works arising from Fire Risk Assessments

Quick win: visible presence of liveried operatives on estates from April 17th, addressing long standing issues





Vast majority of calls to the Call Centre will be addressed by the three Repairs and Maintenance contractors. In most instances when a resident calls the call centre, they will subsequently receive a visit from a contractor's operative, not a DLO operative.

The DLO is not set up to deal with reactive repairs but will instead carry out works identified through more planned, deliberative processes such as estates inspections, analysis of Fire Risk Assessments, and analysis of multi-visit repairs. Residents will encounter DLO operatives doing communal and estates works, Fire Safety works, and the more complex repairs.

17th April
Award contracts

Quick win: marked improvement in quality of customer service from Call Centre staff, from April 17th



- Identifying how many staff from Mitie call centre will TUPE to the Council
- Recruiting additional call centre staff to ensure additional capacity in first months (possible repairs backlog)
- Process mapping and procedure writing
- Customer standards drawn up with resident forums

4.7 Moving from a single large provider to a much wider mix of contractors, inherently provides more opportunity for local SMEs to bid for contracts. Many of the specialist contracts will be of a size that will be within the capacity of local SMEs to deliver. A 'meet the supplier' event was held on 20th November to enable firms to ask questions ahead of the tender for the responsive repairs contracts. Steps were taken to ensure that the invitation reached local firms.

4.8 The Resident Perspective – Feedback from Resident Engagement

4.9 A number of workshops and focus groups have been held to draw out resident views about the repairs service. There have been three public engagement sessions in locations providing good coverage across the borough:

- 29th October – White City
- 31st October – Town Hall
- 7th November – Fulham

There have also been presentations and discussions at resident-led service improvement panels in early November: Sheltered Forum, Estates Services Working Group, and Repairs Working Group. These public and representative meetings reached around 100 residents.

4.10 In addition consultation has been carried out through the following means:

- Eform on the Council's website asking questions about the changes to the Repairs service.
- Freetext box on the Council's website for feedback on the changes to the Repairs services.
- Email submissions to project team inbox from members of public.

4.11 The focus of these discussions with resident groups and service improvement groups has been on the development of the long-term model. Nevertheless, much of what has been consistently raised is reflected in how the interim solution is being structured. For example:

- the failure to follow up agreed actions from estate walkabouts
- the failure to follow up formal complaints and feedback from tenants and leaseholders
- a lack of care and attention around communal areas
- repairs which are not resolved first time and become ongoing and unresolved - these have been termed 'complex repairs' in this report
- the need for more urgent action to tackle FRA works
- the requirement for more expert and specialist contractors in areas such as gas

- residents are more concerned about the failure to turn up for scheduled appointments than whether or not the visit happens within the current three-day target
- there is a wish for more post inspections. This is clearly the product of a general dissatisfaction with the quality of repairs
- there is strong desire for a better customer experience from the reporting through to completion

4.12 The interim model attempts to address all of these issues. However, the changes are being organised in extremely tight timescales. This creates obvious operational challenges but the overriding objectives remain clear. The long-term ambition is to build a customer focused service offering high levels of expertise and delivering excellent value for money.

4.13 For a summary of the key themes from resident engagement – see section 6 below.

4.14 Training

4.15 To ensure the new repairs service starts positively and improvement is seen by both the workforce and residents, an extensive training and induction programme is being developed. This will cover all DLO and call centre/back office transferees and new staff as well as existing LBHF staff whose roles are impacted on by the service changes. In addition, it is proposed to offer appropriate elements of the programme to the new contractors so that a common customer focused message is being applied Borough wide. This will supplement the training initiatives these organisations will already have in place.

4.16 Priorities within the programme will include: customer service, systems use, risk assessments and health and safety, operating processes and procedures, and LBHF values. The intention is to start the programme before transfer over a one/two-day induction which will take place largely off site. At the same time, a full skills analysis will be undertaken to identify any knowledge or expertise gaps. This will allow ongoing bespoke programmes to be prepared.

4.17 A clear objective will be to make the people delivering the service feel valued, committed to their customers and encouraged to go the extra mile. These operating characteristics will be influenced by more than training but the process of induction offers an important starting point.

4.18 A budget for training totalling £100k will be brought for Cabinet approval in a future Cabinet paper.

4.19 The Customer Interface – The Customer Service Centre (CSC)

- 4.20 The first point of contact for the customer on repairs has been the Mitie call centre, based in the Town Hall Extension, using a widely circulated freephone number. Going forward this function will be directly provided by the Council.
- The freephone number will be retained (novated) to ensure consistency for residents.
 - Phone line capacity for the Town Hall has been extended to receive c. 250,000 calls.
 - Equipment for call centre staff has been ordered through the TechTonic project.
- 4.21 There will be heavy investment in ongoing training for new and existing staff, a focus on strong performance management with a culture of customer service excellence to ensure that staff have the correct behaviours and attitudes to provide a responsive service to residents.
- 4.22 The call centre will co-locate the repairs specialists and work schedulers. Contractors will also be encouraged, subject to agreements around operating protocols, to locate with the call centre. Repairs call handlers will be specialist and expert in dealing with requests for works by tenants. Improving the customer experience at the first point of contact is a priority.
- 4.23 There will initially be 28 seats for repairs in the call centre. However, to drive a better customer experience there may need to be more resources built into the future operation. This is under review. A significant commitment is being made to ensure that the service is smoothly transferred from Mitie and properly resourced to deliver improvements in call handling.
- 4.24 The longer term objective is to provide an integrated housing and repairs call centre which while still employing specialist repairs staff will also include housing call handlers covering the Council's housing teams (for example, Housing Management, Housing Solutions). This will then give residents a single, joined up first point of contact.
- 4.25 Systems and IT Infrastructure**
- 4.26 Two primary software packages are required to deliver the new solution. NetCall, the software that enables us to manage inbound calls to the contact centre and Northgate (aka I-world) which will enable us to log repairs and offer appointments. Both products are already in use within the Borough and significant officer and consultant effort is being deployed to expand functionality and capacity. The deployment of additional software packages and a significant amount of training are also required to enable LBHF officers to operate on a day to day basis and this is currently being planned for February 2019.
- 4.27 The transfer of data from Mitie (and 3rd party) systems is a critical and difficult task. A strategic solution has been designed by LBHF corporate IT using a data warehouse and an appropriate file sharing mechanism for example a File Transfer Protocol (FTP) site. Detailed data requirements have been sent to Mitie and we are seeking clarity on any technical issues by mid-January.

- 4.28 The capacity of the telephony infrastructure is being evaluated. It is believed that current capacity in the Town Hall Extension will be sufficient to operate the CSC temporarily. However, more detailed investigatory work is required to confirm the capacity of temporary offices.
- 4.29 The CSC and IT work streams are currently working closely with the corporate IT programme (Tech-tonic) and the West King Street Regeneration (decant) programmes to identify and specify requirements for TUPE transferring staff and new DLO staff. Analysis of the number of hardware packs and physical desks required to accommodate personnel in the new solution is on-going.
- 4.30 The project is being well supported by a wide range of corporate IT and telephony experts. It is imperative that these resources remain in place during the remainder for the 26-week demobilisation.

4.31 The Direct Labour Organisation (DLO)

- 4.32 The outline DLO structure is attached at Appendix A. It has been developed around the scope of works to be undertaken during the interim period. Guiding principles for the resourcing levels include industry recognised ratios of supervisors to operatives and schedulers to operatives. Typically these are 1 to 8/10. The ratios and roles build on the evolving DLO business rules and operating processes.
- 4.33 The number of operatives and supervisors recognise the transferring Mitie workforce, existing LBHF handy-persons and the required recruitment to fill any trade gaps. Fine tuning in the operative and supervisory numbers, as well as the split in trades, will occur as the structure is reviewed and refined.
- 4.34 DLO Work Streams: three priority work streams have been identified for the DLO – communal areas, complex jobs and minor FRA works. These reflect early resident feedback and are the most consistent points of concern. This is not just true in LBHF and finding a better way of dealing with these issues is critical to changing resident perceptions of their housing service. Focusing on these areas are also ‘technology and infrastructure light’ which makes it easier to set up the DLO in short timescales.

- Communal areas:

A costed programme of improvements to communal areas is being developed. This will take place over a period of years and will ensure that the works can always fit the budget. If more funds are available the programme can be advanced and if funds reduce then the programme can be drawn out. Scoping a communal improvement programme across the Council’s estates before the transition is, therefore, an imperative. Projects can then be organised in line with budgets.

The major advantage of this approach is that works can be publicised to residents in advance and the team will be on site until the improvements are

completed. This work will be highly visible and should be viewed by residents as a positive response to their feedback and concerns.

- **Complex repairs:**

The service requests that fall into this work stream are by definition not consistent. The type of works included will vary from jobs which need many visits to resolve and invariably require a mixed trades team. In total the value of this work stream is projected to be around £2m.

- **Fire Safety Works – minor FRA works:**

The council has completed a borough wide fire safety programme. An embryonic team is in place and the creation of a DLO will allow the programme to be driven faster. The creation of a DLO offers an opportunity to build a dedicated, ring-fenced, expert fire safety works team that can target this type of work. The value of the programme is estimated to be c£20m over the next three to five years – this includes future fire risk assessment works and both handy person type repairs and more complex works. The DLO related element is predicted to be c£1m a year, will interlink with the wider fire safety programme, overseen by property and compliance.

4.35 The above will mean a £4m to £4.5m annual turnover business.

4.36 The cost of the DLO structure will be recovered from the identified budgets. The structural proposals are based on the current set of assumptions. These will change as the structure develops and becomes fully operational. In the medium to long term the structure must be affordable. However, in the short term - the transition phase - the expectation is that there may be some over resourcing to ensure that the risks post Mitie are minimised. For example, in running the call centre and clienting the contractors.

4.37 These extra costs will cover the start-up and transition period assumptions around structure, management and resources, support functions and work volumes. They will be continually revisited. Indeed, over a relatively short period we will expect to identify savings in operating costs alongside improvements in productivity.

4.38 During the transition to the new model and set up of the DLO the aim is to minimise new investment in the logistical infrastructure – depot, vehicles, etc. There will not, therefore, be a local depot on handover. This may change based on how the delivery solution evolves but for now, and in common with many DLOs and private sector contractors, there will be no depot. Similarly, we do not expect every operative to have a vehicle. This level of detail is still being worked on together with operational plans for estate lock ups, tools and materials.

4.40 General Repairs Contractors

4.41 There are a number of drivers behind the proposed organisation of day to day repairs and voids. These include:

- a desire to avoid an over reliance on one contractor
- the creation of local competition between contractors in terms of performance and quality, service improvement and innovation
- a wish to have a mix of contractors who are more local and can demonstrate a strong commitment to the Borough

4.42 The analysis splits the Borough into three geographic areas with roughly equal volumes/value of works.

- Area One: NW10, W12, W10 and W3
- Area Two: W11, W6, W4 and W14
- Area Three: SW6 and SW10

4.43 The new contractors are being procured on this basis. Contractors will be able to bid for all three areas but no-one will be able to win more than one. A map of the future geographic model with number of properties, work values, number of jobs, etc by area is included at Appendix C.

4.44 In this context, the general repairs contractors are being procured through the open procedure under the Public Procurement Regulations 2015. Timescales are tight and the target is to confirm the appointed contractors in the first week of January. This will give sufficient time for each contractor to mobilise prior to the Mitie contract close.

4.45 Other Works

4.46 A number of other work streams were provisionally identified as outside the scope of the general contractors. They are currently being delivered through MITIE and their supply chain partners. We have considered the best fit in terms of future delivery options and procurement routes for these work areas during the interim arrangements. The outcome is summarised below:

To be outsourced and will be procured through appropriate frameworks	Gas, asbestos removal, electrical certification, asbestos surveys, door entry TV aerials, complex drainage works and major roofing works
--	--

4.47 The intention is to award directly from existing frameworks where the specification meets needs or, if appropriate, through a mini competition off existing frameworks.

4.48 The above will sit alongside other specialist areas such as lifts, water, door entry systems, etc which have been recently procured or are also in a procurement process.

4.49 The overall value of these other works, previously undertaken by Mitie, in these different specialist areas is c£8m.

4.50 The Client Function

- 4.51 One of the recognised problems with the Mitie contract has been the absence of a strong client function. In the new arrangements this must be strengthened. It is also true that in building a multi layered contractor delivery model the client pressures may be greater. However, the proposed approach will help facilitate dedicated and expert management for each specialist area.
- 4.52 The client function will be spread between the Assistant Director Property & Compliance and Assistant Director Repairs as follows:
- Assistant Director Property and Compliance – gas, electrical, lifts, water, door entry, lighting, asbestos, fire safety, FRA assessment and programming, compliance related capital works projects and other specialist compliance based services.
 - Assistant Director Repairs – DLO, general day to day repairs, voids, roofing, kitchens and bathrooms, drainage, aids and adaptations and other specialist non-compliance based services
- 4.53 A strengthening of the client function is underway as part of the broader restructuring of Growth and Place.
- 4.54 The Assistant Director Repairs will be accountable for clienting the general external contractors. This will include non-compliance related specialist services such as roofing and drainage as well as the overall delivery of services by the DLO.
- 4.55 The problems around client responsibility and accountability that existed under the Mitie arrangement will not apply in the new structure. A rigorous performance framework will be established from the outset. This will embrace all contractors including the DLO. The lack of this type of working framework is the major reason why the Mitie contract has not been consistently and effectively monitored and cliented. Work is also underway on the detailed service design of the total operation from first customer contact to completion of the works.

4.56 TUPE

- 4.57 The changes to the housing and repair service will be covered under TUPE as a 'service provision change'. For TUPE to apply there must also be an 'organised grouping' of employees (Note: one person can be considered an organised grouping). The principle purpose of which is carrying out the relevant activities on behalf of the client – LBHF. We are, therefore, agreeing an 'in scope' list of roles that transfer back from Mitie.
- 4.58 Once the in-scope list has been finalised we can allocate specific roles to the appropriate entity in the new interim structure:

- either to the DLO or another re-tendered contractor
- consider if there are liabilities for redundancies
- advise on headcount to be recruited to supplement the TUPE employees in providing the service.

4.59 The in-scope list will also be used to assist the re-tendering process to new contractors. It will clearly show what the liabilities are in terms of headcount, terms and conditions and also LGPS (Local Government Pension Scheme) provisions which is required by bidders in order to be able to determine their liabilities and appropriately price their tenders. The TUPE transfer from Mitie to one of the other contractors is an arm's length process for the council. However, for the DLO, the TUPE process will be more detailed and require:

- the appointment of employee representatives
- consultation on the transfer and the model
- where possible, the harmonisation of terms and conditions
- validating employee data including checking right to work documents
- producing individual measures letters (similar to a contract of employment),
- ensure employees receive an appropriate induction, training and support during day 1, week 1 and months 1 to 3.

4.60 Additionally, as there will be a subsequent re-tender process in order to appoint more permanent contractors, the council maintains responsibility for facilitating the TUPE process at the appropriate time.

4.61 The Council has commissioned expert TUPE consultants to deliver the TUPE process for the Mitie demobilisation, and for the demobilisation of the Amey contract that is happening to a similar timeline.

Complaints

4.62 Complaints linked to the Mitie contract are initially managed through their own team and then flow through the Council's complaints team. However, under the new contractual arrangement the LBHF complaints team will take full responsibility for co-ordinating and responding to complaints relating to work by contractors including the DLO.

4.63 The specifications for all of the new contracts will have clear deadlines that have to be followed in terms of providing information on complaints. The contractors will be monitored against their complaints performance and targets for reducing these will be set. This performance will be visible and widely publicised.

4.64 An important driver behind the new structure is reducing the likelihood of things going wrong and removing points of repairs conflict with residents. However, where complaints are made it will be important that responses are quick, accurate, well written and commit to resolve the problem.

4.65 Performance Monitoring

4.66 A clear performance monitoring framework will be put in place from day one after the Mitie contract ends. This will be visible and will as appropriate compare different contractors and the DLOs performance. The performance targets will be included in the tender documents and will reflect resident and other stakeholder feedback. The outline performance framework is included as Appendix D.

5. NEXT STEPS

5.1 This report sets out provisional costings based on current information available to the Council – for the DLO, contractors, and the call centre.

5.2 The next steps involve finalising the costs of the interim repairs model in order to put in place the necessary budgets, in line with Corporate Governance processes. The expected timeline for finalising costs is as follows:

5.3 Delivery Model

- DLO costs – first week in February
- General repairs contractors – first week in February
- Specialist contractors – first week in February
- Call centre – last week of January

5.4 Associated costs

- IT – first week of January
- TUPE – end of February

6 CONSULTATION

6.1 Consultation has been carried out through the following means:

- Eform on the Council's website asking questions about the changes to the Repairs service (56 responses)
- Freetext box on the Council's website for feedback on the changes to the Repairs services.
- Email submissions to project team inbox from members of public.
- Three public engagement sessions: 29th October, 31st October and 7th November in locations providing good coverage across the borough.
- Discussions at resident-led service improvement panels in early November: Sheltered Forum, Estates Services Working Group, and Repairs Working Group. There were c.100 attendees at these meetings.

6.2 The following key themes emerged from the consultation activities:

Feedback	Intended response
<p>Theme 1 – Resident experience reporting a repair to the call centre</p> <ul style="list-style-type: none"> • Repair call centre has long waiting times • Staff attitude, poor customer services, not listening, lack empathy • Repair call centre staff to have better knowledge of estates across the borough • Repair call centre staff to be trained properly on diagnosing repairs • Technical surveyors to be in the repair call centre to deal with complex repairs 	<ul style="list-style-type: none"> • Repair call centre staff will undergo customer services and repairs training, followed by ongoing call quality monitoring • Duty Surveyors will be based in the repair call centre to assist with complex repairs • We are looking at the staffing structure of the repair call centre to find ways to reduce longer waiting times during busy periods
<p>Theme 2 - Resident experience of repair appointments</p> <ul style="list-style-type: none"> • Repair appointment slots should be 2 to 4 hours slots • Appointment reminders should be sent to residents by telephone/text messages • All day appointments should be for external, Health & Safety compliance works. • Repair appointments need to be more flexible based around residents needs • Residents should not have to chase up follow repair works 	<ul style="list-style-type: none"> • Require contractors to define their appointment slots in their tenders and evaluate them accordingly • Explore with contractors the possibility of appointment reminders and enabling operatives to book follow up whilst on residents' property
<p>Theme 3 - Resident experience of repair works</p> <ul style="list-style-type: none"> • Operatives do not leave calling card if residents are not at home 	<ul style="list-style-type: none"> • Through our commissioning of new contractors, we will review: <ul style="list-style-type: none"> ○ the no access process including calling cards ○ what materials we need to keep in the vans

<ul style="list-style-type: none"> • Operatives don't have the right materials or tools to complete repair Right First Time • Workmanship is not of good quality • Operatives don't clean up their mess after repair has been completed • Operatives give poor customer service 	<ul style="list-style-type: none"> ○ processes for quality checking of workmanship ○ the possibility of operatives covering specific areas of the borough on specific days ○ customer services training for operatives • Operatives will follow code of conduct for completing repairs
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7. EQUALITY IMPLICATIONS

- 7.1 The report makes proposals for an interim repairs delivery model. An equality impact assessment accompanies the report and highlights potential adverse impact on some groups of people with protected characteristics affected by the interim changes particularly people who are elderly, pregnant and/or disabled. It also highlights the groups of people with protected characteristics who presently receive services picking up on race and faith protected characteristics. The assessment draws on consultation and demographic and service information. Mitigating actions are set out to address any potential adverse impact identified.
- 7.2 Equality implications completed by Peter Smith, Head of Policy & Strategy, tel. 020 8753 2206.

8. LEGAL IMPLICATIONS

Further information is set out in the exempt report on the exempt Cabinet agenda.

- 8.1 This report is seeking approval for the detailed plans to set up a DLO to run alongside three external contractors and other trades specialists to replace the work currently done by Mitie. This is pursuant to a commitment in an earlier report.
- 8.2 Legal Implications prepared by Deborah Down, Senior Associate with Sharpe Pritchard Solicitors, on secondment to the Council, dtdown@sharpepritchard.co.uk

9. FINANCIAL IMPLICATIONS

Further information is set out in the exempt report on the exempt Cabinet agenda.

- 9.1 The purpose of this report is to approve the interim repairs delivery model that will be in place from 17th April 2019. This report is not intended to approve budgets for the DLO and the interim repairs delivery model. This is because structures, tender submissions and other cost matters and disaggregation of the MITIE contract and budgets will be finalised over the coming weeks. At this stage the intention is that the new repairs delivery model will be funded from existing approved budgets. Section 5 of this report sets out more detail on the next steps involved in finalising the costs of the interim repairs model. Finance officers will work closely with the service in achieving this in the coming weeks. This will be followed by a further report to Cabinet which will set out the anticipated costs and requests for budget approval.
- 9.2 The annual revenue budget within the Housing Revenue Account for the Housing Repairs division is currently £15.6m. The 2019/20 HRA budget is currently being prepared and will be formally approved by Cabinet on 4 February 2019. It is anticipated that the revenue budgets for Housing Repairs in 2019/20 will be maintained at a similar level as currently existing for 2018/19.
- 9.3 The current capital budget for capitalised repairs approved at Cabinet as part of quarterly capital monitoring on 8 October is £1.961m for 2018/19 and £2.039m for 2019/20. The budget for Fire Safety Plus is £2m for 2018/19 and £10m for 2019/20. The capital budget is scheduled to be considered for revision at Cabinet on 14 January 2019 as part of quarterly capital monitoring and again on 4 February 2019 as part of the annual budget setting process.
- 9.4 The costs arising from the interim repairs delivery model, when confirmed, will need to be funded from the approved revenue budgets within the Housing Repairs division of the Housing Revenue Account and from the existing capital budgets within the Decent Neighbourhoods capital programme and Fire Safety Plus for 2018/19 and 2019/20. Any additional costs will be subject to an approval for growth in line with the Financial Regulations and Council Constitution.
- 9.5 Section 4.5 of this report sets out provisional annual costings of £19.2m in total for the DLO and the interim repairs delivery model. The provisional estimates are as follows:
- | | |
|---|---------------|
| • Customer Service Centre (repairs element) | £1.2m |
| • General Repairs | £5.5m |
| • Complex repairs | £4.5m |
| • Specialist repairs | £8.0m |
| | £19.2m |
- 9.6 These costs will be mainly revenue in nature but will also include some capitalisable costs. Any requirement to undertake works outside of the current budget envelope will require further decision reports. These costings are estimates only and are subject to further work over the coming weeks to determine final structures and tender prices.

- 9.11 The plans set out in this report are not expected to adversely impact on the current projected level of HRA cashable reserves which before any appropriation or transfer to the reserve for the 2018/19 financial year outturn, is forecast to be £40.1m. The plans in this report are also not expected to adversely impact on the level of debt in the HRA as measured by the HRA Capital Finance Requirement (CFR), as the Capital Programme Monitor & Budget Variations, 2018/19 (First Quarter) report that went to Cabinet on 8 October 2018 sets out that the CFR is forecast to be within prudential borrowing limits.
- 9.12 Financial implications completed by Danny Rochford, Head of Finance for Growth & Place, tel. 0208 753 4023.

Financial Implications verified by Emily Hill, Assistant Director, Corporate Finance, tel. 020 8753 3145.

10. IMPLICATIONS FOR BUSINESS

- 10.1 There is scope to create opportunities for local SMEs and suitable contractors to bid for work as part of the new model. Collaboration with the Council's Local Procurement Initiative has already started and aims to identify and engage suitable local businesses.
- 10.2 Business implications completed by Albena Karameros, Economic Development Team, 07739 316 957.

11. COMMERCIAL IMPLICATIONS

- 11.1 As set out in the exempt report on the exempt Cabinet agenda.

12 IT IMPLICATIONS

Further information is set out in the exempt report on the exempt Cabinet agenda.

- 12.1 The council is currently delivering a new desktop strategy (Tech-tonic) to provide laptops and smartphones for officers. TUPEd Mitie staff and new staff for Call Centre and DLO will require the same IT solutions as existing council officers and the Tech-tonic programme will coordinate the migration of staff with the service.
- 12.4 Information governance requirements around data protection and GDPR needs to be assessed now as part of the transition planning. A Privacy Impact Assessment will be needed for the new service. Additionally, Information

Sharing Agreements are needed with new suppliers, and a supplier checklist which confirms how suppliers connect to our network. The council's Information Management Team can advise on what's needed. Supporting documentation is also available on our Intranet.

- 12.5 IT implications completed by Veronica Barella, Chief Information Officer, tel. 020 8753 2927.

13 RISK MANAGEMENT

Further information is set out in the exempt report on the exempt Cabinet agenda.

- 13.1 The Council requires a repairs service which meets its objectives, which provides flexibility in how it manages its housing asset to deliver a higher level of resident satisfaction in its repairs service, which ensures compliance with all statutory health and safety requirements and which delivers on a range of other policies including social value and use of local suppliers. In line with the ruthlessly financially efficient priority, the Council also needs to demonstrate that the repairs service demonstrates and delivers value for money in managing and maintaining its housing stock to an appropriate standard.
- 13.3 It is essential that appropriate project management resource and governance arrangements are put in place and that the project risks are reviewed and managed by the Repairs Project Governance Board. The project risk register needs to include key interdependencies with other change programmes taking place across the Councils during the notice and transition period, including but not limited to the West King Street regeneration/Town Hall Decant programme and the Desktop Strategy programme, and the mitigations which need to be put in place to minimise impact on meeting the objectives of this and other programmes.
- 13.4 The Repairs Project Governance Board should regularly review Mitie's performance during the remaining contract period to enable decisions regarding early withdrawal of services, due to poor performance, to be considered in line with the legal comments provided for this report.
- 13.5 Repairs Project Governance will need to ensure that the termination process is progressed in line with the legal advice provided for the termination decision. Officers will provide further procurement strategy and contract award reports for approval by Members so that new contracts are procured in line with the Public Contracts Regulations (PCR) 2015 and with the Council's Contracts Standing Orders. These actions will mitigate the risk of contract/procurement challenge.

- 13.6 Further reports to Members will need to set out the risks and opportunities (financial and non-financial) with the proposed operating model once costs and structures have been finalised, both for the transition period and beyond, and the governance and legal framework within which the DLO will operate.
- 13.7 Risk management implications completed by David Hughes, Director of Audit, Fraud, Risk and Insurance, Tel: 020 7361 2389.

14 BACKGROUND PAPERS USED IN PREPARING THIS REPORT

Cabinet Paper (8th October 2018) 'Mitie Partnership Progress Update' – *published*

LIST OF APPENDICES

Appendix A – DLO structure

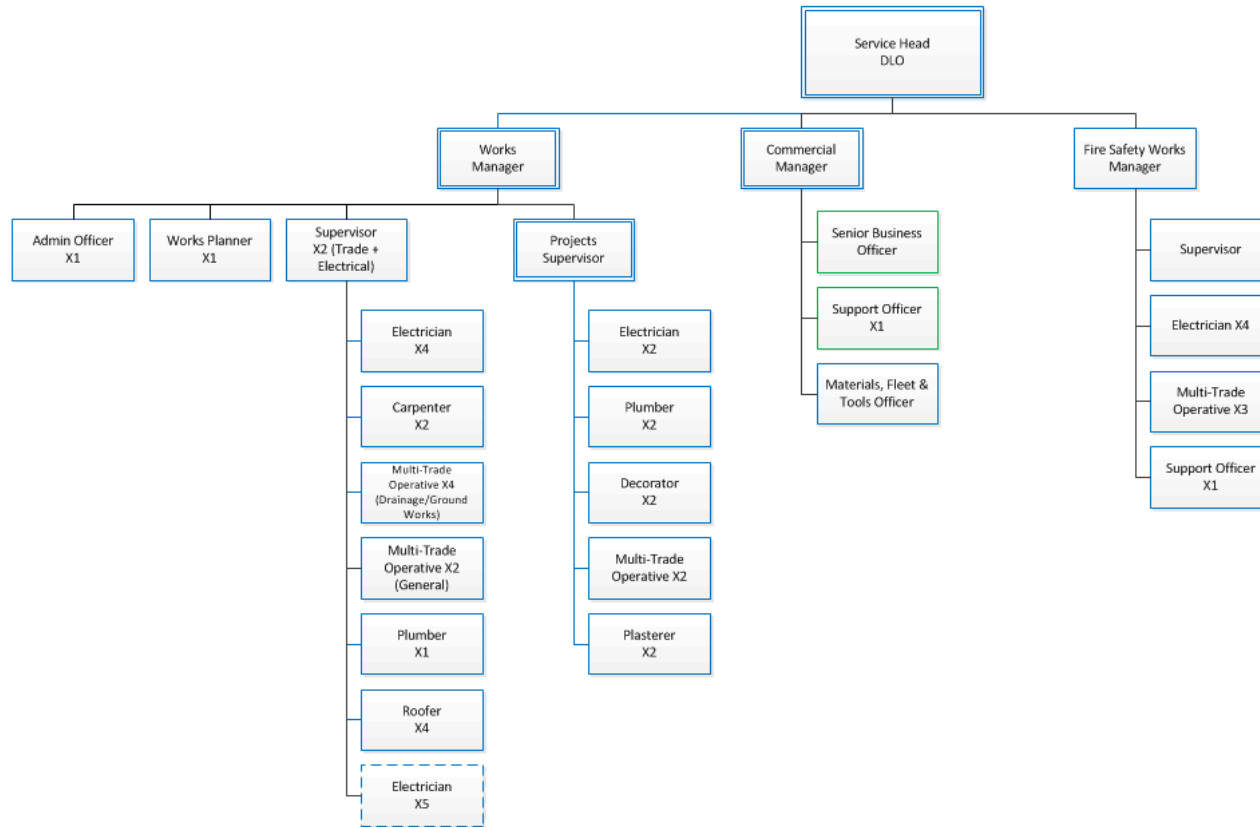
Appendix B – DLO design details - *(contained in the exempt report on the exempt Cabinet agenda)*

Appendix C – Contractor map

Appendix D – Draft Key Performance Indicators

Appendix E – Risk Log - *(contained in the exempt report on the exempt Cabinet agenda)*

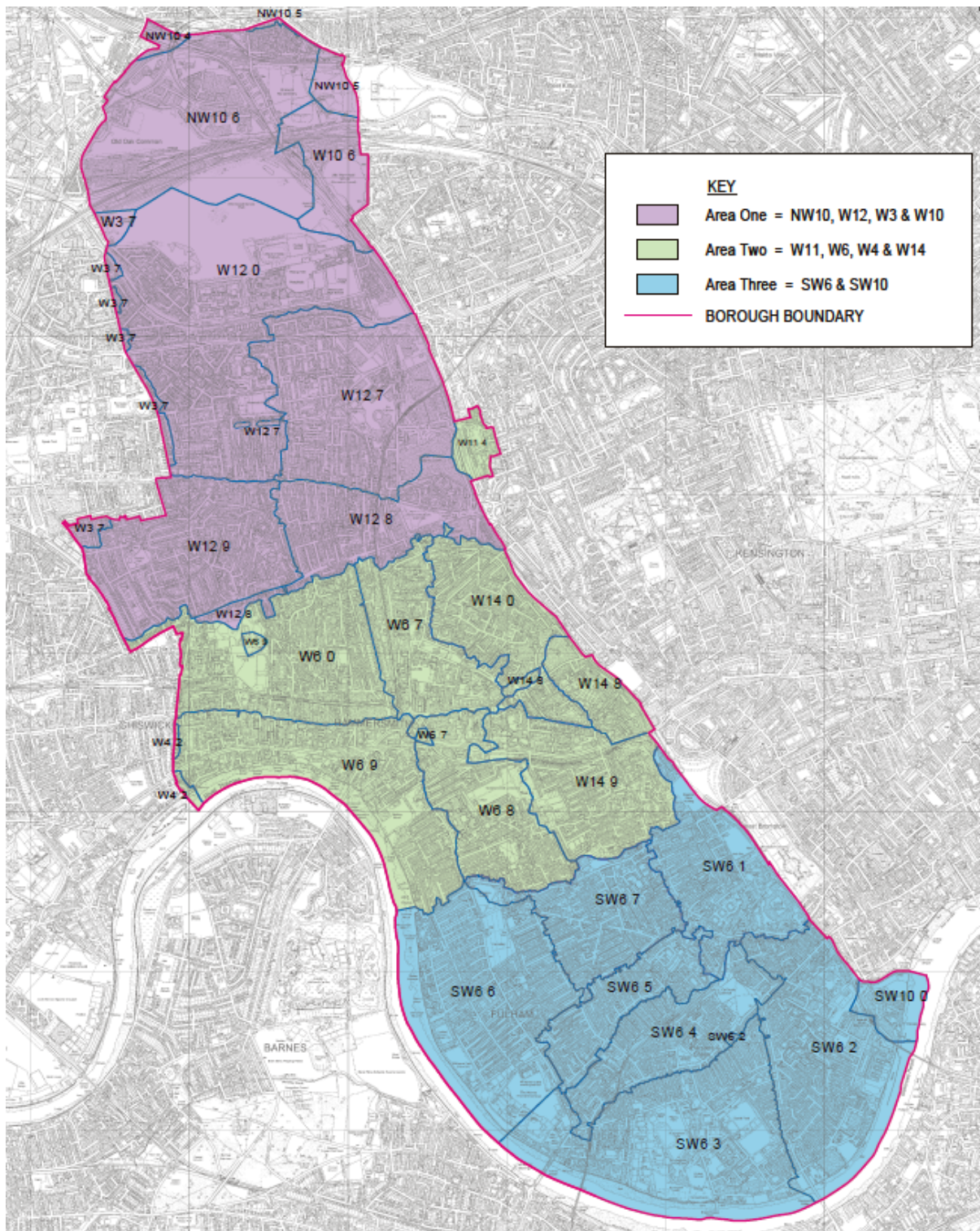
Appendix A - Proposed DLO Structure



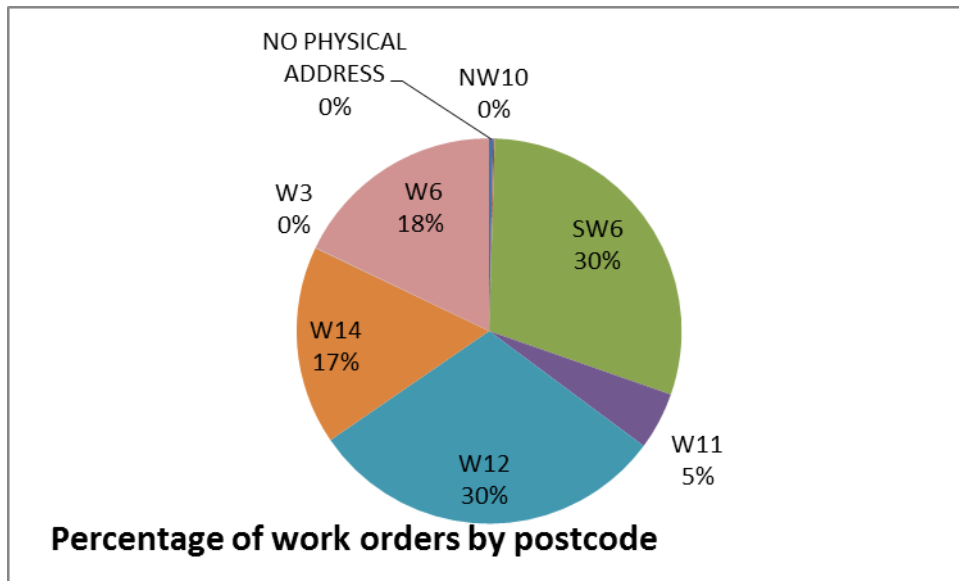
Key



Appendix C – Contractor map



All work requests by postcode



This table includes all responsive work orders, specialist and works to empty properties.

Postcode	Count of jobs	Sum of current value	Average of value
W3	30	£24,428	£814
W6	15,728	£1,603,952	£102
NW10	118	£7,377	£63
SW6	26,286	£2,603,002	£99
W11	4,244	£482,820	£114
W12	26,627	£2,229,032	£84
W14	14,667	£1,366,523	£93
Total	87,700	£8,317,134	£95


The average jobs value is artificially low as there are a number of jobs in the system that has a zero-value including approximately 30,000 plus gas works orders.

Appendix D – Draft Performance Indicators for interim model

We will work with successful bidders and the internal workforce during the mobilisation period to agree performance measures for the service. We have carried out an exercise to identify current measures and levels of performance from the existing contract. As part of the tender process Service providers have been invited to propose an indicative target. These will be judged against existing performance out turns. We will be working closely with IT to explore if existing systems have the capability to capture the required data and where required configure systems accordingly.

No	Performance area	Indicator	Note	Performance target
1	Customer satisfaction	Tenant recommendation of the repair service	Measured as a percentage of respondents who say they would be likely to recommend the repairs service to other H&F residents. During the consultation with residents groups over 90% indicated they were not likely to recommend the service.	TBC with Service Provider Indicative measure 50% due to low starting point
		Number of complaints reported	Measured as a percentage of orders raised. Formal and informal complaints reported and upheld.	TBC with Service Provider. Indicative measure 3%
		Jobs cancelled in the period: - No access - No work required - Customer damage / neglect	Number of jobs cancelled by reason. Commitments made are fulfilled whenever possible	TBC with Service Provider
2	Customer journey	Appointment slots available/day	Appointment slots available in line with demand for service	TBC with Service Provider
		Percentage of appointments kept (by the contractor)	Arrival at the property is within the appointment window. Percentage of repairs for which an appointment is made and kept.	TBC with Service Provider Indicative measure 98%
		Reported jobs with an appointment	Of jobs given to service provider how many were allocated an appointment. We will be proposing to appoint more jobs than under existing arrangements so residents have an increased awareness of when to expect the work	TBC with Service Provider
		Number of missed appointments in the month by reason	Categories for reasons for missed appointment to be agreed in mobilisation.	TBC with Service Provider

		First time fix. Percentage of jobs completed first visit	Refers to jobs that are of a nature that can be completed in a single visit. Visit to merchants for non van stock material is acceptable providing it does not lead to a follow up visit on a subsequent day	TBC with Service Provider
3				
	Managing the work volumes	Number of operatives assigned to contract	To identify if this measure would be different for those assigned to responsive repairs or voids element	TBC with service Provider
		Number of jobs completed per operative/ day by priority	Average number of jobs by priority completed by each operative	TBC with service Provider
		Work volumes	Number of new jobs raised in the period; number of jobs completed in the period;	To be agreed. Direction of travel should not be negative
		Open jobs	Number of jobs open past their maximum number of day by category	TBC with service provider
		Emergency priority jobs completed within timescale	Emergency jobs made safe.	99%
		Attending all non-emergency jobs	Percentage of jobs completed within their maximum number of days category. Excludes emergencies	TBC with service provider Indicative measure 95%
		Average time to complete repairs by category	Average number of days complete a works request by each category.	TBC with service provider
		Number of jobs that have required a recall	Number of jobs that are raised that month because the initial works did not resolve the issue or quality issues with works.	TBC with service provider
4	Voids			
		Voids returned within target	Percentage of voids returned as completed and which pass the post-inspection within the agreed repair timeframe	97%
		Number of voids outstanding	Numbers of voids that have passed their expected return date.	TBC with service provider

<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">CABINET</p> <p style="text-align: center;">4 FEBRUARY 2019</p>	
<p>FINANCIAL PLAN FOR COUNCIL HOMES: THE HOUSING REVENUE ACCOUNT FINANCIAL STRATEGY, 2019/20 HOUSING REVENUE ACCOUNT BUDGET AND 2019/20 RENT REDUCTION</p>	
<p>Report of the Cabinet Member for Housing – Councillor Lisa Homand and the Cabinet Member for Finance and Commercial Services – Councillor Max Schmid</p>	
<p>Open Report</p>	
<p>Classification - For Decision Key Decision: Yes</p>	
<p>Wards Affected: All</p>	
<p>Accountable Director: Jo Rowlands, Strategic Director for Growth & Place Hitesh Jolapara, Strategic Director for Finance & Governance</p>	
<p>Report Author: Danny Rochford, Head of Finance for Growth & Place, Finance & Governance</p>	<p>Contact Details: Tel: 020 8753 4023 E-mail: danny.rochford@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1 This report covers the 2019/20 budget for the Council's homes (also known as the annual Housing Revenue Account (HRA) budget).
- 1.2 The HRA budget enables the Council to deliver services to residents, maintain safe and secure homes, invest in its stock, and develop new affordable homes.
- 1.3 In the next 12 months the Council will:
 - Create a new repairs delivery model that provides better services for residents
 - Continue delivering the Fire Safety Plus Programme
 - Launch a new asset management strategy and create a long-term investment plan for residents' homes

- Reform the Growth and Place directorate so that it better delivers for residents
- Develop new affordable homes directly and in partnership on HRA land

1.4 The report notes that the Chancellor of the Exchequer confirmed in his Budget speech of 29th October that the HRA borrowing (debt) cap has been abolished. The Council is now able to borrow for housebuilding in accordance with the Prudential Code. The Council will exploit this opportunity to develop new homes in the HRA.

2. RECOMMENDATIONS

That Cabinet Agrees:

- 2.1. To approve the Housing Revenue Account 2019/20 budget for Council homes as set out in Table 1.
- 2.2. To approve a rent reduction of 1% from April 1st 2019 which equates to an average weekly decrease of £1.16 in 2018/19 (as required under the Welfare Reform and Work Act 2016).
- 2.3. To approve 2018/19 capital programme slippage of £1.4m
- 2.4. To recommend that Full Council approves the HRA capital programme for 2018/19 to 2022/23 for a total of £255m including additions of £41.9m in 2022/23 which are presented in Table 4 (with individual schemes subject to Cabinet approval where appropriate).
- 2.5. To note the 5-year revenue budgets for 2019/20 to 2023/24 (Table 1).
- 2.6. To note the 40 Year Financial Plan for Council Homes for 2019/20 to 2058/59 as set out in section 5 of this report.
- 2.7. To note the HRA Medium Term Financial Strategy (MTFS) which includes revenue growth relating to the restructure of the Growth & Place department of £1.94m (see Appendix 2) and also plans to deliver on-going annual revenue savings of £0.1million per annum from 2019/20 rising to £0.8million per annum from 2020/21 and £0.9million per annum from 2021/22 onwards with savings coming principally from better stock condition and housing management (see Appendix 1).
- 2.8. To approve a change in rent policy to CPI¹ + 1% from 2020/21 plus use of the rent flexibility level (where rents for new lets are set at 5% above the formula rent subject to the rent cap).

¹ The Council uses CPI as at August for all non-housing rent-related annual charge increases. However, the Council's rent increases are based on the September CPI as this is consistent with other local housing authorities.

- 2.9. To approve an increase to equity share rents, which fall outside the Government's requirement to reduce social housing rents by 1% each year, of CPI (2.4% as at September 2018).
- 2.10. To approve an increase in tenant service charges of CPI (2.4% as at September 2018).
- 2.11. To note that Thames Water Authority is not due to confirm the increase in tenants' water charges until the end of January 2019, and therefore to delegate authority to the Strategic Director Growth and Place in conjunction with the Cabinet Member for Housing to agree the average increase in water charges.
- 2.12. To approve a freeze in the communal heating charges.
- 2.13. To increase parking and garage charges by CPI (2.7% as at August 2018).
- 2.14. To note the risks outlined in Appendix 3: Key Risks, of this report.

3. REASONS FOR DECISION

- 3.1. Section 76 (1)-(4) of the Local Government & Housing Act 1989 requires that local authorities with a Housing Revenue Account set a budget that avoids a deficit, using the best assumptions available. The Council must also keep the HRA under regular review.
- 3.2. This budget has been built from existing base budgets, responding to rent regulations, and developed so that the Council can meet its Business Plan and Housing Strategy objectives.
- 3.3. The HRA plays a key role in delivering across a range of Business Plan and Housing Strategy objectives including:
 - Delivering genuinely affordable housing
 - Protecting the future of existing housing
 - Being Ruthlessly Financially Efficient and delivering value for money in services
 - Delivering public service reform, by finding new ways of working
 - Doing things with residents, through their role in service design and co-production
 - Providing excellent housing services for all
- 3.4. A number of key reforms to the service will take place in 2019/20 in order to achieve these objectives, and these have been included within the revised budget.
- 3.5. The Fire Safety Plus Programme will continue to make sure that the Council's homes and property meet high standards. This programme will move into the delivery phase.

- 3.6. This will be supported by a new HRA Asset Management Strategy, which was approved at Cabinet on 3rd December 2018. This sets out the priorities for investment in the Council's stock, with fire safety and health and safety compliance of primary importance. The strategy will enable the Council to plan long term investment in its stock.
- 3.7. The repairs and maintenance contract with MITIE is being terminated, and a transition programme is underway and a new, residents focused and designed repairs delivery model is being developed. This is anticipated to be funded from the existing revenue budget for housing repairs.
- 3.8. To enable the successful delivery of the capital programme, fire safety plus, and improved services to residents, restructures to Growth and Place directorate are being completed. This has resulted in budget growth of £1.94m in these areas of operations, which will enable on going revenue savings of £0.7m per annum from 2020/21 rising to £0.8m per annum from 2021/22. These savings will be the result of better stock condition following investment and savings from improved customer service.
- 3.9 The strategic financial objectives for the HRA support the delivery of the above housing strategic objectives and are as follows:
- to enable the financing of a viable on-going repairs programme that focusses on ensuring that all health and safety requirements are met and on maintaining the basic fabric of the Council's homes. The repairs programme will be prioritised to provide safe and weather-proof homes.
 - to fund this by undertaking a programme of prudential borrowing whilst financing both the annual interest of new and existing debt and repayments of the principal debt on maturity (£180.3m as at 1st April 2018);
 - to be ruthlessly financially efficient, continue to seek opportunities to raise additional income and to find further efficiencies which do not impact on service delivery;
 - to ensure tenants only receive affordable increases in rent and other charges that are lower than those included in the February 2014 HRA Business Plan;
 - to continue to endeavour to free resources for investment in new initiatives including new housing supply whilst improving service standards.

4. BACKGROUND

Purpose of Housing Revenue Account

- 4.1 The Housing Revenue Account (HRA) contains solely the costs arising from the management and maintenance of the Council's housing stock, funded by income from tenant rents and service charges, leaseholder service charges, commercial property rents and other housing-related activities. It is a ring-

fenced account and is required under statute to account separately for local authority housing provision.

- 4.2 The ring-fence was introduced in Part IV of the Local Government and Housing Act 1989, and was designed to ensure that rents paid by local authority tenants accurately reflected the cost of associated services as well as exclusively funding those services. The ring-fence also requires that rents cannot be used to subsidise Council Tax. The items that can be credited and debited to the HRA are prescribed by statute, and the Council has no general discretion to transfer items into and out of the HRA.

Rent Regulations

- 4.3 The draft budget for Council homes for 2019/20 assumes that tenant rents reduce in line with the enforced rent reduction of 1%, required under the Welfare and Reform Act 2016. This will be the final year of the decision by the Chancellor of the Exchequer to reduce social housing rents by 1% each year for four years from April 2016.
- 4.4 Tenant service charges will increase by CPI (2.4% as at September 2018) as most of our contract costs increase each year by CPI. The combined effect will be a decrease in average tenants rent and service charges of 0.8%. Together with a few adjustments, this will reduce gross rental income in the HRA by £0.3m in 2019/20.
- 4.5 The rent reduction will result in average rents being nearly £17.67 less per week after four years (from 2019/20) than the average rent predicted in the financial plan approved in January 2015. The average rent for our Council Homes of £106.93 per week is already lower than that of most other central London boroughs (see Appendix 4 for a comparison of average rents in other central London boroughs).
- 4.6 The overall impact of the 1% cut over the four year period for Hammersmith and Fulham is at least £19m. This has an effect on the funding available from rental income to invest in stock, new housing and service provision. The graph below shows the difference between the rental income generated as a result of the rent reduction compared with a scenario where rents would have increased by CPI + 1% during those four years:



- 4.7 In October 2017 the Government announced its intention to permit local authority social housing rents to be increased annually by up to CPI + 1% for at least five years from April 2020. More recently, the Government consulted with local authorities on this although the Government is yet to confirm the final decision so there is a small risk that a different rent policy is announced.
- 4.8 The 40-year financial plan also includes an assumption that the Council will use the rent flexibility level. This is where current Government policy on social housing rents gives landlords flexibility to set rents up to 5% above the formula rent for newly let homes. This new policy will be further developed in the coming months and will ensure that the average rent does not exceed the limit rent for the Council as this could result in a loss of Housing Benefit to the HRA.
- 4.9 This will increase the rental income available to fund new housing, investment and service provision. This is reflected in the rental income projections in the MTFS and 40-year business plan.

Other Charges Inflation

- 4.10 The changes to charges for communal heating schemes, garage and parking space rents, water and sewerage charges, home buy and income from advertising hoardings and commercial properties are set out in Appendix 5.

HRA debt cap changes

- 4.11 The Chancellor of the Exchequer confirmed in his Budget speech of 29th October that the HRA borrowing (debt) cap has been abolished. The Council is now able to borrow for housebuilding in accordance with the Prudential Code. Borrowing can only be used for capital purposes and cannot be used to fund revenue costs (i.e. operations). Any additional borrowing will need to be affordable within the context of the overall business plan.

5. HRA REVENUE BUDGET AND MTFS

- 5.1 The decision by the Chancellor of the Exchequer to reduce social housing rents by 1% each year for four years from April 2016, without any accompanying compensation to the HRA, means that while lower rents may appear to benefit tenants in the short term, there is a lot less money available to pay for the maintenance of Council homes.
- 5.2 The Council's Fire Safety Plus Programme to make sure the Council's homes and other properties meet higher standards has an estimated cost in the region of £20m. Although these are mainly capital costs, Cabinet approved in July 2018 that the HRA set aside £12.8m in the Fire Safety Plus earmarked reserve as a contribution to these costs. It is expected that £3.6m of fire safety expenditure will be funded from this reserve in 2018/19.
- 5.3 The updated Asset Management Strategy will establish how the Council will prioritise investment in housing over the course of the next five years. It will make clear the Council's commitment to achieve a compliance based asset management approach to its housing stock. Much of the housing stock and associated assets are reaching or have exceeded their operational life expectancy. Significant future investment to maintain and replace these assets will be required.
- 5.4 In the coming months, officers will set out the detailed investment plans informed by the Asset Management Strategy and the associated financial implications. There is a risk that the revised capital investment plans may exceed the available funding and this could result in the need to delay or change the specification of other works and projects within the capital programme.
- 5.5 The Council has looked for other ways to offset the impact of the 1% rent cut on repairs, the increase in the costs of providing the Operations and Direct Delivery service and the additional costs of the Fire Safety Plus Programme to help safeguard Council homes for the future and ensure the long term financial sustainability of the HRA.
- 5.6 Although the opportunity to get more money in is restricted as most of the income received in the HRA is from tenants' rents and rent reductions for next year is set by legislation, a detailed review of the budgets has resulted in the identification of savings in the form of additional income in the HRA for 2019/20. The budgeted income for 2019/20 from parking on housing estates in the borough is currently forecast at £0.25m. This is £82,000 higher than for 2018/19 and is mostly due to the introduction of enforceable parking controls. In addition, improved management of the HRA commercial property portfolio has resulted in additional income of £42,000. These savings are shown in Appendix 1 and also Appendix 6 sets out the major movements in housing income.

5.7 The table below sets out the proposed budget for 19/20 together with projections for income and expenditure in the HRA for the following four years taken from the HRA 40-year business planning model:

Table 1: Housing Revenue Account Income & Expenditure Account: Budget 19/20 and Projection 2020/21-2023/24

	2019-20 Budget £,000	2020-21 Business Plan £,000	2021-22 Business Plan £,000	2022-23 Business Plan £,000	2023-24 Business Plan £,000
Income					
Net rental & service charge Income	(72,913)	(74,429)	(76,678)	(79,101)	(81,602)
Other income	(5,053)	(4,535)	(4,623)	(4,716)	(4,810)
Total Income	(77,966)	(78,964)	(81,302)	(83,817)	(86,412)
Expenditure					
Management Overheads	38,357	39,057	39,811	40,596	41,397
Depreciation	16,405	16,415	17,234	17,546	17,891
Responsive & Cyclical Repairs	14,928	15,530	15,025	15,294	15,582
MTFS Savings	(0)	(730)	(850)	(867)	(885)
Total operating expenses	69,690	70,272	71,220	72,568	73,986
Interest Charges & Debt Management Expenses	8,545	8,775	9,551	10,411	10,963
(Net Operating Surplus) / Expenditure	270	83	(530)	(838)	(1,463)
Repayment of loans	(0)	(0)	(0)	(0)	(0)
Transfer to MRR	(0)	(0)	(0)	(0)	(0)
Revenue Contributions to Capital Outlay	(0)	(0)	(0)	(0)	4,530
Interest Income	(48)	(127)	(252)	(266)	(253)
(Contribution to) / Appropriation from HRA General Reserve	222	(44)	(782)	(1,104)	2,814
Opening Balance on HRA General Reserves	(12,500)	(12,278)	(12,322)	(13,104)	(14,208)
Closing Balance on HRA General Reserves	(12,278)	(12,322)	(13,104)	(14,208)	(11,394)

*Surplus (Deficit) b/fwd excludes certain earmarked reserves

5.8 The 40 year HRA business plan has been reviewed as part of the budgeting process for 2019/20. It is also planned to carry out an external review of the HRA including the business planning model in order to ensure that the assumptions and approach to the financial model are robust and reasonable.

5.9 There will be annual revenue growth from 2019/20 of £2.1m. This arises primarily from divisional restructures with the Growth & Place department and further detail is provided at Appendix 2. Annual savings of £0.7m will be delivered from 2020/21 onwards (these are set out in more detail at Appendix 1).

Interest payments, borrowing and depreciation

5.10 The two main components of capital charges are the cost to the HRA of borrowing that has taken place to fund the capital programme, including the Decent Homes Programme, and the cost to the HRA of depreciation charges.

- 5.11 In line with the latest revised 40-year HRA business plan, it is planned to use cash balances to repay £8.0m of external debt due to mature in 2019/20. This reduction in external debt means that the annual interest cost in 2019/20 will reduce to £8.5m (from £8.7m in 2018/19). No assumption is made on further uses of cash to repay external debt as this will be subject to the Council's overall treasury management strategy, changes to the wider capital programme and the level of cashable reserves available.

Borrowing projections 2019/20 – 2033/24

- 5.12 The Capital Financing Requirement (CFR) is the non-funded element of capital spend which is in respect of borrowing or credit arrangements used to finance capital expenditure on assets. This is not restricted to external borrowing as the Council may elect to internally borrow against cash balances.
- 5.13 The table below shows the forecast CFR within which there will be a split between internal and external borrowing. An assumption is made that the Council can internally borrow in the short term to repay the debt principal at maturity. The level of borrowing proposed within the Financial Plan for Council Homes is predicted to increase over the next decade and a half and then reduce over the longer term of the business plan as operating surpluses become available to pay off debt principal rather than internally borrow or refinance. The plan for the next 40 years' borrowing and interest payments is set out below. This will be subject to the Council's overall treasury management strategy, changes to the wider capital programme and the level of cashable reserves available.

Table 3: The HRA Capital Financing Requirement 2018/19 - 2057/58

Year	Opening HRA CFR	Capital Expenditure Financed by Increase in CFR	HRA Provision for Debt Repayments	Other Movements in CFR*	Closing HRA CFR	Interest Payments
	£,000	£,000	£,000	£,000	£,000	£,000
2018-19	210,263	0	0	602	210,865	8,729
2019-20	210,865	10,653	0	814	222,332	8,572
2020-21	222,332	16,039	0	990	239,361	8,646
2021-22	239,361	14,550	0	2,136	256,047	9,414
2022-23	256,047	16,335	0	(12,255)	260,127	10,263
2023-24	260,127	5,685	0	(1,844)	263,969	10,836
2024-25	263,969	7,351	0	(21,861)	249,458	11,179
2025-26	249,458	4,025	0	2,146	255,630	10,863
2026-27	255,630	14,093	0	2,574	272,297	11,257
2027-28	272,297	4,325	(0)	(6,529)	270,093	11,425
2028-29	270,093	2,554	0	1,898	274,545	11,434
2029-30	274,545	8,012	0	(8,067)	274,490	11,293
2030-31	274,490	314	0	1,650	276,453	11,534
2031-32	276,453	2,500	0	(16,448)	262,505	11,377
2032-33	262,505	0	0	815	263,319	11,103
2033-34	263,319	0	0	832	264,151	10,284
2034-35	264,151	0	(20,169)	850	244,833	9,408
2035-36	244,833	0	(16,178)	0	228,655	8,442
2036-37	228,655	0	(16,044)	0	212,610	7,611
2037-38	212,610	0	(18,326)	0	194,285	6,611
2038-39	194,285	0	(11,422)	0	182,863	5,782
2039-40	182,863	0	(11,458)	0	171,405	5,152
2040-41	171,405	0	(3,305)	0	168,100	4,746
2041-42	168,100	0	0	0	168,100	4,656
2042-43	168,100	0	0	0	168,100	4,656
2043-44	168,100	0	0	0	168,100	4,656
2044-45	168,100	0	0	0	168,100	4,656
2045-46	168,100	0	0	0	168,100	4,656
2046-47	168,100	0	0	0	168,100	4,656
2047-48	168,100	0	0	0	168,100	4,656
2048-49	168,100	0	0	0	168,100	4,656
2049-50	168,100	0	0	0	168,100	4,656
2050-51	168,100	0	(4,731)	0	163,369	4,544
2051-52	163,369	0	(9,461)	0	153,908	4,344
2052-53	153,908	0	(7,096)	0	146,812	4,020
2053-54	146,812	0	(14,192)	0	132,620	3,382
2054-55	132,620	0	(16,557)	0	116,063	2,715
2055-56	116,063	0	(9,461)	0	106,602	2,207
2056-57	106,602	0	(12,330)	0	94,272	1,692
2057-58	94,272	0	(4,731)	0	89,541	1,532

*Other Movements in CFR: Increases/(decreases) in internal borrowing such as using cash balances to repay debts at maturity/ (realisable capital receipts being applied to internal borrowing)

5.14 The charge for depreciation in the HRA for housing properties for 2019/20 will be confirmed following the valuation of the Council's housing stock as at 31st March 2019. The budgeted charge for 2018/19 is £16.4m and the budget for 2019/20 is set at this level pending the result of the asset valuation for March 2019.

5.15 There is a risk that the depreciation charge in the HRA could increase as a result of changes in property market values, restricting flexibility over use of funds, and this is included in the risks schedule in Appendix 3.

6. HRA Capital Budget

- 6.1 Housing Capital expenditure for 2018/19 is forecast to outturn at £31.2m and for the four-year programme to 2021/22 spend is to be £213.1m. In addition, a budget envelope of £41.9m for 2022/23 has been added in Quarter-3. The expenditure and resource analysis of the Housing Programme is summarised in Table 4 below:

Table 4 – Housing Capital Programme 2018-23 with proposed 2018/19 Q3 Variations

	2018/19 Revised Budget (Q2)	Total Variations (Q3)	2018/19 Revised Budget (Q3)	Indicative 2019/20 Budget	Indicative 2020/21 Budget	Indicative 2021/22 Budget	Indicative 2022/23 Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Approved Expenditure							
Decent Neighbourhood Schemes	14,734	(475)	14,258	24,701	25,670	18,499	13,897
HRA Schemes	17,843	(896)	16,947	42,011	36,825	34,206	28,000
Total Housing Programme - Approved Expenditure	32,576	(1,371)	31,205	66,712	62,495	52,705	41,897
Available and Approved Resource							
Capital Receipts - Unrestricted	7,559	325	7,884	3,099	5,817	3,978	4,001
Capital Receipts - RTB (141)	6,292	(168)	6,124	10,526	8,807	6,515	0
Housing Revenue Account (revenue funding)	-	-	-	-	-	-	-
Major Repairs Reserve (MRR)	10,172	(736)	9,435	23,354	16,415	17,234	17,546
Contributions Developers (S106)	614	103	716	7,860	11,304	5,896	-
Repayment of NHHT loan	270	-	270	270	-	290	0
Contributions from leaseholders	4,645	(395)	4,250	4,507	3,871	4,240	4,014
Insurance claims	-	-	-	-	-	-	-
Use of reserves (Fire Safety EMR)	3,025	(500)	2,525	6,443	242	0	0
Increase in HRA CFR	0	-	-	10,653	16,039	14,551	16,336
Total Funding	32,576	(1,371)	31,205	66,712	62,495	52,705	41,897

- 6.2 The Decent Neighbourhoods Fund contains the Council's Housing Capital Receipts which in accordance with the change in capital regulations, effective from 1 April 2013 must be used for Housing or Regeneration purposes and shows how the Council plans to reinvest those receipts in Housing and Regeneration.
- 6.3 The 2018/19 – 2022/23 Housing Capital Programmes are fully funded however the capital financing requirement (CFR) is expected to rise to £260m.
- 6.4 Forecast spend for 2018/19 Housing HRA Schemes is £16.9m, £0.9m below the Quarter 2 revised budget of £17.8m. This is due to slippage to future years because of delays in work starting while ongoing compliance check happen on the planned programme.
- 6.5 The forecasts will be refined as the precise specification of building regulations required for fire safety emerge. Presently these are unclear and will remain so until the public enquiry over Grenfell Tower is concluded. The Council is working on a procurement framework that will enable delivery of the revised programme. An Asset Management Strategy was presented to Cabinet in December, which will help clarify the direction of a compliance based capital programme going forward.

6.6 The Decent Neighbourhood Schemes forecast spend for 2018/19 is £0.5m less than the revised approved budget. £0.4m of this relates to slippage on the Housing Development Project as the contract award requires cabinet approval rather than a cabinet member decision due to required additions to the budget. The other £0.1m is due to actual Earls Court buybacks costing less than the average price as informed from the valuer's desktop valuation from December 2015.

7. RESERVES

7.1 Two types of reserves are held within the HRA: **General reserves** and **Earmarked reserves**.

7.2 **HRA General reserves** should provide sufficient cover against unanticipated events. The risks facing the HRA must be viewed in conjunction with the level of HRA general reserves held. A prudent level of reserves is important to support long term investment planning in the context of a property portfolio of 17,000 properties with an existing use value of £1.3 billion.

7.3 HRA reserves had fallen to £3.1m as at 31st March 2011, but following the implementation of the HRA financial strategy in January 2012, significant progress has been made with HRA reserves as at 31st March 2017 having increased to £20.1m.

7.4 Ideally, this level of reserves would be maintained to provide sufficient cover against unanticipated events such as those that might arise from the risks noted in Appendix 3. However, sometimes it's necessary to draw on reserves for specific programmes; the Fire Safety Plus Programme resulted in a draw down from General Reserves of £10.1m during 2018/19, reducing the General Reserve balance to £10m.

7.5 It's currently expected that HRA General Reserves will increase to £12.5m by 2019/20 though it is likely that a further contribution may be needed to support the Fire Safety Plus Programme and the updated Asset Management Strategy.

7.6 The projected HRA General Reserve balance as at 31st March 2019 of £12.5m is equivalent to 10 weeks rent from the Council's homes. Appendix 8 shows how the Council's reserve levels relative to turnover compare to other local housing authorities.

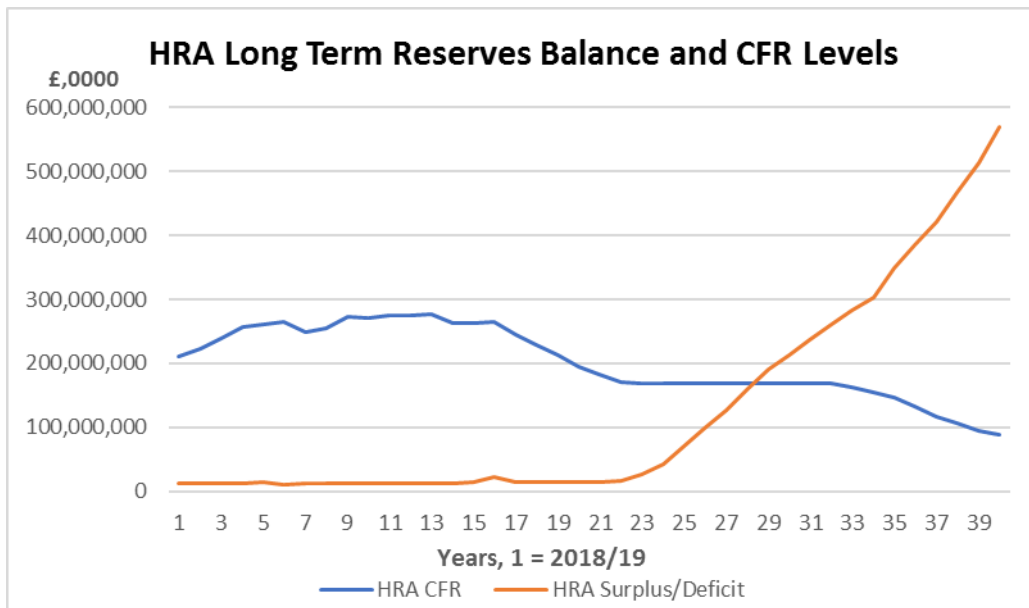
7.6 **HRA Earmarked reserves** are funds set aside to cover specific future plans that are not covered by normal budgets (such as the investment in fire safety plus and Hampshire IBC) and risks that are considered highly likely to happen (such as welfare reform and the regeneration reserve).

7.8 The table below sets out the reserves available for HRA purposes:

Reserve	Balance as at 30th November 2018 £000s
Transformation Reserve	(1,292)
IT Recharges	(250)
Regeneration Reserve	(6,413)
Utilities	(10,750)
Sheltered Housing Enhanced Service	(227)
Parking Charges Review	(606)
Community Pot	(60)
HRA Council Tax	(54)
HRA Office Reorganisations	(150)
Hampshire IBC	(300)
Recycling hub loop extension	(77)
Protecting the future of Council Homes	(215)
Welfare Reform	(1,500)
Fire Safety Plus	(12,845)
Earmarked Reserves	(34,739)
HRA General Reserve	(9,946)
General Reserve	(9,946)
Total Reserves	(44,685)

7.9 The Fire Safety Plus reserve is incorporated into the funding for the HRA capital programme.

7.10 The long term forecasted movements in reserves (and CFR) is below:



8. RISKS

- 8.1 The Government's programme of Welfare Reform is expected to have a significant impact on the Council's ability to collect rental income and will result in increased bad debt charges to the HRA. All new benefit claims are subject to Universal Credit and it is anticipated that from mid-2019 the Government will begin migrating all remaining existing benefit claimants to the Universal Credit. Due to the difficulty in estimating the financial impact, both an allowance for an additional bad debt provision and a risk is included in the 2019/20 budget. A bad debt charge of £1.0m has been included for 2019/20 plus an additional allowance of £1.2m to provide for the financial impact of the Government's plans under Welfare Reform as outlined above. This gives a total budgetary provision for bad debt of £2.2m. There is a small risk that the migration of tenants to Universal Credit moves at a faster pace than initially expected.
- 8.2 In addition to this, there are several other financial risks and these are set out in detail in Appendix 3.

9. ASSET MANAGEMENT

- 9.1 The £20m Fire Safety Plus programme has been incorporated within the HRA capital programme for the four years from 2018/19 to 2021/22 inclusive. It's been possible to do this and still produce a balanced financial plan mainly because the Council has allocated funding from HRA reserves.
- 9.2 However, the HRA Asset Management Strategy is being updated to ensure the emerging fire safety and compliance priorities are incorporated into the HRA capital programme to protect tenants' and residents' homes. Although it is expected that where possible, existing capital investment plans can be delivered to a higher safety standard, there is a risk that any additional works or requirements arising from ongoing fire risk assessments and the recommendations of the Hackitt report following the Grenfell Public Enquiry may

not be absorbed within the existing planned budget envelope. This could result in the need to delay or change the specification of other works and projects within the capital programme.

- 9.3 In addition, as set out in the Asset Management Strategy, the housing stock and associated assets (communal boilers, lifts etc) are aging and require significant investment to maintain compliancy. The extent of investment is unknown at this stage as officers will need to work through the detailed programme of works arising from the updated Asset Management Strategy. However, the value and extent of works will be significant to enable the provision of safe homes for the next 30 to 40 years.
- 9.4 The financial plan includes funding to enable the delivery of new affordable housing. This will allow the Council to house more people and contribute to keeping people out of temporary accommodation where possible and contribute to the much-needed containment of costs in the Council's General Fund.

10. CONSULTATION

- 10.1 Tenants and residents were consulted on the plans at the Housing Representatives Forum on 15th January 2019 and at the Economy, Housing and the Arts Policy & Accountability Committee on 28th January 2019 in order to allow the consideration of comments on the implications in advance of any formal decision being taken by Cabinet on 4th February 2019.

11. EQUALITY IMPLICATIONS

- 11.1 An earlier Equalities Impact Assessment (EIA) shows that the rent reduction is expected to be positive or neutral for protected groups. But some groups are over represented in Council homes so proportionately they will be more impacted. However, the Council considers that the main driver of the change in the plan for major works is due to the reduction in rents and the Fire Safety Plus programme. The former is largely outside of the Council's control. The latter will benefit all groups of tenants.
- 11.2 Further consultation is now informing an update of the EIA which will be presented with this report to Cabinet in February.
- 11.3 It is not possible for the Council to fully mitigate the effects by funding the shortfall in rental income from other resources as the Council needs to maintain a viable financial plan. However, the Council plans to take into account the views expressed by tenants on detailed estate plans of major works for their area. Officers will also be on hand to help tenants and their households in ensuring that tenants' homes are safe, warm and weather-proof.
- 11.4 Implications verified by Joanna McCormick, Strategic Lead, tel. 020 8753 2486.

12. LEGAL IMPLICATIONS

- 12.1 The HRA was established by statute to ensure that council tax payers cannot subsidise council rents and nor can council rents subsidise council tax. Failure to adhere to this statutory guidance can render the council's annual report and accounts subject to challenge and/ or qualification by the District Auditor.
- 12.2 The HRA ring-fence was introduced in Part IV of the Local Government and Housing Act 1989 ("the Act"), and was designed to ensure that rents paid by local authority tenants accurately reflect the cost of associated services. This act specifies that expenditure and income relating to property listed in section 74 of the Act (that is houses and buildings provided for the provision of accommodation including the land on which they sit, excluding leases taken out for less than 10 years to provide temporary accommodation) must be accounted for in the HRA. Schedule 4 of the Act (as amended by section 127 of the Leasehold Reform, Housing and Urban Development Act 1993) specifies the allowable debits and credits. The Housing (Welfare Services) Order 1994 further specifies more detail on the welfare services which must be accounted for outside the HRA.
- 12.3 The Act also specified that it is unlawful to approve a budget which will result in a debit position on HRA reserves. It is not possible for a local housing authority to subsidise rents from its General Fund.
- 12.4 As set out in the report the Welfare Reform and Work Bill requires that registered providers of social housing must reduce the amount of rent payable by a tenant of social housing by at least 1% per annum over 4 years, commencing in 2016. This statutory provision restricts the ability of the Council to set rents.
- 12.5 Implications completed by: Janette Mullins, Acting Chief Solicitor (Litigation and social care), 020 8753 2744

13. FINANCIAL IMPLICATIONS

- 13.1 Comments are contained within the body of the report.
- 13.2 Implications completed by: Danny Rochford, Head of Finance (Growth & Place), tel. 020 8753 4023.
- 13.3 Implications verified by: Hitesh Jolapara, Strategic Finance Director, tel. 020 8753 2501.

14. COMMERCIAL IMPLICATIONS

- 14.1 This report formulates the annual budget for the Housing Revenue Account (HRA) which includes a reduction in rents for Council homes of 1% for 2019/20.

- 14.2. The 1% rent reduction is a statutory requirement. While this leads to less money available for the maintenance of Council homes, it is not commercially feasible to fund the loss in rent by additional borrowing.
- 14.3. The report highlights the increase in the income from parking on housing estates. This could be used to offset the reduction in Council homes rents.
- 14.4. It is recommended that the Council continues to create opportunities to generate additional income and savings on both revenue and capital budget.
- 14.5. Any new procurement necessary (as a result of the transition to a new repairs delivery model) will need to comply with legislative requirements and the Council's Contract Standing Orders.
- 14.6. Implications completed by: Joanna Angelides, Procurement Consultant, tel. 020 8753 2586 on behalf of Simon Davis,

15. **RISK MANAGEMENT**

- 15.1 The principal risks are detailed in section 8 of this report and in appendix 3. These are included in the departmental risk register.
- 15.2 Implications completed by: Michael Sloniowski, Risk Manager, tel. 020 8753 2587.

16. **IMPLICATIONS FOR LOCAL BUSINESS**

- 16.1. The move to a new in-house repairs delivery model should include opportunities to tender for local businesses. Close links to the Council's supply chain initiative, H&F Brill 4 Biz should be established.
- 16.2. Implications verified/completed by: Billy Seago, Work Matters manager, tel. 020 8753 5242.

17. **IT IMPLICATIONS**

- 17.1. IT Implications: We note that savings of £800K in the three years from 2020/21 to 2022/23 are expected to be delivered through reductions in premises and IT overheads.
- 17.2. Through the new desktop strategy (Tech-tonic), IT will be contributing to the council's overall MTFS savings target. The HRA will benefit from a proportion of that saving.
- 17.3. Information Management Implications: any new activities/projects or changes to existing processes arising as a result of this Financial Plan will need to have up to date Privacy Impact Assessments (PIA) in place to ensure all potential data protection risks are properly assessed with mitigating actions agreed and implemented. If PIAs are not yet in place, they will need to be

completed as part of the overall risk management process.

- 17.4. Any contracts arising from implementing this Financial Plan will need to include H&F's data protection and processing schedule if this is not yet the case. This is compliant with the General Data Protection Regulation (GDPR) enacted from 25 May 2018.
- 17.5. *Implications completed by: Tina Akpogheneta, Interim Head of Strategy and Strategic Relationship Manager, IT Services, tel 0208 753 5748.*
- 17.6. *Implications verified by Veronica Barella, Chief Information Officer, tel 020 8753 2927.*

16. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	HRA Financial Plan for Council Homes, Economy, Housing & The Arts Public Accountability Committee, 28 th January 2019 – <i>published</i>	Danny Rochford Ext 4023	Finance (Growth & Place), 4 th Floor Town Hall Extension, King Street, W6 9JU

LIST OF APPENDICES:

- Appendix 1 4 Year Savings Plan*
Appendix 2 Schedule of Growth
Appendix 3 Key Risks
Appendix 4 Local Housing Authorities Weekly Rents
Appendix 5 Fees, Charges & Other Income
Appendix 6 Income Movements
Appendix 7 Business Plan Assumptions
Appendix 8 General Reserves as a % of Turnover
Appendix 9 Long Term Capital Programme Indicative Costs and Financing

Appendix 1

Housing Revenue Account 5 Year Savings Plan	Risk to Delivery	19/20	20/21	21/22	22/23
		£000s	£000s	£000s	£000s
Additional savings programme focused primarily on reducing corporate overheads for IT and premises		0	200	300	300
Additional savings on core costs resulting from better stock condition and better customer service		0	500	500	500
Improved management of commercial properties		42	42	42	42
Improvement in Estate Parking Management		82	82	82	82
Base savings programme		124	824	924	924

Appendix 2		
Growth		
Service	Description	Amount £000s
Direct Delivery	The division has been restructured in order to deliver the Fire Safety Plus and other capital programmes. Additional resources including technical resources are required.	751
		751
Operations	The division has been restructured and additional resources are required to ensure compliance and programme management of capital programmes, successful transition to a new repairs delivery model, and improved services.	618
		618
Other divisions	This relates to other divisional restructures and a realignment of costs attributable between the General Fund and Housing Revenue Account.	621
		621
Corporate service level agreement recharges	This mainly relates to an increase in the number of FTEs in the Housing Revenue Account mainly due to the restructure of the Direct Delivery and Operations divisions.	82
		82
Total Growth		2,072

Appendix 3: Key Risks 2019/20	Lower Limit £000s	Upper Limit £000s	Worst Case £000s	Future Risk £000s
Quantifiable Risks				
<p>Welfare Reform - the budgeted bad debt provision provides some protection against the impact on rent collection rates as a result of the various strands of the Government's Welfare Reform programme. However, there remains some risk.</p> <p>Though the Council has made provision for the inevitability that arrears will increase, it is very difficult to quantify the level of risk for direct payments. Given that the households involved are on very low income levels it is likely that the majority of this increase in arrears would be uncollectable and the annual exposure is estimated in the region of between £1.7m and £5.8m per annum for 2019/20, assuming mitigating actions are in place. The maximum level of exposure is far higher; the total annual rent paid directly to the Council for HRA properties by Housing Benefit is approximately £27.4m. In terms of mitigation the Council continues to actively promote payment by direct debit/ standing order to tenants and has achieved "trusted partner" status with the Department of Work & Pensions (DWP) as part of a detailed rent collection strategy, as well as having in place arrangements to support tenants in managing their money. Under the "trusted partner" scheme, the Council can apply directly to the DWP for "alternative payment arrangements" (APAs) for individual tenants before they fall into significant arrears. The APA means that benefits for housing costs can be paid directly to the Council.</p>	0	5,800	27,400	?
<p>Right to Buy Disposals - a level of Right to Buy disposals (20 per annum from 2019/20 onwards) has been assumed within the business plan. There is a risk that unbudgeted levels beyond the Council's control could impact on the net income due to the HRA. The upper limit and worst case risks set out here are based on an assumption that the level of applications currently projected (80) all progress to RTB sales. The future risk assumes that there are 30 or more additional RTB sales each year.</p>	0	442	442	166
Total Quantifiable Risks	0	6,242	27,842	?

Appendix 3: Key Risks 2019/20

Unquantifiable Risks

Accounting for impairment and revaluation losses / gains - changes in accounting rules following self-financing regarding impairment and revaluation losses / gains mean that any adverse movements resulting from changes in the property market that cannot be funded by revaluation reserves will be an actual charge to the HRA bottom line. The current level of revaluation reserves of £256m represents 20.1% of the current stock valuation of £1,272m, so an impairment / revaluation loss of 20.1% would have to be suffered on an individual asset before the HRA would be affected. The Government is currently consulting on implementing changes that may remove this risk.

Housing Repairs - unpredicted events may result in some additional expenditure (for example, following new health and safety directives, legislation, potential insurance claims from storm damage) on housing repairs. The HRA general reserves provide a financial provision that mitigate against this risk.

Risk to recruitment – given the shortage of appropriately qualified technical staff available on the market required to develop, scope, specify and procure fire safety plus capital works due to high demand in a post-Grenfell environment, there is a risk that the delivery of the Council's Fire Safety Plus programme and Hackitt recommendations on health & safety may be significantly delayed.

Continuation of social housing rent reductions beyond 2025 – There is a risk that the Government will set requirements for rent levels that are different from those assumed in the HRA 40-year financial plan.

Service Level Agreements - any review of corporate SLA costs may impact adversely on the HRA, particularly if contracts are retained in-house resulting in higher than expected FTE² numbers. There is a risk that corporate services may not pass on savings as the proportion charged to the HRA changes because of changes elsewhere in the Council. For example: increases in FTEs in the HRA and decreases in General Fund FTEs would mean the HRA attracts a higher portion of central costs; or legislative burdens could increase costs.

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

Other changes in central Government policy towards social housing

² Full time equivalents

Appendix 3: Key Risks 2019/20

Brexit and the state of the UK economy - this includes the impact on the housing sector on costs of a weakening currency, loss of grants funding opportunities, potential inflationary pressures on new contracts

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

Additional Fire Safety Costs - following the fire at the Grenfell housing tower block in Kensington and Chelsea, the Council has put in place the Fire Safety Plus Programme to make fire safety improvements to the housing stock above and beyond the current legal minimum standards. There remains a risk that more work may be needed following the outcome of the Grenfell Public Enquiry.

Asbestos management: As fire safety works are undertaken, asbestos will be encountered and require removal. The costs are unknown as the presence in many circumstances is unforeseeable.

Additional compliance costs and other repairs risks such as uninsured events

Aging housing and asset stock condition maintenance: The aging housing stock requires significant investment to maintain structural safety and upgrade assets including communal boilers, lifts etc to meet current standards and ensure the future safety of residents. Historic construction methods reveal deficiencies such as structural weaknesses (current building regulations address these weaknesses for new build), which significant numbers of our buildings exhibit. Immediate risks can be addressed but investment is required to halt deterioration to ensure the longevity of the stock. This will be addressed via the Asset Management Strategy but there is a risk that the investment required will exceed the approved resources.

The implementation of the new Integrated Business Centre and its impact on service delivery - most notably in terms of risks to income collection, arrears management and the associated bad debt risk, financial and management reporting, systems assurance and reconciliation reporting, the time taken to resolve payment issues, the opportunity cost of officer time in managing issues arising and other factors

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

Appendix 3: Key Risks 2019/20

Depreciation - a risk that the depreciation charge could change as a result of changes in housing stock valuations or from changes in the regulations governing HRA assets. While any increase in the depreciation charge would provide more ringfenced funding for the capital programme it would result in lower revenue reserves. Revenue reserves can be used to cover revenue or capital risks so any movement in funds from revenue to capital restricts flexibility.

Leasehold Major Works charges - Issues with the quality of major works and the council's ability therefore to recover costs from leaseholders:
Confidential legally privileged information

The joint pre-invoicing inspections are identifying issues with the quality/quantity of work (the idea of the joint inspections is to prevent disputes later in the process).

This has resulted in circa 30% of the final account recharges not being billed to leaseholders as works are found not to be carried out or carried out to a low standard.

In addition, the Council believes MITIE has invoiced for some items on inappropriate composite rate although leaseholders are being billed against corrected rates.

These issues have been picked up on the Planned Property Maintenance Contract (PPM) and planned works done under the Term Partnership Contract are now also being checked to see if the same issues apply.

To mitigate for the impact of this risk more prudent/ less optimistic assumptions have been made in modelling the recovery of these costs from leaseholders than the assumptions made around the collection for future works.

Appendix 4:	
Central London Local Housing Authorities	
Weekly Rents: 2018/19	
Local Housing Authority	Weekly Rent 2018/19
Lewisham	95.72
Southwark	98.54
Hackney	99.53
Greenwich	101.74
Hammersmith & Fulham	106.93
Lambeth	106.93
Hillingdon	108.00
Islington	108.80
Tower Hamlets	109.12
Camden	111.75
Brent	112.41
Kensington & Chelsea	120.92
Westminster	121.94
Wandsworth	125.90
Average	109.16

Appendix 5 – Fees, Charges & Other Income

Heating Charges

Tenants and leaseholders who receive communal heating (around 2,025 properties in total) pay a weekly charge towards the energy costs of the scheme. The Council meets the costs of heating in the year, and recharges tenants and leaseholders based on an estimated cost and usage.

The Council is part of the LASER energy procurement group, which purchases energy on behalf of 48 local authorities. A system of flexible procurement is used which should ensure that LASER tenders for new energy contracts on a rolling basis, so that it can purchase when rates are low.

As the new energy contract rates are not expected to be received until after this report is published, an estimate has been prepared in consultation with the Council's Utilities management function who have provided an indication of the new contract rate the Council can expect to achieve. Based on this estimate, combined with the need to balance the heating account for the year, no increase in charges is proposed for 2018/19.

Garage Rents

Garages are currently let on a weekly basis at a flat rate of £23.08 for a car garage and £17.31 for a motorcycle garage to customers who are tenants or residential leaseholders. Other customers living in the borough pay £23.08 per week if their letting commenced prior to July 2017. Those other customers whose letting commenced from July 2017 onwards pay £35 per week if living in the borough, with those outside of Hammersmith and Fulham paying £50 per week. Residents in Council blocks with secure underground parking spaces pay £3.07 per week, where these are let to customers who do not live in the block the charge is £23.08 per week. There are a number of concessionary charges available to local residents.

It is proposed to freeze garage charges for council tenants and resident leaseholders and for other customers taking out new lettings from July 2017 onwards. It is proposed to increase garage charges for those other non-tenant and non-resident leaseholder customers whose lettings started prior to July 2017 in line with inflation (3.3% as per September 2018 retail price index).

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

Parking Permits

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

Following changes in law that limit the Council's powers to enforce parking on housing estates by private contractors, the Council is undertaking a review of parking on all housing estates in the borough with a view to introducing enforceable parking controls. Following a consultation process with estate residents, Traffic Management Orders

have been implemented on a number of estates. This process is ongoing and is expected to conclude in 2019/20. The level of income assumed for parking charges for 2019/20 takes account of the changes in law and on-going review of parking.

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

Water Charges

The Council collects income from tenants on behalf of Thames Water.

The annual review of charges involves comparing the amount paid to the Council by tenants for water and sewerage during the previous financial year with the amount the Council paid to Thames Water. For communally metered homes this involves working closely with Thames Water to ensure that the charges are in line with the actual water used.

The increase advised by Thames Water for 2019/20 will need to be overlaid on top of the adjusted charges. It is expected that Thames Water will confirm the agreed changes to water and sewerage service charges for 2019/20 in January 2019. It is therefore proposed that any change to the water charges be agreed following Thames Water's confirmation in January 2019 and it is recommended that, as in previous years, authority be delegated to the Director of Finance & Resources to approve the increase in water charges. This will ensure that the Council fulfils its legal obligation to recover the water charges.

Next year will be the last year that the Council charges tenants and leaseholders because from April 2020, Thames Water will be billing tenants and leaseholders directly for water and sewerage. Further guidance will be issued in the coming months.

Leasehold After Sale – Home Buy Fees

The fee has remained unchanged for several years so in recognition of increases in the Council's cost of providing the service, the fee will be increased from £150 to £155.

Advertising Income

The budget for income generated from advertising hoardings located on Housing land has been reduced by £30k to £490k. This is due to contracts not yielding the expected returns during 2018/19 partly due to lower demand and the current economic climate. Opportunities for identifying new hoardings sites are being investigated on an on-going phased basis.

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

Rents on Shops

The budget for commercial property rents for 2019/20 has been increased to £1.515m, an increase of £42k. The increase in income is due to better management of the property portfolio. The budget set for HRA commercial property incorporates a forecast void rate of 5%, an increase from last year of 2%, based on informed assumptions from the Council's Valuation & Property Services team to allow for economic conditions. Additionally, the budgeted charge for the bad debt provision has been set at £92k for 2019/20.

Appendix 6: Income Movements

Item	Housing Income £
2018/19 Base Budget	(76,862)
Other Adjustments	
Decrease in dwelling rents	327
Decrease in Garage Income	26
Additional in Commercial Rent	(42)
Additional Income from Estate Parking (Pay & Park)	(82)
Additional Tenants Service Charges	(35)
Decrease in Leaseholders Service Charges	117
Other Adjustments	45
2019/20 Base Budget	(76,506)

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

Appendix 7 Business Plan Assumptions

The 40-year time span is used because the Council borrows from the Public Works Loans Board for up to 50 years and a substantial proportion (44%) of the Council's current housing debt is not due for repayment until after 30 years with 3% of the Council's current housing debt not being due for repayment for over 40 years.

The business plan is sensitive to both the differential between CPI and RPI and to increases in both indices and to fluctuations in the income and costs associated with the Land Sale Agreement for the West Kensington and Gibbs Green Estates.

Assumption	Long Term Assumption	2019-20	2020-21	2021-22	2022-23	2023-24
Right to Buy Disposals	20	20	20	20	20	20
CPI	2.0%	2.4%	1.8%	1.9%	2.0%	2.0%
RPI	3.0%	3.3%	3.0%	2.9%	2.9%	3.0%
Voids	1.8%	1.3%	1.4%	1.4%	1.4%	1.4%
Bad debt provision	4.0%	3.9%	3.9%	4.0%	4.0%	4.0%
Interest rates on borrowing	5.5%	3.5%	4.5%	5.5%	5.5%	5.5%
Interest rates on balances	1.5%	0.0%	0.5%	1.5%	1.5%	1.5%

Appendix 8			
Local Housing Authorities: General Reserves as a % of Turnover			
Local Housing Authority	Turnover 2017/18	General Reserve at 31st March 2018	General Reserve as a % of Turnover
	£m	£m	%
H&F	87.3	9.9	11%
London Local Housing Authorities			
RBKC	54.9	20.9	38%
Westminster	103.5	34.5	33%
Brent	55.7	3.7	7%
Ealing	66.3	4.9	7%
Harrow	32.4	7.5	23%
Hounslow	84.8	29.5	35%
Hillingdon	60.8	37.1	61%
Wandsworth	139.5	132.8	95%
Barking & Dagenham	105.6	10.7	10%
Camden	184.2	31.1	17%
Croydon	92.3	14.5	16%
Enfield	68.5	7	10%
Greenwich	119.6	18.6	16%
Hackney	140.9	10.2	7%
Haringey	109.5	30.6	28%
Islington	192.8	17.5	9%
Lambeth	177.5	10.8	6%
Lewisham	90.2	70.2	78%
Newham	101.8	64	63%
Redbridge	28.2	13.4	48%
Southwark	254.5	20	8%
Waltham Forest	61.9	4.5	7%
Barnet	62	15	24%
Kingston upon Thames	32.2	6.2	19%
Sutton	38.2	3.1	8%
Tower Hamlets	91	47.6	52%
Major Metropolitan Housing Authorities			
Manchester	63.7	99.9	157%
Birmingham	286.7	4.8	2%
Sheffield	155.1	9.3	6%
Newcastle Upon Tyne	111.8	9.3	8%
Leeds	224.3	24.1	11%
Average Neighbouring Authorities			35%
Average of all 27 London Local Housing Authorities			27%
Average of all 27 London Local Housing Authorities and all Major Metropolitan Housing Authorities			29%

Appendix 9 Long Term Capital Programme Indicative Costs and Financing
(expressed in monetary terms)

Year	Expenditure				Financing							
	Major Works & Improvements	Leaseholder Works	Earls Court Buybacks	Total Expenditure	Increase in HRA CFR	RTB 141 Receipts	Other RTB Receipts	Other Capital Receipts & Funding	Leaseholder Contributions	Major Repairs Reserve	Revenue Contributions	Total Financing
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
2023-24	19,867	7,949	8,960	36,776	5,685	-	1,025	3,060	4,584	17,891	4,530	36,776
2024-25	20,427	8,223	9,638	38,288	7,351	-	1,050	3,121	5,022	18,236	3,508	38,288
2025-26	21,003	8,505	3,095	32,603	4,025	-	1,076	3,184	5,732	18,585	2	32,603
2026-27	29,442	11,994	2,377	43,814	14,093	-	1,102	3,247	6,696	18,676	-	43,814
2027-28	22,541	9,237	4,335	36,113	4,325	-	1,128	3,312	6,933	19,541	874	36,113
2028-29	23,176	9,554	3,111	35,842	2,554	-	1,156	3,378	7,101	19,647	2,005	35,842
2029-30	23,830	9,882	8,700	42,412	8,012	-	1,184	3,446	6,660	20,014	3,096	42,412
2030-31	24,502	10,221	3,889	38,611	314	-	1,212	3,515	6,888	20,396	6,286	38,611
2031-32	25,192	10,571	4,943	40,706	2,500	-	1,242	3,585	7,125	20,779	5,477	40,706
2032-33	28,388	11,982	-	40,370	-	-	1,272	3,657	7,620	21,168	6,652	40,370
2033-34	29,542	12,456	-	41,998	-	-	283	26,050	8,149	7,516	-	41,998
2034-35	30,370	12,882	-	43,252	-	-	295	26,571	8,669	7,717	-	43,252
2035-36	31,226	13,322	-	44,549	-	-	1,366	3,881	9,980	30,322	-	44,549
2036-37	32,107	13,777	-	45,884	-	-	1,399	3,958	9,286	31,240	-	45,884
2037-38	33,882	14,626	-	48,507	-	-	1,433	4,038	9,694	33,342	-	48,507
2038-39	34,846	15,127	-	49,972	-	-	1,468	4,118	10,116	24,898	9,371	49,972
2039-40	35,828	15,643	-	51,470	-	-	1,504	4,201	10,544	23,964	11,258	51,470
2040-41	36,838	16,176	-	53,013	-	-	1,540	4,285	10,904	24,403	11,882	53,013
2041-42	37,876	16,727	-	54,603	-	-	1,577	4,370	11,275	24,849	12,530	54,603
2042-43	30,340	13,448	-	43,788	-	-	1,607	4,458	10,736	25,304	1,683	43,788
2043-44	31,605	13,981	-	45,586	-	-	1,646	4,547	10,196	25,767	3,430	45,586
2044-45	32,496	14,457	-	46,952	-	-	1,677	4,638	9,730	26,238	4,669	46,952
2045-46	33,412	14,948	-	48,360	-	-	1,710	4,731	10,077	26,718	5,125	48,360
2046-47	34,354	15,456	-	49,810	-	-	1,743	4,825	10,419	27,206	5,616	49,810
2047-48	46,731	21,232	-	67,963	-	-	1,776	4,922	12,034	27,704	21,527	67,963
2048-49	47,996	21,943	-	69,939	-	-	1,811	5,020	13,700	28,210	21,197	69,939
2049-50	49,348	22,688	-	72,036	-	-	1,847	5,121	15,297	28,726	21,045	72,036
2050-51	50,738	23,457	-	74,195	-	-	1,883	5,223	15,815	29,251	22,024	74,195
2051-52	52,167	24,253	-	76,419	-	-	1,920	5,328	16,351	29,785	23,035	76,419
2052-53	38,466	17,893	-	56,359	-	-	1,959	5,434	15,182	30,329	3,455	56,359
2053-54	41,510	18,857	-	60,368	-	-	1,998	5,543	14,059	30,883	7,885	60,368
2054-55	42,683	19,494	-	62,177	-	-	2,038	5,654	13,069	31,447	9,969	62,177
2055-56	43,889	20,152	-	64,041	-	-	2,080	5,767	13,588	32,021	10,586	64,041
2056-57	45,129	20,833	-	65,961	-	-	2,122	5,882	14,047	32,606	11,305	65,961
2057-58	46,403	21,535	-	67,939	-	-	2,165	6,000	14,521	33,201	12,052	67,939

<p>London Borough of Hammersmith & Fulham</p> <p>CABINET</p> <p>4 FEBRUARY 2019</p>	
<p>HEALTHWATCH – EXTENSION AND PROCUREMENT STRATEGY FOR FUTURE PROVISION</p>	
<p>Report of the Cabinet Member for Health & Adult Social Care: Councillor Ben Coleman</p>	
<p>Open Report</p>	
<p>Classification - For Decision</p> <p>Key Decision: Yes</p>	
<p>Consultation</p> <p>Departments</p>	
<p>Wards Affected: All</p>	
<p>Accountable Director: Lisa Redfern, Strategic Director Social Care And Public Services Reform</p>	
<p>Report Author: Joanna McCormick, Strategic lead</p>	<p>Contact Details: Tel: 020 8753 2486 E-mail: joanna.mccormick@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. This report seeks approval of a procurement strategy for Healthwatch and the extension of the existing provider to ensure service continuity.
- 1.2. Local authorities are required to commission a local Healthwatch organisation under the Health and Social Care Act 2012. Healthwatch acts as a consumer champion for users of health and care services, their families, carers and the public. Healthwatch has a statutory place on the Health and Wellbeing Board. Healthwatch's activities includes: sharing evidence, championing local views, formally entering and viewing services to observe what is happening and reporting back to commissioners, and recommending that the Care Quality Commission (CQC) acts where appropriate.
- 1.3. The present provider of the service is Healthwatch Central West London (HCWL) and the existing contract ends in March 2019. It is proposed that the

council undertake an open tender procurement to select a provider to deliver a two-year contract for the Council, with the possibility of extension each year for a further two years (2 + 1 + 1). The proposed procurement evaluation approach is 80% technical and 20% commercial. The provider will have to demonstrate that they can successfully act as a consumer champion for local recipients of health and social care services, carers and residents.

- 1.4 The outcome of the tender is expected to be known in September 2019 and the service will need a few months to mobilise. As the current contract ends on 31st March 2019 it is recommended that a short-term direct award of the service is awarded to the incumbent contractor for a period of nine months to ensure service continuity during the procurement and mobilisation periods. This short-term contract would run until 31st December 2019 at a cost of £105,000 and will be funded from the existing Public Service Reform (PSR) General Fund budget for this service.
- 1.5 The proposed approach will provide value for money and enhance the focus on high quality health and social care in Hammersmith and Fulham. The present contracted service costs the council £140,000 a year in line with the agreed budget for this service. The recommended approach set out in this report would result in a 12.5% saving beginning at the start of the new contract in January 2020. The annual cost for the new contract is fixed at £122,500.

2 RECOMMENDATIONS

- 2.1 That Cabinet approves a waiver of Contract Stranding Order 3.1 to allow the direct award of a nine-month contract to Healthwatch Central West London on the basis that this is in the Council's overall interest. This will commence on 1st April 2019 and end on 31st December 2019 at a cost of £105,000.
- 2.2 That Cabinet approves the Procurement Strategy and Business Case for the procurement of a new contract for the provision of Healthwatch services. The new contract will commence on 1st January 2020 for a period of two years with the option to extend for two further periods of one year. The maximum estimated annual value is £122,500 with a maximum lifetime value of £490,000.

3 REASONS FOR DECISION

- 3.1 The proposed procurement strategy supports the Council's compliance with the Health and Social Care Act 2012 statutory duty to commission a Healthwatch body and offers the best opportunity to secure a value for money Hammersmith and Fulham focussed service.
- 3.2 The present Healthwatch contract ends in March 2019. The procurement and mobilisation period for the Healthwatch tender is likely to run beyond the end of the current contract. Sufficient time is required to work with residents and partners on the specification, resolve TUPE matters and mobilise a new

service. A direct award of a contract to the incumbent provider is therefore recommended to ensure service continuity during the mobilization period.

4 PROPOSAL AND ISSUES

Background – Healthwatch

- 4.1 Healthwatch England and local Healthwatch bodies were created in April 2013, following the enactment of the Health and Social Care Act 2012, to provide a “consumer voice” for users of the NHS. Healthwatch is the latest reorganisation of arrangements to involve patients and the public in the running of the Health and Social Care. Local Healthwatch bodies:
- represent the views of people who use services, carers and the public on Health and Wellbeing boards
 - provide a complaints advocacy service or refer to one
 - report concerns about the quality of health care to Healthwatch England, which can then recommend that the Care Quality Commission acts.
- 4.2 National guidance specifies the key functions that Healthwatch must deliver. The Health and Social Care Act 2012 states Healthwatch must be an independently constituted corporate body, which is a social enterprise, not for profit, able to carry out corporate functions, employ people and sub-contract where it chooses. In addition, the Care Act 2014 placed a new duty on local authorities in relation to the provision of care and support from 1st April 2015. As part of this an effective local Healthwatch will appropriately challenge and engage.

Present contract

- 4.3 In 2016, the shared services authorities procured Healthwatch through a competitive tender. The contract was awarded to Hestia Housing & Support in association with HWCL for two years with the option of an extension for a further year. HCWL became an independent organisation and the contract was novated to them on 11th April 2018. The combined annual cost of the contract for all three boroughs is £450,000.
- 4.4 The Royal Borough of Kensington and Chelsea is the lead authority for managing the contract with HWCL on behalf of the London boroughs of Kensington and Chelsea, Hammersmith and Fulham and Westminster.
- 4.5 The work programme for each borough is developed with the borough’s local healthwatch committee drawing on key statistics and insight about the borough. The priority areas being considered in Hammersmith and Fulham by Healthwatch in 2018/2019 are: changes to primary care, young people and NHS system changes at the North-West London area. The project work in Hammersmith and Fulham is focussing on what young people in the borough want from healthcare in a digital environment.

Procurement strategy

- 4.6 If the strategy is approved, the procurement will begin in March 2019. The new service is expected to commence from January 2020 as set out in detail in Appendix 1.

5 OPTIONS AND ANALYSIS OF OPTIONS

5.1 Option 1: Allow the current contract to expire on 31st March 2019

The current contract expires on 31st March 2019 and there is the option to choose not to procure a new service. Service users, carers and residents would lose access to a consumer champion body able to access local provision and champion for improvement. This option would result in the council's failure to deliver on a statutory duty to ensure Healthwatch provision in the borough. This option is not recommended.

5.2 Option 2: Commission a new service with a larger group of London boroughs. Agree a waiver pursuant to CSO 3.1 of the requirement for competition pursuant to CSO 10.2 to directly award a contract to the incumbent provider for at least a year to enable joint procurement.

There is an option to seek to procure a new service with a wider set of interested London boroughs, which would require time for alignment of existing contracts and result in the need for an annual direct award of a contract to the incumbent provider at a cost to H&F of £140,000 during 2019/2020. At this stage it is unclear which boroughs would sign up to this approach. Whilst there could be scope for more efficient ways of working in a cross-borough contract, this approach does not allow H&F to secure a strong locally focussed service for recipients of services, carers and residents, championed by local people. This option is not recommended.

5.3 Option 3: Commission locally focussed Healthwatch. Agree a waiver pursuant to CSO 3.1 requirement of competition in accordance with CSO 10.2 to directly award a contract to the incumbent provider to enable sufficient time for procurement and mobilisation.

Moving to a sovereign service would enable better opportunity for engaging and championing high quality health and care with people in receipt of services, carers and residents within one borough. The proposed procurement option offers the best balance of risk and ensures compliance with our statutory duty and time to effectively procure and mobilise a new service. The proposed annual contract value for the newly procured service with this option is £122,500, which is informed by an assessment of present spend per head for Healthwatch in London boroughs as detailed in appendix 1. This option is recommended.

6 CONSULTATION

- 6.1 Commissioning Healthwatch provides an independent body who consult with and secure feedback from users of health and social care services in H&F.

The commissioning of this service has been informed by the consultation undertaken to date through the function. Our organisation will benefit from the insight secured by the recommissioned provision.

- 6.2 Healthwatch have been alerted to the intension to extend for nine months.

7 EQUALITY IMPLICATIONS

- 7.1 Initial equality impact analysis has been undertaken. The provision of a Healthwatch service as a champion for local people, already works to highlight where there needs to be an improvement in quality of health and social care services.
- 7.2 It is anticipated the provision of a new locally focussed service will result in either a neutral or positive impact on groups of people with protected characteristics as a Healthwatch operates as a consumer champion and builds work plans that emphasise highlighting quality gaps in health and social care for all and particularly where impact is found to be disproportionate for any particular group of people with a protected characteristic.
- 7.3 *Implications verified by: Peter Smith, Head of Policy and Strategy, tel. 020 8753 2206.*

8 LEGAL IMPLICATIONS

- 8.1 Approval of a Procurement Strategy and Business Case as set out at Appendix 1, is a requirement for all contracts in excess of £100,000 (CSO 8.12). This Strategy is proposed to cover the interim service period until the end of December 2019 and the new service provision from 1st January 2019 until 31st December 2021. It should be noted that for all Medium Value Social and Other Specific Services contracts (£25,000 - £615,278 in value), the requirements of CSO 10.2 (table 10.2b) is to use in the first instance, call-off from existing framework agreements, otherwise to seek public quotations using the e-tendering system and the Government's Contracts Finder Portal. In the absence of a suitable framework agreement for Healthwatch Services, the Strategy proposes to undertake a procurement exercise through which value for money can be assessed.
- 8.2 Approval is also sought for Cabinet member to award the contract that is procured in accordance with the appended Strategy. The decision to award pursuant to CSO 17.3 shall be taken by the relevant Cabinet member, provided that the contract does not exceed £5m in value, and the actual contract value is within a 10% tolerance of the estimated value set out in the Procurement Strategy.
- 8.3 The services come under the category of social and other specific services, Schedule 3 of the Public Contracts Regulations 2015 (PCR). The threshold for such services is currently £615,278. The Cumulative Value of the proposed new contract for a four period is £490,000 and is therefore below the Current EU

Procurement threshold and therefore the Public Contract Regulations 2015 ('PCR 2015') do not apply in full.

- 8.4 This report also proposes a direct award to the existing provider, HWCL, for a period of nine months where the value is £105,000. As this is a contract with a value of greater than £100,000 but less than the EU Threshold, but there is a requirement to seek quotations (CSO 10.2). An exemption to these requirements can be granted under CSO 3.1 where one of five specified grounds for doing so is made out. Here the ground being relied on is that the waiver is justified because "it is in the Council's overall interest". The decision-maker needs to be satisfied based on the information set out in the report that a direct award would be justified when compared with opening the service up to competition.
- 8.5 In accordance with CSO 3.1, a record of the waiver needs to be kept within the relevant department.
- 8.6 *Implications provided by: Hannah Ismail, Solicitor, Sharpe Pritchard LLP, external legal advisers seconded to the Council, tel. 0207 405 4600.*

9 FINANCIAL IMPLICATIONS

- 9.1 The current contract with Healthwatch Central West London is for £140,000 a year and ends in March 2019.
- 9.2 The direct award proposal to extend the current contract for a period of nine months will match the present contract cost pro rata. This will cost £105,000 and be met from existing revenue budgets for Healthwatch provision.
- 9.3 The new proposal to commence from January 2020 is expected to cost £490,000 over the period of the proposed contract plus extension, and be met from existing revenue budgets for Healthwatch provision.
- 9.4 This new proposal will lead to an annual cost saving of £17,500 compared to the existing contract once in place. Over the period of the proposed contract award plus extension, this will lead to cost savings of £70,000 compared to the existing contract.
- 9.5 The below table sets out the financial position of the proposals in the above:

	18/19 (£)	19/20 (£)	20/21 (£)	21/22 (£)	22/23 (£)	23/24 (£)	Total
Current contract	140,000						140,000
Direct award to extend existing contract		105,000					105,500
Proposed new contract		30,625	122,500	122,500	122,500	91,875	490,000
Cost saving against current contract		(4,375)	(17,500)	(17,500)	(17,500)	(13,125)	(70,000)

9.6 A separate report, relating to the contract award will be presented to the Strategic Director of Social Care and Public Service Reform in consultation with the Cabinet Member for Health & Adult Social Care and the Cabinet Member for Finance and Commercial Services.

9.7 *Implications completed by: Andre Mark, Finance Manager, tel. 020 8753 6729. Implications verified by: Emily Hill, Assistant Director, Corporate Finance, tel. 020 8753 3145.*

10. IMPLICATIONS FOR BUSINESS

10.1 The provider of the service must be a social enterprise in line with the statutory requirements for Healthwatch. Other Implications for local businesses are limited as Healthwatch focuses on engaging residents to gather views on changes needed in public services provided by the NHS and local government. Local businesses may be involved indirectly where they provide a service on behalf of the NHS or local government about which Healthwatch highlight areas for improvement.

10.2 *Implications completed by Albena Karameros, Economic Development Team, Tel. 07739 316 957.*

11 COMMERCIAL IMPLICATIONS

11.1 The author of the report is seeking Cabinet approval for the following two recommendations:

- i) A waiver of Hammersmith & Fulham Contract Stranding Orders (“CSO’s”) to allow for the direct award of a nine-month contract to Healthwatch Central West London. The proposed contract would commence on 1st April 2019 at a cost of £105,000.

- ii) Adoption of the Procurement Strategy and Business Case attached at Appendix 1 to allow to the procurement of a contract to commence on 1st January 2020. The proposed contract would have an initial duration of two years with the option to extend for two further periods each of one year. The proposed contract would have an annual value of £122,500 and a maximum lifetime value of £490,000.
- 11.2 In February 2016 Cabinet agreed the award of a contract for the provision of Local Healthwatch Services to Hestia Housing and Support in association with Local Healthwatch Central West London for the fixed period of 1 April 2016 to 31 March 2018 with the option to extend the contract until 31 March 2019.
- 11.3 The contract was extended in March 2018 using the 12 months extension provision. Consequently, there is no option available to extend the contract for a further 9 months. The total estimated value of the contract (including the 12 months extensions) is £420,000.
- 11.4 The service to be provided under the proposed direct award of contract fall under the category of Social and other specific services as defined by the PCR. CSO 10.2 classifies a contract with a value of £105,000 as “Medium Value” (£25,000 to below £615,278) and requires that if it is not possible to “call off” the service from an existing framework agreement, then a tendering exercise shall take place.
- 11.5 A waiver from the CSO’s requirements can be approved by the Appropriate Persons (in this case the Cabinet Member and the Leader) if they are satisfied that it is in the Council’s overall interest. It is considered the author of the report has justified a waiver of the CSO’s on this ground.
- 11.6 A direct award at cost of £105,000 will keep the total value of the contract under the regulated statutory threshold for the Light Touch Regime (£615,278). As a result, the risk of legal challenge is relatively low.
- 11.7 In the event the contract is awarded a contract notice shall be published in Contracts Finder and a contract entry for the direct award shall be place on the Council’s Contracts Register.
- 11.8 CSO 8.12.1 provides that “all Procurement Strategies and Business Cases where the estimated value is £100,000 or greater must be approved by the Cabinet prior to the commencement of any tendering exercise and agreed as a Key Decision”.
- 11.9 A contract notice shall be placed in Contracts Finder to advertise the open procedure contained in the strategy and the tender shall be run through the Council’s e-sourcing. The maximum lifetime value of the contract is below the statutory threshold of £615,278 for social and other specific services.

11.10 *Implications completed by: Tim Lothian, Procurement Officer, tel. 020 8753 5377 and verified by Andra Ulianov, Procurement Consultant, tel. 020 8753 2284.*

12 IT IMPLICATIONS

12.1 There are no IT implications arising from this proposal.

12.2 IM Implications: As the contractors will be processing sensitive personal data on behalf of H&F, Privacy Impact Assessments will need to be completed to ensure all potential data protection risks in relation to this proposal are properly assessed with mitigating actions agreed and implemented. For example, a contract data protection and processing schedule or an information sharing agreement template and a Supplier Security Checklist to ensure the systems used by the service providers comply with H&F's regulatory requirements.

12.3 The contracts with Healthwatch Central West London and the new service provider will need to include H&F's new data protection and processing schedule. This is compliant with the General Data Protection Regulation (GDPR) enacted from 25 May 2018.

12.4 *Implications verified/completed by: Karen Barry, Strategic Relationship Manager, tel. 020 8753 3481.*

13 RISK MANAGEMENT

13.1 Healthwatch provides the Council and residents with some assurance on the quality of health care delivery to Healthwatch England, which can then recommend that the Care Quality Commission acts.

13.2 The procurement strategy contributes positively to the council's vision by securing savings with a 12.5% reduction to the overall contract value whilst continuing to meet resident need and expectation by retaining the spend for London well above the average for this service. There are additional criteria within the procurement strategy contributing to delivery of social value.

13.3 The recommended procurement option in this paper reduces the risk of provider resources being stretched in too many directions at once by looking to secure a locally focussed Healthwatch.

13.4 Continuity of the service, a corporate and legal risk, is mitigated by requesting an extension to the existing provider's contract. This will ensure that any difficulties in procuring or mobilising the service will not negatively impact on service users, who will continue to be able to access a consumer champion in the incumbent provider.

13.5 *Implications verified by: Michael Sloniowski Risk Manager, tel. 020 8753 2587, mobile 07768 252703.*

14. STAFFING IMPLICATIONS

- 14.1 TUPE regulations will apply to one, part time post currently within the present staffing structure for Healthwatch. All other posts are shared between the three boroughs party to the present contract with no other post with more than 50% of its time allocated to H&F activities. The terms and conditions of this post will be made available to tenderers.
- 14.2 TUPE applies where there is a service provision change (when work is outsourced, re-tendered or in sourced). TUPE refers to the "Transfer of Undertakings (Protection of Employment) Regulations 2006" as amended by the "Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 2014 and exists to protect employees' rights when the organisation or service they work for transfers to a new employer.
- 14.3 TUPE is a complex piece of legislation and has impacts for the employer who is making the transfer (also known as the outgoing employer or the transferor) and the employer who is taking on the transfer (also known as the incoming employer, the 'new employer' or the transferee) as well as significant financial costs where an organisation gets it wrong.
- 14.4 For TUPE to apply to a service provision change there must also be an 'organised grouping' of employees. The organised grouping in this regard may only apply to one employee for the principle purpose of carrying out the relevant activities on behalf of the client. Therefore, a rationale of 50% of time allocated to the other posts, shared between the three boroughs, may not be appropriate.
- 14.5 *Implications completed by: Carol Yorrick, Head of HR Operations.*

15. BACKGROUND PAPERS USED IN PREPARING THIS REPORT **None**

LIST OF APPENDICES:

- Appendix 1 – Procurement Strategy Detail**
Appendix 2 – Initial Equality Impact Analysis

DRAFT - Healthwatch Procurement Strategy and Business Case Appendix

1. Summary

This document sets out the procurement strategy and business case covering the elements required by the constitution's contract standing order 8.11.

2. Need for expenditure and priority

As a consumer champion Healthwatch provision fits with the council's priority to do things with residents not to them and take pride in the borough. In championing quality in health and social care services, healthwatch also works to ensure the council delivers on its compassionate council priority. Expenditure on healthwatch is required to fulfil our statutory duty to commission this service as set out in the Health and Social Care Act 2012 and meet the wider requirements of the Care Act 2014. Healthwatch forms a vital part of the health and social care landscape with a statutory place on the Health and wellbeing board.

3. Procurement approach

The Health and Social Care Act 2012 and associated guidance set out a requirement for the Healthwatch service to be commissioned as an independently constituted corporate body, which is a social enterprise, not for profit, able to carry out corporate functions, employ people and sub-contract where it chooses. Therefore, external sourcing or a framework agreement are the main procurement approach options. In this instance because of the need for a locally focussed resource and the lack of a local live framework opportunity, external sourcing is the approach chosen.

An award for a two-year contract with the option to extend for further 1+1 years is recommended dependent on satisfactory performance in line with the specification and available funding. This will ensure a balance between securing a provider to offer the service and enabling opportunity to review the provision at the 2-year mark in light of the context, available funding and performance.

4. Estimated Contract Value, including the value of any uplift or extension period.

The estimated value is considered a true reflection of the proposed contract value given the following analysis:

- The current contract cost for H&F is £140,000 a year, which falls just below the mid-point on the spectrum for comparable total annual cost for Healthwatch in London (2018/2019 benchmarking information Healthwatch England indicates a range of annual contract value in contracts from £75,000 to £225,115).
- The current contract spend translates as £0.76 per head of population as a rate, which places it as one of the highest rates in London (2018/2019 benchmarking information from Healthwatch England indicates spend per head of population ranges from £0.26 per person to £0.96 per person. The average spend per head in London on Healthwatch is £0.54).

A move to a locally focussed service with a 12.5% reduction to the overall contract value from £140,000 to £122,500, would result in a H&F spend per head of £0.66 per head, well above the average spend for London on this service.

The proposal is to set an indicative budget of £122,500 per annum for the provision of this service. Tenderers will therefore be required to submit prices at fixed price of £122,500 per annum. The cost over the 4-year contract period (inclusive of possible extensions) is estimated to be £490,000.

5. Consultation

The service itself enables independent engagement and consultation of residents about the quality of health and social care and a consumer champion for improvements. The commissioning of this service has been informed by the consultation undertaken to date through the function. Our organisation will benefit from the insight secured by the recommissioned provision.

6. Procurement type

The proposed procurement procedure is open and not restricted given the small market size. The recommendation is for the award of a 2 - year contract from 1 January 2020 to 31 December 2022 with the option to extend for a further 1 (+1) year(s). The anticipated cost (including possible extensions) of £490,000 over 4 years falls below the threshold of £615,278 for 'Social and other specific services,' under the EU Public contracts regulations 2015.

As the procurement is a medium value contract but below the EU procurement threshold under the light touch regime, there will be a formal invitation to tender with an advertisement on the Council website and the government Contracts Finder and compliance with EU principles of transparency and equal treatment. The procedure will cover the essentials required including information such as timescales, evaluation methodology and any scope for change / change management procedures. The contract will contain specific service requirements, and expected outcomes. Key performance indicators will be outlined in the service specification and agreed with the provider. Performance management of the service will be undertaken by H&F by a named contract monitoring officer.

7. Market

Preliminary market review highlights that the draft specification and terms and condition are achievable being akin to those recently procured by other boroughs. Healthwatch was a new statutory requirement from 2012 requiring contracts to be with a managing organisation who would then set up the separate Healthwatch social enterprise for the area, on behalf of the council. The common managing bodies which took on these contracts originally were: management organisations in field of community engagement, Councils for Voluntary Service, infrastructure organisations and some client group specific advice and guidance agencies.

8. Main provisions of contract

Details of the main provisions contained in the draft specification

The successful provider needs to ensure a local Healthwatch body for H&F which will fulfil the following criteria:

- Promote and support the involvement of a diverse range of people in the monitoring, commissioning and provision of local health and social care services through membership of local residents, service users. This should include non-members and information flow between member and non-members.
- Make reports and recommendations about how those services could or should be improved.
- Play an active part in supporting the development of the Council's information and advice strategy being developed as part of the whole system integrated health and social care offer and to ensure Care Act compliance. Provide information and advice to the public about accessing health and social care services and choice in relation to aspects of those services
- Represent the views of the whole community, patients and service users on Health and Well-being Board
- Make the views and experiences of the broad range of people and communities known to Healthwatch England helping it to carry out its role as national champion
- Make recommendations to Healthwatch England to advise the CQC to carry out special reviews or investigations into areas of concern (or, if the circumstances justify it, go direct to the CQC with their recommendations, for example if urgent action were required by the CQC)

9. Minor variations on standard terms and conditions anticipated

These include:

- Inclusion of the requirement for a provider to take on ensuring a healthwatch body is created
- Increased recognition of social value
- Recognition of the independence required of Healthwatch as well as the need for contract management

10. Evaluation criteria to be used

The procurement seeks to secure a service for a fixed price with evaluation split: 80% technical and 20% commercial. Provision will be made to include health partner and service user participation in the evaluation of the bidders.

For the technical component - core questions covering the following elements will enable an assessment of a potential provider's ability to fulfil the main provisions of the contract:

- Understanding Hammersmith and Fulham and its residents and their collective views
- Understanding Health and social care landscape and key levers for influence
- Ability to assess and review of public services in line with national guidelines for Healthwatch
- Ability to engage and influence - tracking delivery of action and outcomes
- Facilitation of coproduction through training, advocacy and advice

- Information and advice for residents with onward referral to complaints advocacy

For the commercial component – levels of activity informed by consultation to complete the specification will enable assessment including:

- Research, reports and interventions made to highlight key issues and influence change
- Active and diverse membership including service users, carers from often underrepresented communities
- Active and diverse set of volunteers involved in activity of body
- Access to networks

11. Social Value requirements

Proposed tender documents address statutory requirements contained in the Public Services (Social Value) Act 2012. The draft specification and resultant service is anticipated to secure wider social, economic and environmental benefits for the community through the influence it exerts to secure improvements to health and social care services, its role in enhancing community resilience as a key lifeline to people using health and care services which are not working well and on a practical level in the way it offers opportunities for local people to become more active in the community through membership of Healthwatch and volunteering opportunities.

12. Indicative Procurement Timetable

Milestone	Date
Advert	February 2019
Tender Return	April 2019
Evaluation	May – June 2019
Award decision	July 2019
Service mobilisation	October – December 2019
Contract start date	1 st January 2020

Overall Information	Details of Full Equality Impact Analysis
Financial Year and Quarter	2018/2019 / Quarter 2
Name and details of policy, strategy, function, project, activity, or programme	<p>Title of EIA: Healthwatch - existing</p> <p>Short summary: Recommissioning Healthwatch provision as present contract coming to an end</p> <p>(The process will impact on commissioned staff, with TUPE implications which will have to be managed by contractors involved, including their assessment of equalities at the time of contract award)</p>
Lead Officer	<p>Name: Joanna McCormick</p> <p>Position: Strategic Lead</p> <p>Email: Joanna.mccormick@lbhf.gov.uk</p> <p>Telephone No: 0208 753 2486</p>
Date of completion of final EIA	20 / 09 / 2018

Section 02	Scoping of Full EIA
Plan for completion	<p>Timing: September/October 2018</p> <p>Resources: PSR</p>
Analyse the impact of the policy, strategy, function, project, activity, or programme	Analyse the impact of the policy on the protected characteristics (including where people / groups may appear in more than one protected characteristic). You should use this to determine whether the policy will have a positive, neutral, or negative impact on equality, giving due regard to relevance and proportionality.

Protected characteristic	Analysis	Impact: Positive, Negative, Neutral
Age	Service is a consumer champion for all users of health and social care. JSNA and Health and wellbeing strategy highlights range of analysis of population and health and wellbeing outcomes which the new specification will seek the service to draw upon as an evidence base to underpin its work to champion the views of local residents. Present provider has focussed on engaging more young people in last year in projects, as members and volunteers. New specification picks up need for this to continue in future work programme.	Neutral/ positive
Disability	Service is a consumer champion for all users of health and social care services. Borough profile, health and wellbeing strategy and disability commission highlight range of analysis of population and health and wellbeing outcomes which the new specification will seek the service to draw upon as an evidence base to underpin its work to champion the views of local residents. New service specification places greater emphasis on working with people with disabilities to develop projects and also as volunteers and members of the new body	Neutral/ positive
Gender reassignment	Service is a consumer champion for all users of health and social care services. JSNA and Health and wellbeing strategy highlights range of analysis of population and health and wellbeing outcomes which the new specification will seek the service to draw upon as an evidence base to underpin its work to champion the views of local residents. Work programmes will also pick up on any potential adverse impact of present health and care provision highlighted through feedback.	Neutral/ positive
Marriage and Civil Partnership	Service is a consumer champion for all users of health and care services. JSNA and Health and wellbeing strategy highlights range of analysis of population and health and wellbeing outcomes which the new specification seeks the service to draw upon as an evidence base to underpin its work to champion the views of H&F residents. Work programme also picks up any potential adverse impact of present health and care provision highlighted through feedback.	Neutral/ positive
Pregnancy and maternity	Service is a consumer champion for all users of health and social care services. JSNA and Health and wellbeing strategy highlights range of analysis of	Neutral/ positive

	population and health and wellbeing outcomes which the new specification seeks the service to draw upon as an evidence base to underpin its work to champion the views of local residents. Work programmes will also pick up on any potential adverse impact of present health and care provision highlighted through feedback. Early support and Maternity services included in range of health and care services which the body acts as a consumer champion for. Specification will highlight need for watching brief on these.	
Race	Service is a consumer champion for all users of health and care services. JSNA and Health and wellbeing strategy highlights range of analysis of population and health and wellbeing outcomes which the new specification seeks the service to draw upon as an evidence base to underpin its work to champion the views of local residents. Work programmes will also pick up on any potential adverse impact of present health and care provision highlighted through feedback. New specification includes requirement for work to reach a wide range of volunteers and members reflecting the population make up. Work programme also picks up any potential adverse impact of present health and care provision highlighted through feedback.	Neutral/ positive
Religion/belief (including non-belief)	Service is a consumer champion for all users of health and social care services. Quality of acute health provision includes a requirement for understanding of wider and health and wellbeing including spiritual care needs. Quality of social care provision includes a knowledge and understanding of communities and families within which many residents ensure independence and/or home-based support.	Neutral/ positive
Sex	Service is a consumer champion for all users of health and social care services. specification includes requirement for work to reach a wide range of volunteers and members reflecting the population make up. JSNA and Health and wellbeing strategy highlights range of analysis of population and health and wellbeing outcomes which the new specification seeks the service to draw upon as an evidence base to underpin its work to champion the views of local residents. Work programmes will also pick up on any potential adverse impact of present health and care provision highlighted through feedback.	Neutral/ positive
Sexual Orientation	Service is a consumer champion for all users of health and social care. New specification highlights the latest LGBT survey findings and need to draw on	Neutral/ positive

	<p>these in work it undertakes. Specification includes requirement for work to reach a wide range of volunteers and members reflecting the population make up. Work programme also picks up any potential adverse impact of present health and care provision highlighted through feedback.</p>	
	<p>Human Rights or Children's Rights Will it affect Human Rights, as defined by the Human Rights Act 1998? No Will it affect Children's Rights, as defined by the UNCRC (1992)? No</p>	
Section 03	Analysis of relevant data	
Documents and data reviewed	<p>Core data and information will be drawn upon in finalising the specification for the service and required as the evidence base on which the body draws to shape its work to champion quality services. This will include:</p> <ul style="list-style-type: none"> • Healthwatch Reports including Annual, enter and view, topic analysis, resident feedback, membership committee minutes and feedback • Health and Wellbeing Board minutes • Policy and Accountability Committee reports • JSNA and Health and Well Being Strategy, Borough Profile • CQC Assessments of provision in borough • CCG Board Meeting Minutes • NHS Digital Datasets on performance and need 	
New research	If new research is required, please complete this section	
Section 04	Consultation	
Consultation	<p>Details of consultation findings (if consultation is required. If not, please move to section 06)</p> <p>As a consumer champion the Healthwatch body commissioned will engage and consult users of health and social care services, their families, carers and the wider community enabling better ongoing effective engagement with any possible adverse impact for people with protected characteristics accessing health and social care services in H&F.</p>	

Analysis of consultation outcomes	Analysis of feedback, consultation and key information will inform ongoing work programme and interventions made by the Healthwatch body
Section 05	Analysis of impact and outcomes
Analysis	N/A


Section 06	Reducing any adverse impacts and recommendations
Outcome of Analysis	<p>Whilst no direct adverse impacts have been identified, the commissioning of the service will need to have a specification which includes requirement for:</p> <ol style="list-style-type: none"> 1. Use of evidence based on present health and social outcomes in the borough by protected characteristic 2. Work to build membership reflective of the population 3. Increase in volunteers involved reflective of the population 4. Greater use of coproduction approaches by and recommendations highlighting their benefits from Healthwatch 5. Recognition of the equality implications of changes occurring in health and social care and reference to potential adverse impact highlighted in the work of the body where identified

Page 369

Section 07	Action Plan					
Action Plan	Note: You will only need to use this section if you have identified actions as a result of your analysis					
	Issue identified	Action (s) to be taken	When	Lead officer and borough	Expected outcome	Date added to business/service plan
	Ensure no adverse impact is maintained through design of service in specification	Specification finalised with inclusion of points in section 6	Before tendering	Joanna McCormick	Provision supports continued identification and mitigation of any potential adverse impact of	September 2018

					changes to health and social care services	
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Section 08	Agreement, publication and monitoring
Chief Officers' sign-off	Name: Lisa Redfern Position: Director of Social Care and Public Services Reform Email: lisa.redfern@lbhf.gov.uk Telephone No: 07887 628 132
Key Decision Report (if relevant)	Date of report to Cabinet/Cabinet Member: XX / 02 /19 Key equalities issues have been included: Yes
Equalities Lead (where involved)	Name: Peter Smith Position: Head of Policy and Strategy Date advice / guidance given: Email: peter.smith@lbhf.gov.uk Telephone No: 0208 753 2206

London Borough of Hammersmith & Fulham CABINET 4 FEBRUARY 2019		 hammersmith & fulham
APPROVAL TO TENDER AND PROCURE RAPID EV CHARGE POINTS		
Report of the Cabinet Member for the Environment – Councillor Wesley Harcourt		
Open Report		
Classification: For decision Key Decision: Yes		
Consultation: All services listed in the report along with the respective comments have been consulted.		
Wards Affected: Hammersmith Broadway		
Accountable Director: Mahmood Siddiqi –Director Highways and Parks		
Report Author: Richard Hearle, Parking Projects and Policy Manager		Contact Details: Tel: 0208 753 4651 E-mail: richard.hearle@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. The introduction of rapid electric vehicle charge points in LBHF complements other electric vehicle initiatives and forms an important part of the LBHF electric vehicle charging network, supporting other air quality projects and contributing to our target to become the greenest borough.
- 1.2. This report sets out the proposed procurement strategy to procure rapid electric vehicle charge points. The proposal is to in each case call-off from the Transport for London (TfL) Rapid Charge Point Concession Framework Agreement (reference tfl_scp_001290) (the “**Framework**”). To call off from the Framework a mini-competition exercise will be required
- 1.3. The Framework is available to use by all London boroughs for a period of three years starting on [date]. This can be extended for a further period of one year by TfL. The Framework has five suppliers: Centrica Consortium, BluepointLondon, Chargemaster, Electricity Supply Board (ESB) and Fastned.

- 1.4. The proposed call-off contract will be for charge points in Sussex Place. The call-off contract will be for a period of eight (8) years commencing in 2019, with the option for the Council to extend for a further two (2) years, for the supply, installation, operation and maintenance of rapid charge point infrastructure on land owned by the London Borough of Hammersmith & Fulham. The value to the council is not known at this time but is likely to be in excess of £100,000 (detailed in paragraph 9.1).
- 1.5. By calling off from the framework agreement the council will not incur any expenditure (after appointment of the successful Concessionaire), and aims to receive the current rental value of the road space/land and a profit share of the revenue generated.

2. RECOMMENDATIONS

- 2.1 To approve the procurement strategy to call-off from the TfL's Rapid Charge Point Concessions Framework agreement for this (three spaces in Sussex Place) and any future requirement for electric vehicle rapid charge points during the period of the Framework.
- 2.2 To delegate the approval to award any future electric vehicle rapid charge point call-off contracts to the Director of Residents' Services in consultation with the Cabinet Member for the Environment.

3. REASONS FOR RECOMMENDATIONS

- 3.1. To comply with the requirements contained in Contract Standing Orders that all Procurement Strategies and business cases where the estimated value is £100,000 or greater must be approved by the Cabinet prior to the commencement of any tendering exercise and agreed as a key decision.
- 3.2. The contract value is calculated as being the total value of the concession contract for all parties and not just that of LBHF. The total value of the any future contract awarded by LBHF under the Framework is likely to exceed £100,000.
- 3.3. The further development of electric vehicle charge points in the borough directly supports Business Plan actions to support both air quality initiatives and growing electric vehicle ownership and use.

4. PROPOSAL AND ISSUES

- 4.1. The Mayor of London has introduced measures to tackle air pollution in London including new vehicle licensing requirements to reduce emissions from the taxi and private hire fleets (PHVs) and to increase the number of vehicles capable of operating with zero emissions. From 1 January 2018 new taxi licenses in London will only be awarded to vehicles that meet zero emission capable (ZEC) requirements and from 2020 this will include all new PHVs.
- 4.2. There is a clear need for charging infrastructure in London as a lack of convenient sites is one of the key barriers to the growth of electric vehicles, both for commercial vehicles and private cars. Rapid charge points provide a

quick and convenient charging solution and so form an important part of the charge point network.

- 4.3. In 2017 TfL developed a Rapid Charge Point Concession Framework to be used by TfL and London Boroughs, supporting the delivery of rapid electric vehicle chargepoints across London. LBHF are currently liaising with internal departments and TfL, to expand the charge point capabilities in the borough. We have already installed three rpaidis in Scrubs Lane off-street car park and are now wish to introduce rapids in Sussex Place - a desirable location for residents and commercial users alike.
- 4.4. Sussex Place lies to the south-west of Hammersmith Broadway and is currently served by shared use resident and paid parking bays. The area is classified as on-street and is considered to be an attractive site for perspective operators, and is likely to generate income in excess of the current on-street P&D through a rental value of the road space/land and a profit share of the revenue generated by the successful Concessionaire.
- 4.5. This will complement three rapid charge points already operating in Scrubs Lane car park, and others elsewhere in the borough on the Transport for London Road Network. The Scrubs Lane charge points were successfully procured by the council using the same framework contract, and are also a revenue only generating operation for the council.
- 4.6. By calling off from the framework agreement rapid charge points for Sussex Place and future installations will not incur any expenditure for the council (after appointment of the successful Concessionaire), and intends to receive at least the current parking value of the road space plus a profit share of the revenue generated by the Concessionaire.

5. OPTIONS AND ANALYSIS OF OPTIONS

- 5.1. Three options exist for progressing expansion of the electric vehicle rapid charge points in LBHF, as follows:
 - i. Option 1 – using the Call-Off Contract under the Rapid Charge Point Concessions Framework let by Transport for London will enable LBHF to develop electric vehicle rapid charge points at no risk to the council, incurring no capital costs for enabling works (UKPN), and to expediently procure the supply, installation, operation and maintenance of the charge point infrastructure and electricity supply.

This route has already been successfully completed in Scrubs Lane car park for the installation of three rapid charge points, which also is a revenue only generating operation.
 - ii. Option 2 – LBHF develop electric vehicle charge points without using the Call-Off Contract. Following this path will incur considerable costs for the Council (fees and capital) and extend the delivery timeframe by many months, potentially years, by requiring liaison with DNO, service providers and potential network operators.

- iii. Option 3 – not develop rapid electric vehicle charge points in LBHF. This does not support the council's aspirations to become the greenest borough, improve air quality or realise the business plan targets for growing the electric vehicle charge point network in the borough.

5.2. It is recommended that Option one is adopted.

6. CONSULTATION

- 6.1. The Concessionaire Call-Off Contract is being reviewed by the Council's Legal Services. The Licence agreement to enable the use of road space for the installation of rapid charge points will be reviewed by Council Legal and Asset Strategy & Portfolio Management. Submitted competitive tenders to any mini-competition will be evaluated via the capitalEsourcing system.
- 6.2. The statutory process will be followed for advertising the Traffic Management Order for the change of use for the parking spaces to be for electric vehicle charging only.
- 6.3. Following evaluation of tenders, we are recommending that Cabinet delegate the award decision to the Cabinet Member for the Environment to appoint the successful Concessionaire.

7. EQUALITY IMPLICATIONS

- 7.1. The Council has given due regard to its responsibilities under Section 149 of the Equality Act 2010 and it is not anticipated that there will be any negative impact on any groups with protected characteristics from the awarding of this contract. Please refer to the Equality Impact Assessment in Appendix 2.
- 7.2. Implications completed by: Peter Smith, Head of Policy & Strategy, tel. 020 8753 2206.

8. LEGAL IMPLICATIONS

- 8.1. The anticipated turnover value (to the concessionaire) of each call-off contract from the Framework is around £5m over 10 years. This assumes that each call-off contract is for a period of eight years with the option to extend for two further years.
- 8.2. The template call-off contract does not contain a break clause but one could be included as a special additional clause. However, the period of eight years provides sufficient time for any call-off contract having regard to the time that a concessionaire could reasonably be expected to take to recoup the investments required to provide the services, together with a return on invested capital taking into account those investments. The council is protected with in the contract through defaults if the concessionaire fails to deliver the contracted services agreed.
- 8.3. The council is a named contracting authority in the OJEU contract notice 2018/S 035-076336 for the TfL Rapid Charge Point Concessions Framework and so is permitted to run mini-competitions under the framework.

- 8.4. There is a difference between a services contract and a concession contract. There are slightly different laws for each, the Public Contracts Regulations 2015 (PCR) for the former, and the Concession Contracts Regulations 2016 (CCR) for the latter. However, this TfL framework permits named contracting authorities such as LBHF to call-off *either* a services call-off contract *or* a concession call-off contract. TfL chose to procure the framework entirely under the PCR; the CCR were not invoked at all. As such, it is possible to call-off a concession contract of any value under this TfL framework.
- 8.5. Implications completed by: Hector Denfield, Associate at Sharpe Pritchard LLP, on secondment to the council (hdenfield@sharpepritchard.co.uk)
- 8.6. The Council will need to ensure when implementing this proposal that all relevant approvals in respect of Planning permission and Listed Building Consent as may be appropriate have been obtained. Early engagement with the Local Planning Authority is encouraged in order to be clear about the necessary approvals required.
- 8.7. Implications completed by: Adesuwa Omoregie: Chief Solicitor (Planning, Highways and Property), TBD Legal Services (adesuwa.omoregie@lbhf.gov.uk).

9. FINANCIAL IMPLICATIONS

- 9.1. The first call-off will be for charge points in Sussex Place. The contract will likely be for a period of eight (8) years commencing in 2019, with the option for the Council to extend for a further two (2) years, for the supply, installation, operation and maintenance of rapid charge point infrastructure in Sussex Place; land owned by the London Borough of Hammersmith & Fulham.
- 9.2. There will be no cost implication from this initiative following appointment of the Concessionaire. All areas of expenditure will be the responsibility of the contractor. The value to the council for Sussex Place is not known at this time but is likely to generate in excess of £100k for the council over the lifetime of the contract. This will comprise income of approximately £5,000 per parking space per annum plus a 5% share of charge point income. LBHF should expect to be in the higher end of the fee bracket due to its central location.

One aspect that should be noted is there will be a reduction in the revenue from shared use bays.
- 9.3. Implications verified/completed by Gary Hannaway, Head of Finance, tel. 0208 753 6071 and Hitesh Jolapara, Strategic Director of Finance, tel. 0208 753 2501.

10. IMPLICATIONS FOR BUSINESS

- 10.1. There are no direct implications for local businesses. However, the proposal contributes to efforts for better air quality which is important for local communities.
- 10.2. Matt Rumble, Head of Area Regeneration, tel. 0208 753 4552.

11. COMMERCIAL IMPLICATIONS

- 11.1 H&F CSO 8.12.1 provides that all Procurement Strategies and Business Cases where the estimated value is £100,000 or greater must be approved by the Cabinet prior to the commencement of any tendering exercise and agreed as a Key Decision”.
- 11.2 H&F CSO 8 provides in detail the approach to and development of a Business Case. It is considered that the author of the report has fully addressed these requirements in the body of the report.
- 11.3 H&F CSO 8.12.2 requires that a Procurement Strategy & Business Case include whether the contract award is reserved for the Cabinet or delegated to the relevant Cabinet Members. The author of the report has satisfied this requirement by outlining that the award of contract will be made by the Cabinet Member for Environment acting on advice from the Client Director.
- 11.4 H&F CSO’s 17.3.1 and 17.3.3 provide for the automatic delegation of awards of contract by the relevant Cabinet Member(s) subject to the actual contract value being less than £5 million and within a 10% tolerance of the estimated value as set out the Procurement Strategy and Business Case as approved by Cabinet. It is noted that any future contracts awarded between the Concessionaire and LBHF is unknown but is likely to exceed the value of £100,000.
- 11.5 In accordance with Contract Standing Orders (CSOs) 10.2, the method for selecting potential bidders for tenders in the first instance is to call off from an existing framework agreement where one exists otherwise go out to tender. A mini competition will need to be conducted via the e-tendering system A Tenders Appraisal Panel will consist of a minimum of three officers who will evaluate the tender returns. All evaluation and moderated scored will need to be logged on the e-tendering system and an award notice published.
- 11.6 This long-term strategy proposed to call-off from the TfL’s Rapid Charge Point Concessions Framework during its term for any future requirement for electric vehicle rapid charge points seeks to provides financial benefits to the council as any remaining funds will be reinvested into electric vehicle technology in the future. Also, it is likely to have a positive effect on local footfall to local business.
- 11.7 Implications completed by: Joanna Angelides. Procurement Consultant, tel. 0208 753 2586 on behalf of Simon Davis.

12. IT IMPLICATIONS

- 12.1. There are no IT implications contained within this proposal.
- 12.2. Implications verified/completed by: Veronica Barella, interim Chief Information Officer, tel. 020 8753 2927.

13. RISK MANAGEMENT IMPLICATIONS

- 13.1. The report proposals contribute to improving the local environment risk through improving air quality projects and contributing to our Council Priority, to Take pride in Hammersmith & Fulham by working hard to be the most environmentally positive borough in London and ensuring our public needs and expectations risk is well managed by delivering a place that is safe, clean and green. The wider benefits to risk management include those to Public Health by moving away from traditional fossil fuels. Revenue generated from the scheme contributes to the Council's Finances and our Priority of Being Ruthlessly Financially Efficient.
- 13.2. Implications verified by: Michael Sloniowski, Risk Manager, tel. 0208 753 2587

14. OTHER IMPLICATIONS

- 14.1. Planning – full planning permissions will have to be sought for development of each identified rapid charge point site. Applications will need to provide heritage impact assessments to ensure there is no adverse effect on surrounding listed buildings.
- 14.2. Development opportunity – development implications will be considered on a site by site basis at pre-planning stage to ensure there is no loss of opportunity to the council. The location of this proposed Sussex Place site, which lies under the Hammersmith Flyover negates any potential alternative development opportunity for this area.

15. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

None

LIST OF APPENDICES

Appendix 1 – Business Case & Procurement Strategy
Appendix 2 – Equality Impact Assessment

RAPID CHARGE POINTS

BUSINESS CASE

1. BUSINESS CASE – WHY THE PROCUREMENT IS NEEDED

The Council will tender Call-Off Contracts under the Rapid Charge Point Concessions Framework let by Transport for London; reference tfl_scp_001290, for the supply, installation, operation and maintenance of rapid charge points, with the next identified site being Sussex Place. Each charge point shall as a minimum provide both a Combined Charging System (CCS) and CHAdeMO DC plug. Drawings and images of the Sussex Place site are provided in Attachment A.

The exact location of each charge point within each site shall be agreed with the successful bidder prior to enabling works commencing.

The Base Charge Reserve Value is to be confirmed at tender stage and will be agreed on a location basis. Following a meeting with TfL it is expected that Sussex Place might be expected to exceed £5,000 per space per annum due to its prime location, which exceeds the estimated income from P&D.

Why are they needed?

Very recent studies commissioned by TfL identified that London may require some 700 rapid charge points by 2020 to meet demand from 9,000 zero emission capable (ZEC) taxis and the fleet of pure electric private hire vehicles (PHV).

The introduction of rapid electric vehicle charge points in LBHF complements other electric vehicle initiatives and forms an important part of LBHF electric vehicle charging network, supporting other air quality projects and contributing to our target to become the greenest borough.

Who uses or receives them?

Charging points at each site will be available for both private (Taxi, PHV and Fleet vehicles) and public use for the purposes of electric vehicle charging only. The spaces will be available for use 24 hours a day, 7 days a week. No parking fees will be applied for EV charging at the charge points.

What are the most important objectives and benefits the new contract is aiming to deliver (and/or what are the most serious risks it is seeking to avoid)?

The further development of electric vehicle charge points in the borough directly supports LBHF Business Plan actions to support both air quality initiatives and growing electric vehicle ownership and use.

Are the services, works or supplies being re-tendered or is this the first time they are being procured?

Each Call-Off contract will form a stand-alone agreement between the operator and LBHF through TfL's Rapid Charge Point Concessions Framework. Charge points have previously been successfully procured through this framework in LBHF and these are currently in operation in Scrubs lane car park.

Will the services or supplies will shared with others or sovereign to just H&F?

Charge points will be owned, operated and maintained by the successful Concessionaire and operated under Licence. With regard to branding on the charge point, the LBHF logo will be included in the branding panel, along with that of Transport for London and the Mayor of London.

What's the case for going out to the market to procure rather than providing the services ourselves in-house?

LBHF does not have the resources to procure, supply and operate EV charge points without incurring significant costs and extending the delivery programme by years.

The TfL Framework helps Boroughs fulfil commitments to delivering rapid charge points by facilitating the award of a Call-Off Contract to Concessionaires who will supply, install, maintain and operate rapid charge points on TfL or Borough owned sites.

2. FINANCIAL INFORMATION

What is the budget?

Each Call-Off Contract will incur no expenditure, they are revenue generating only. However, Parking Policy team officer fees are budgeted for this work from the Parking Reserve.

Is the commission and its procurement expected to contribute to MTFS savings, a growth item, or an investment to save?

The level of revenue that can be realised will not be determined until after the Call-Off stage, following review of tender packages through the mini-competition process and the successful Concessionaire is identified. Revenue received will be composed of two elements:

- i. The Site Charge – all framework Concessionaires have committed to pay a sum for leasing the sites the rapid charging infrastructure is operated on. The reserve price will be determined at the sole discretion of the awarding authority and shall be stated in the Mini-Competition Request Form. Concessionaires may submit bids over and above the reserve price in their proposals resulting in a higher score being achieved in the evaluation; and

For Sussex Place this is expected to be around £5,000 per space per annum.

- ii. Turnover Charge – all framework Concessionaires have committed to pay at least 1% of the turnover generated from the rapid charge points over the term of the Call-Off Contract to the Awarding Authority. The Concessionaires may increase this baseline percentage when bidding for site packages resulting in a higher score being achieved in the evaluation.

3. OPTIONS APPRAISAL AND RISK ASSESSMENT

Three options exist for progressing expansion of the electric vehicle rapid charge points in LBHF, as follows:

Option 1 – using the Call-Off Contract under the Rapid Charge Point Concessions Framework let by Transport for London will enable LBHF to develop electric vehicle rapid charge points at no risk to the council, incurring no capital costs for enabling works (UKPN), and to expediently procure the supply, installation, operation and maintenance of the charge point infrastructure and electricity supply.

This route has already been successfully completed in Scrubs Lane car park for the installation of three rapid charge points, which also is a revenue only generating operation for the council.

Option 2 – LBHF develop electric vehicle charge points without using the Call-Off Contract. Following this path will incur considerable costs for the Council (fees and capital) and extend the delivery timeframe by many months/years, by requiring liaison with DNO, service providers and potential network operators.

Option 3 – not develop rapid electric vehicle charge points in LBHF. This does not support the council's aspirations to become the greenest borough, improve air quality or realise the business plan targets for growing the electric vehicle charge point network in the borough.

4. THE MARKET

Route to Market

Although the Framework was tendered before the Concession Contracts Regulations 2016 came into force, TfL conducted the procurement in alignment with the Treaty Principles (including transparency and open competition) using a voluntary, non-mandatory OJEU based process in accordance with the general principles of the Competitive Dialogue procedure.

All five (5) Concessionaires appointed to the Framework will be invited to tender for every package of sites unless grounds exist for terminating the Framework with any Concessionaire (in which case that Concessionaire may be excluded at the Awarding Authority's discretion).

PROCUREMENT STRATEGY

5. CONTRACT PACKAGE, LENGTH AND SPECIFICATION

Each contract will be for a period of eight (8) years, with the option for the Council to extend for a further two (2) years, for the supply, installation, operation and maintenance of rapid charge point infrastructure on land owned by the London Borough of Hammersmith & Fulham.

6. SOCIAL VALUE, LOCAL ECONOMIC AND COMMUNITY BENEFITS

Development of the rapid charge points will support the switch to green, low and zero emission vehicles that will have a positive effect on local air quality.

The creation of charging hubs will attract a high turnover of users and is likely to have a positive effect on local footfall to local business' – particularly food and refreshment outlets.

7. OTHER STRATEGIC POLICY OBJECTIVES

The introduction of rapid electric vehicle charge points in LBHF complements other electric vehicle initiatives and forms an important part of LBHF electric vehicle charging network, supporting other air quality projects and contributing to our target to become the greenest borough.

8. STAKEHOLDER CONSULTATION

Each site proposal will be developed in consultation with TfL, and the Council's planning department. Consultation with local residents and businesses will take place through the formal planning and statutory TMO procedures.

9. PROCUREMENT PROCEDURE

The Council, through the Capital eSourcing System, will carry out mini-competition tender and evaluation exercises for each Call-Off Contract under the Rapid Charge Point Concessions Framework let by Transport for London; reference tfl_scp_001290.

10. CONTRACT AWARD CRITERIA

The Evaluation process is to select the "Most Economically Advantageous Tender (MEAT). The "MEAT" is determined as the highest evaluated score in a 50:50 combination of Quality and Financial scores respectively. A Commercial response will also be included and this will cover the acceptance of the proposed Call-Off Contract on a pass/fail basis.

The Quality response must demonstrate how the bidder's proposed solution will meet the LBHF requirements for the site. The Quality response will also include the turnover percentage that is being offered by the bidder. The turnover percentage to be stated in the proposal is over and above the 1% already agreed (ITS stage by the 'Minimum Base Charge and Turnover Declaration' in Appendix 6 to Volume 1 of the ITS).

Technical Requirements Scoring Scale:

Descriptor Title	Score	Descriptor
Poor	1	The response does not meet the requirement. Does not comply and/or insufficient information provided to demonstrate that the bidder has the ability to provide the supplies/services.
Meets the Requirement	5	Demonstration by the bidder of the relevant ability to provide the supplies/services.

The bidder that passes the commercial evaluation and achieves the highest overall score for its proposal, once the quality and financial evaluation scores have been combined, will be awarded the Call-Off Contract.

The turnover percentage (i.e. the aggregate of the minimum 1% and any additional percentage offered) will be evaluated using the "price proportion" method, where the highest turnover percentage figure offered achieves the maximum score and the other bids will be awarded a score that is proportionate to the highest figure offered.

The financial response will cover the financial aspects of the bidder's proposal regarding the installation, operation and maintenance of charge points at the sites specified in this request form.

The financial evaluation will be broken down into the following two (2) areas:

1. Site charge offered above the base charge reserve value for the site will be evaluated using the “price proportion” method, where the highest figure offered for the site charge achieves the maximum score and the other bids will be awarded a score that is proportionate to the highest figure offered; and
2. PAYG average price. This will be evaluated using the “inverse price proportion” method, where the lowest figure offered achieves the maximum score. All other bids are awarded a score that is proportionate to the lowest figure offered.

The following evaluations weightings will apply:

Quality	Technical Requirements	35%
	Turnover Percentage	15%
Financial	Site Charge	25%
	PAYG Average Price	25%

Within the Technical Requirements evaluation there will be further sub-criteria weightings as follows:

Technical Requirements (35%)	<u>Rapid Charge Point Solution:</u> Proposal must address as a minimum the requirements stated in Attachment 1 to the Request Form, Section 2 - Charge Points and deliverables.	17.5%
	<u>Design Drawings:</u> Proposal must address as a minimum the requirements stated in Attachment 1 to the Request Form, Section 2 - Charge Points and deliverables.	17.5%

PROJECT MANAGEMENT AND GOVERNANCE

11. PROJECT MANAGEMENT

The project team is comprised of the following officers:

Name	Role
Richard Hearle	Parking Policy Manager
Dan McCrory	Parking Projects Engineer
Joanna Angelides	LBHF Procurement Lead

12. INDICATIVE TIMETABLE

Date	Action	Progress
2018	Prepare tender package Call-Off Contract for Sussex Place	Ongoing

January to March 2019	TfL develop enabling works with UKPN and planning permission sought	In progress
February 2019	Cabinet report seeing permission to tender	In progress
March 2019	Finalise tender package Call-Off Contract for Sussex Place	
April 2019	to commence the procurement process and tender documentation issued	
May 2019	Deadline for submission of tenders in line with the applicable regulations	
June 2019	Commencement Date: Date the Call-Off Contract is awarded	
July – Sept 2019	Implementation of rapid EV charge points in Sussex Place	
Sept 2019	Go-Live Date: At least twenty eight (28) calendar days following the Commencement Date	

13. CONTRACT MANAGEMENT

TfL Commercial will keep a record of all revenue generated under the Framework in relation to TfL sites and will provide Surface Transport Board with a report every six (6) months, or other frequency as requested, detailing what revenue has been realised and what revenue is forecast to be realised.

LBHF will undertake performance monitoring of the site through the supply and analysis of supply and usage data supplied by the Concessionaire as required in the contract.

The Council will work with TfL to address any demand for future provision of Electric Vehicle charge points through both the rapid charge point framework and GULCS.

14. SPECIFIC EXIT PLAN AND RELATED REQUIREMENT

The Concessionaire must include with its proposal the certificate required by clause 16.4.2.1 and (where applicable) details of any Third Party Owner as described in Clause 16.4.3.2, and confirmation that the Third Party Owner(s) will enter into a Third Party Direct Agreement as a condition of the Call-Off Contract.

The Concessionaire must include with its proposal confirmation of whether a maintenance direct agreement is to be delivered with the Call-Off Contract (see Clause 23.1.1.2 of the Agreement).

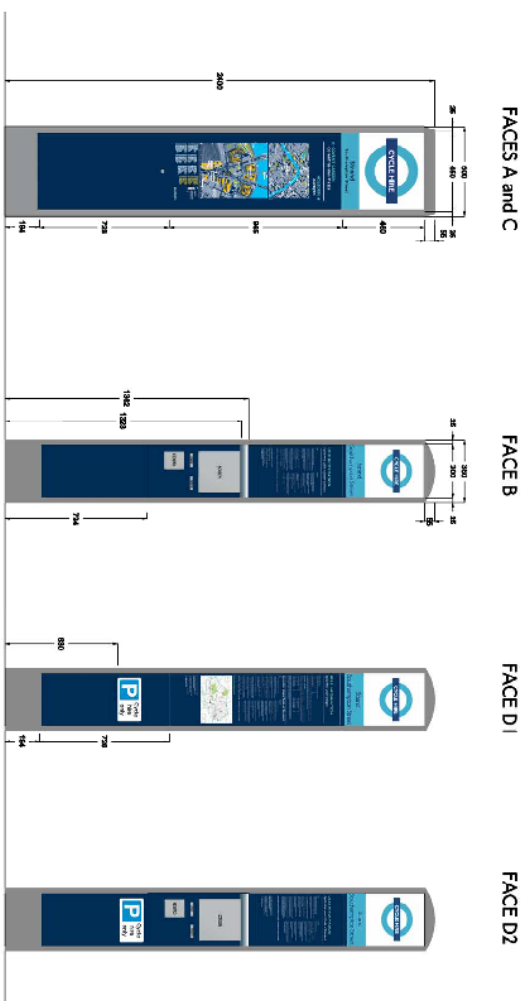
Attachment A

Sussex Place Car Park

Ref	Location	Latitude/Longitude	Access
392	Sussex Place Car Park, Hammersmith	51.491210, - 0.225712	Public or Taxi







FACES A and C

FACE B

FACE D1

FACE D2

MATERIALS:
 Housing, panels and doors:
 Heavy duty aluminium, powder coated with graffiti
 resistant coating
 Magnesia, information and roundel panels:
 Toughened glass
 Top Cap:
 Thermoplastic moulding

COLOUR REFERENCES:
 Roundel and stop name panel:
 Process Cyan C100
 Roundel bar and stop name:
 Pantone 2767 Blue
 Terminal body:
 NCS S 801 G, R9C8
 Pantone 296C dark blue
 Roundel panel background:
 NCS S 0500-N (white)
 Terminal Trim and Cap/Top:
 Silver Grey RAL 9007

NOTE:
 For larger or busier docking stations, Faces A
 & C (Mapping) and Faces B & D2
 (signation/stopment functionality).
 For smaller, less busy, docking stations, faces
 A, A, C (Mapping), Face B
 (signation/stopment functionality), Face D1,
 additional information.

Face B
 Face C
 Face D
 Side facing carriageway



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TERMINAL DESIGN
LONDON CYCLE HIRE SCHEME

NOTES:
 1. All dimensions in millimetres
 2. For four digits see separate drawing

SITE NAME		SITE NO.	
VARIOUS		BOROUGH ALL	
		TOWN/CITY ALL	
Sheet	of	Scale	of
001	01	1:1000	1:1000
Drawn	by	Check	by

H&F Equality Impact Analysis Tool

Conducting an Equality Impact Analysis

An EqIA is an improvement process which helps to determine whether our policies, practices, or new proposals will impact on, or affect different groups or communities. It enables officers to assess whether the impacts are positive, negative, or unlikely to have a significant impact on each of the protected characteristic groups.

Page 387

The tool has been updated to reflect the new public sector equality duty (PSED). The Duty highlights three areas in which public bodies must show compliance. It states that a public authority must, in the exercise of its functions, have due regard to the need to:

- 1. Eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited under this Act;**
- 2. Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;**
- 3. Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.**

Whilst working on your Equality Impact Assessment, you must analyse your proposal against the three tenets of the Equality Duty.

General points

1. In the case of matters such as service closures or reductions, considerable thought will need to be given to any potential equality impacts. Case law has established that due regard cannot be demonstrated after the decision has been taken. Your EIA should be considered at the outset and throughout the development of your proposal, it should demonstrably inform the decision, and be made available when the decision is recommended.
2. Wherever appropriate, the outcome of the EIA should be summarised in the Cabinet/Cabinet Member report and equalities issues dealt with and cross referenced as appropriate within the report.
3. Equalities duties are fertile ground for litigation and a failure to deal with them properly can result in considerable delay, expense, and reputational damage.
4. Where dealing with obvious equalities issues e.g. changing services to disabled people/children, take care not to lose sight of other less obvious issues for other protected groups.
5. If you already know that your decision is likely to be of high relevance to equality and/or be of high public interest, you should contact the Equality Officer for support.
6. Further advice and guidance can be accessed from the separate guidance document (on the intranet) or [ACAS - EIA](#). Or you can contact the councils Equalities Lead (see below).

Equality Lead: Fawad Bhatti (Policy & Strategy)

Fawad.bhatti@lbhf.gov.uk

020 8753 3437

H&F Equality Impact Analysis Tool

Overall Information	Details of Full Equality Impact Analysis
Financial Year and Quarter	4th Quarter 2018/19
Name and details of policy, strategy, function, project, activity, or programme	APPROVAL TO TENDER AND PROCURE RAPID EV CHARGE POINTS To approve the recommendation in the report titled – APPROVAL TO TENDER AND PROCURE RAPID EV CHARGE POINTS
Lead Officer	Name: Richard Hearle Position: Parking Projects and Policy Manager Email: richard.hearle@lbhf.gov.uk Telephone No: 020 8753 4651
Date of completion of final EIA	21/11/2018

Section 02	Scoping of Full EIA		
Plan for completion	Timing: Sept. 2019 Resources: Parking Projects and Policy Team		
Analyse the impact of the policy, strategy, function, project, activity, or programme	As a result of the overall works, there may be benefits associated with certain groups and not others as detailed below:		
	Protected characteristic	Analysis	Impact:
	Age	N/A	Neutral
	Disability	N/A	Neutral
	Gender reassignment	N/A	Neutral
	Marriage & Civil Partnership	N/A	Neutral
	Pregnancy & maternity	N/A	Neutral
	Race	N/A	Neutral

	Religion/belief	N/A	Neutral
	Gender	N/A	Neutral
	Sexual Orientation	N/A	Neutral
<p>Human Rights or Children's Rights Will it affect Human Rights, as defined by the Human Rights Act 1998? No Will it affect Children's Rights, as defined by the UNCRC (1992)? No</p>			

Section 03	Analysis of relevant data Examples of data can range from census data to customer satisfaction surveys. Data should involve specialist data and information and where possible, be disaggregated by different equality strands.
Documents and data reviewed	Contract documents and Call-Off Contract tender procedures
New research	N/A

Section 04	Consultation
Consultation	Traffic Order Procedure. No comments received from the statutory consultation.
Analysis of consultation outcomes	None required


Section 05	Analysis of impact and outcomes
Analysis	N/A

Section 06	Reducing any adverse impacts and recommendations
Outcome of Analysis	N/A

Section 07	Action Plan
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Action Plan	N/A
Section 08	Agreement, publication and monitoring
Chief Officers' sign-off	Name: Chris Bainbridge Position: Head of Transport Policy and Network Management Email: chris.bainbridge@lbhf.gov.uk Telephone No: 0208 753 3354
Key Decision Report (if relevant)	Date of report to Cabinet/Cabinet Member: 04/02/2019 Key equalities issues have been included: Yes/No
Equalities Lead (where involved)	Name: Chris Bainbridge (ACTING) Position: Head of Transport Policy and Network Management Email: chris.bainbridge@lbhf.gov.uk Telephone No: 0208 753 3354

Agenda Item 19

London Borough of Hammersmith & Fulham	
CABINET	
4 FEBRUARY 2019	
	
PARKING MANAGEMENT AND CONTROL REVIEW	
Report of the Cabinet Member for the Environment – Councillor Wesley Harcourt	
Open report	
Classification: For decision Key Decision: Yes	
Consultation: All services listed in the report have been consulted and their comments incorporated	
Wards Affected: All	
Accountable Director: Mahmood Siddiqi – Director for Highways and Parks	
Report Author: Richard Hearle, Parking Projects and Policy Manager	Contact Details: Tel: 0208 753 4651 E-mail: richard.hearle@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1. Our draft Local Implementation Plan 2018-2041 aims to improve air quality and minimise the adverse effects that transport has on the environment. It also aims to improve the efficiency of our road network, by promoting sustainable modes (walking, cycling and public transport), to improve the quality of our streets and to support residents and businesses by managing on-street parking spaces fairly and efficiently.
- 1.2. This report details the current parking-related charges and services in Hammersmith and Fulham (H&F), compares these costs with other London boroughs, and explores possible appropriate changes to the management and control to help manage parking demand.
- 1.3. The proposals are aimed at meeting the Council's obligations to improve parking opportunities for residents and their visitors, reduce congestion and improve air quality.

2. RECOMMENDATIONS

- 2.1. To increase the standard Pay & Display (P&D) parking tariffs 1 and 2 to £2.50 and £3.20 per hour respectively, during the 2019/20 financial year, in order to better manage and control parking in the Borough.
- 2.2. To note that the Borough welcomes businesses to locate in Hammersmith and Fulham and positive developments and can support these by suspending parking bays for a limited time, however to better control these in the interests of residents and their visitors increases in fees should be applied.
- 2.3. To agree that to meet these demands suspension charges will become £44 per day for periods up to five days, £66 per day for periods between six and 42 days, and £88 per day for periods of more than 43 days.

3. REASONS FOR DECISION

- 3.1. The Mayor of London has indicated his support for managing the demand for travel through parking charges to meet the overall objectives of his Transport Strategy. The population of London is projected to increase significantly which will lead to a growth in travel demand. Hammersmith and Fulham has some of the highest areas of traffic congestion in the capital. Parking charges can help discourage unnecessary commuting journeys and ensure a turnover of parking spaces to help local businesses.
- 3.2. Air pollution in London regularly exceeds the World Health Organisation's maximum recommended levels. The Council's parking policies can be used to further fulfil our obligation to implement measures to improve air quality.
- 3.3. Complementary measures and initiatives the Council has already developed includes the rapid expansion of electric vehicle (EV) charging points. We provide free parking for charging EVs at more than 130 locations through Transport for London's Source London concessionary and Blue City, a London-wide EV car club. We are also expanding the residential on-street charge point network through successful grant funding applications to GULCS (Go Ultra Low City Scheme) and OLEV (Office for Low Emission Vehicles). We are also working with operators to introduce free-floating car clubs in the Borough that will include EVs.
- 3.4. The night time economy and demand for shopper parking has increased in recent years and as a result, we have extended parking controls into the evenings and on weekends in some controlled parking zone hours to ensure a turnover of parking spaces. We have retained a resident visitor scheme that allows residents' visitors to park at discounted rates or at no cost and with no limit on the length of stay. Parking controls have also been expanded into housing estates where this is supported by residents.
- 3.5. The Council continues to provide other parking solutions including the provision of short stay low cost parking bays to support local shops; this is currently being extended to provide greater access to shops and services without encouraging commuter parking. Further improvements include parking control management around various special events in the Borough including football matches, Hurlingham Polo in the Park, Queens Club tennis, the Boat Race and Ride London.

- 3.6. However, since 2012 non-residential parking demand has increased and this is now known to be impeding the ability for residents and their visitors to park conveniently. It is apparent that the current on-street parking charges are not keeping pace with demand, or inflation, or to act as a deterrent to commuter and other non-residential on-street parking in the Borough, which is viewed as an attractive parking area.
- 3.7. The current P&D parking charges in H&F have remained the same since 2012, having not increased in line with inflation nor Office of National Statistics price indices.
- 3.8. It is increasingly common for residents to be unable to find a convenient parking space quickly and close to their properties. This is supported by a large amount of anecdotal evidence received from residents requesting that parking zones are reviewed to establish improvements in parking management and control to address the situation for residents and their visitors. This is supported by parking demand stress data. Examples of this change for some streets from 2013 to 2017 is provided in Table 1.
- 3.9. Parking suspensions can be hugely disruptive for residents but are often unavoidable. They are required for a range of reasons from single day suspensions for removals and deliveries, to several days for construction work. The Council has a sliding scale for parking suspensions starting at £40 per day for a suspension required for up to five days, to £80 for suspensions lasting for over 43 days. Again, these charges have not kept up with inflation and are not discouraging unnecessary applications for parking suspensions.

Table 1 – Percentage parking stress in sample streets between 2013 and 2017

P[CP Z	Road	Weekday (%)		Increase/ Decrease (%)	Saturday (%)		Increase/ Decrease (%)	Sunday (%)		Increase/ Decrease (%)
		2013	2017		2013	2017		2013	2017	
I	Larden Road	28	49	21	65	74	9	68	76	8
V	Clifton Road	64	71	7	68	95	27	68	76	8
G	Tadmor Street	53	65	12	39	49	10	36	51	15
C	Haarlem Road	53	78	25	56	82	26	50	64	14
T	Lochaline Street	48	53	5	68	80	12	67	64	-3
W	Mablethorpe Road	58	82	24	60	69	9	51	75	24
R	Elmstone Road	78	81	3	72	73	1	75	82	7
Q	Friston Street	49	50	1	64	73	9	64	66	2
Z	Lindrop Street	58	72	14	74	93	19	61	93	32
F	Armadale Road	74	58	-16	60	65	5	63	100	37
A	Cambridge Grove	37	62	25	50	75	25	72	75	3
	AVERAGE INCREASE			11			14			13

NB: CPZs that have significantly changed during the monitoring period have not been included in the above table

4. ANALYSIS

4.1. The income generated from parking permits and Pay and Display (P&D) is used to introduce, enforce, and manage controlled parking zones. It is important to note that local authorities cannot use parking controls to raise surplus revenue and any surplus income must be invested into transport initiatives and programmes (such as highway maintenance, road safety improvements, providing Freedom Passes for people aged over 65 and transport for disabled people and children with learning difficulties). It is also not acceptable to run parking services at a loss as the service cannot be subsidised by the Council Tax payer.

On-street Pay and Display parking charges

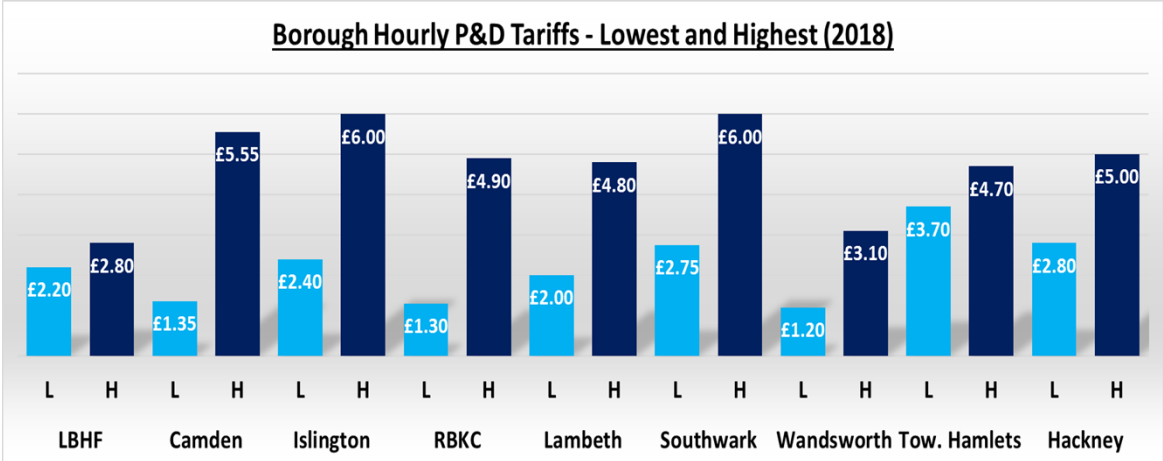
4.2. Table 2 compares our P&D tariffs with similar inner London boroughs. All comparable boroughs offer a wide range of tariffs for P&D parking.

Table 2: P&D Tariff Comparison between Boroughs

Borough	Tariff 1 (£/Hr)	Tariff 2 (£/Hr)	Tariff 3 (£/Hr)	Tariff 4 (£/Hr)	Tariff 5 (£/Hr)
RBKC	1.30	2.50	3.70	4.90	
Camden	1.35	1.80	2.75	4.65	5.55
Wandsworth	1.20	2.60	2.80	3.10	
Islington	5.40				
Lambeth	2.00	3.00	4.00	4.80	
Southwark	2.95	3.25	3.35	6.50	
Hackney	3.70	4.10	4.70		
Tower Hamlets	3.70	4.10	4.70		
Average	2.70	3.05	3.71	4.79	5.55
LBHF	2.20	2.80	-	-	-

- 4.3. Analysis of Table 2 indicates that the hourly P&D rate in H&F is currently more than 18% lower for tariff 1 and more than 8% lower for tariff 2, compared to the comparative average rate in other similar inner London boroughs.
- 4.4. More significantly, these boroughs have higher tariffs for areas of high demand. Examples of these areas of high demand in LBHF include on-street spaces around Westfield, the town centre and locations close to other attractors such as underground stations and football stadiums. These higher tariffs range from between 24% (tariff 3) and 50% (tariff 5) higher than LBHF current highest on-street parking tariff. This is also illustrated in Figure 1.

Figure 1: Comparison P&D tariff range with other inner London boroughs



- 4.5. On-street P&D parking charges have not risen in H&F to address the demand discussed above since 2012. At that time, they were set at the current level of £2.20 and £2.80 per hour for tariff 1 and 2 respectively. Referring to the Office for National Statistics (ONS) Consumer Price Index (CPI) levels during this period, costs have increased while P&D levels have remained unchanged, arguably leading to the high parking demand seen on our streets.
- 4.6. Table 3 shows the static 'actual' P&D level and below this, the P&D level that could have been introduced during this time if following the CPI increases (shown as the 'calculated' P&D level).
- 4.7. Table 3 suggests an increase of 30p for tariff 1 and 40p for tariff 2. This increases the P&D tariffs to £2.50 and £3.20.

Table 3: Actual and calculated on-street P&D parking charges

Year	2012	2013	2014	2015	2016	2017	2018	2019	Diff
CPI	2.80%	2.60%	1.50%	0%	0.70%	2.70%	2.50%	Proposed	(£)
P&D Charges - ACTUAL									
Tariff 1	2.20	2.20	2.20	2.20	2.20	2.20	2.20		
Tariff 2	2.80	2.80	2.80	2.80	2.80	2.80	2.80		
P&D Charges - CALCULATED									
Tariff 1	2.26	2.32	2.36	2.36	2.37	2.44	2.50	2.50	0.30
Tariff 2	2.80	2.95	3.00	3.00	3.02	3.10	3.18	3.20	0.40

- 4.8. Increasing parking charges in this way will help address the high levels of non-residential parking demand. These increases will also support our sustainable transport and air quality initiatives by encouraging modal shift to public transport or indeed softer modes of transport such as cycling or walking, especially for shorter journeys. This will effectively promote the expeditious, convenient, and safe movement of traffic in the borough and reduce congestion further.

H&F Parking Suspension Charges

- 4.9. Parking suspensions in H&F currently cost between £40, £60 or £80 per day per bay (for a 5metre parking space) depending on the length of suspension required. Table 7 details the associated charges for parking bay suspensions in H&F and compares these to other comparable London Boroughs. Table 7 shows that H&F charging less than nearly all comparable boroughs.

Table 7: Comparison of parking suspension charges

London Borough	Suspensions
Hammersmith & Fulham	£40/day; 1 to 5 days £60/day; 6 to 42 days £80/day; 43+ days
Camden	£68.30, plus £43.05 per day £111.35 per day
Islington	Resident - £96.20, plus £30.65 per day Business - £201.00, plus £30.65 per day
RBKC	£54/day; 1 to 5 days £81/day; 6 to 42 days £108/day; 43+ days
Lambeth	£71.68, plus £40.96 per day, plus £50/£100 for short notice applications
Southwark	£55.00, plus £27.50 per day
Wandsworth	£34.20/day; 1 to 5 days £47.40/day; 6 to 42 days £60.80/day; 43+ days
Tower Hamlets	£87.50, plus £42.50 per day £130 per day
Lewisham	£50.00, plus £30.00 per day £80 per day
Greenwich	£65.00, plus £23.00 per day £88 per day
Hackney	£75.00, plus £25.00 per day £100 per day

- 4.10. The aims of the parking suspension service are:

- to ensure that suspensions are of the shortest possible duration so that the largest number of parking spaces remain available for residents, their visitors and business visitors
- to provide good advance information about suspensions to residents and motorists, and
- to ensure that suspended bays are released as soon as possible at the start of the day.

- 4.11. Suspension charges were set at the levels shown in Table 7 over five years ago and during this time have not risen. Referring to the Office for National Statistics (ONS) Consumer Price Index (CPI) the Council's costs of running the service have been subject to an overall increase of nearly 2% per annum. Therefore, it is suggested we apply an increase to meet these demands, of £44 per day for periods up to five days, £66 per day for periods between six and 42 days, and £88 per day for suspension periods of more than 43 days.

Emissions Based Parking Charges

- 4.12. A separate study is currently underway where officers are exploring options and opportunities for introducing emissions based non-residential parking charges and parking permits, to align with our green policies. A report on this will be presented next financial year.

5. EQUALITY IMPLICATIONS

- 5.1. The Council has given due regard to its responsibilities under Section 149 of the Equality Act 2010 and it is not anticipated that there will be any direct negative impact on any groups with protected characteristics from these proposals. Blue Badge holders will continue to enjoy free parking across the borough. Please also refer to the Equality Impact Assessment in Appendix 1.
- 5.2. Implications completed by: Peter Smith, Head of Policy & Strategy, tel. 020 8753 2206.

6. LEGAL IMPLICATIONS

- 6.1. The Council's authority to operate and set parking charges is set out in section 46 of the Road Traffic Regulation Act 1984 ("the Act").
- 6.2. The Council has the power to vary the charge under Section 46A of the Act.
- 6.3. Section 55 of the Act, requires the Council to keep an account of their income and expenditure in respect of parking charges and only use any surplus income for highway improvements and other traffic related measures.
- 6.4. Section 122 of the Act states that when exercising its functions in relation to parking, that the Council should secure the expeditious, convenient and safe movement of vehicular and other traffic (including pedestrians) and the provision of suitable and adequate parking facilities on and off the highway.
- 6.5. The increase to the parking charges will need to be publicised by the Council via "a notice of variation" in a local newspaper pursuant to at least 21 days before the parking charge increases are due to come in to force.
- 6.6. The Local Authorities (Transport Charges) Regulations 1998 permit the local authorities to charge for the suspension of their parking bays and when determining the charge, regard must be given to the cost of providing and administering this function.
- 6.7. Implications completed by: Twahid Islam, Solicitor (Planning and Highways), Legal Services (twahid.islam@lbhf.gov.uk)

7. FINANCIAL IMPLICATIONS

- 7.1. The proposed fees and charges increases for pay and display and parking suspensions will be used to support transport initiatives and programmes such as highways maintenance, road safety improvements, concessionary fares, welfare transport and various Environmental health projects such as air pollution reduction and noise and nuisance reduction. These initiatives form part of the overall transport policy for the borough.
- 7.2. These measures are intended to manage demand for on-street parking and parking suspensions within the Borough. As such, it is not possible to accurately model the expected financial implications of the recommended proposals at this stage – this will be monitored throughout the year as part of the Corporate Revenue Monitoring process.
- 7.3. Implications completed by Gary Hannaway, Head of Finance, tel. 0208 753 6071.
- 7.4. Implications verified by Emily Hill, Assistant Director, Corporate Finance, tel. 020 8753 3145.

8. IMPLICATIONS FOR BUSINESS

- 8.1. There is not expected to be any impact on local businesses resulting from this small increase in P&D parking. Although the P&D tariffs are rising this is considered very small and therefore, the slightly higher costs for parking are not expected to impact on motorists behaviour.
- 8.2. The statutory traffic management order consultation will be undertaken before any changes to the P&D tariffs are implemented.
- 8.3. Implications completed by: Alben Karameros. Economic Development, tel. 0207 938 8583.

9. COMMERCIAL IMPLICATIONS

- 9.1. There are no procurement implications associated with the recommendations contained in this report.
- 9.2. Implications completed by: Joanna Angelides. Procurement Consultant, tel. 0208 753 2586 on behalf of Simon Davis.

10. IT IMPLICATIONS

- 10.1. There are no IT implications arising from this report as it focuses on price changes to assist the borough with parking demand management. Should this change, for example, by considering how data analytics and IoT sensors could be deployed to assist with this, IT Services should be consulted.
- 10.2. IM implications: the Privacy Impact Assessment (PIA) for the parking charges process will need to be updated to reflect any changes to the way that data is processed and stored as a result of these price changes to ensure all potential data protection risks are properly assessed with mitigating actions agreed and implemented. If a PIA is not yet in place, one will need to be completed.

- 10.3. Any contracts affected by these changes will need to include H&F's data protection and processing schedule if this is not yet the case. This is compliant with the General Data Protection Regulation (GDPR) enacted from 25 May 2018.
- 10.4. Implications verified/completed by: Tina Akpogheneta, Interim Head of Strategy and Strategic Relationship Manager, IT Services, tel. 0208 753 5748.

11. RISK MANAGEMENT IMPLICATIONS

- 11.1. The Council aims to make Hammersmith & Fulham the greenest borough in Britain. The recommendations build on the work the Council has already done to improve environmental risk that includes implementing 20mph speed limits on all the borough's residential roads and town centre main roads, and work on improving air quality. The night time economy and demand for shopper parking has increased in recent years and as a result consideration has been given to extended parking controls into the evenings and on weekends in some controlled parking zone hours to ensure turnover of parking spaces is sufficient to enabling local businesses to thrive. The Council has considered its Residents needs and expectations resulting in a retained a resident visitor scheme enabling residents' visitors to park at discounted rates or at no cost and with no limit on the length of stay. Complementary measures and initiatives the Council has already developed to reduce Transport risk includes the rapid expansion of electric vehicle (EV) charging points that provide free parking for charging at more than 130 locations through Transport for London's Source London concessionary and Blue City, a London-wide EV car club. Such measures contribute positively to the management of Air Quality risk and to the Council Values, including working hard to be the most environmentally positive borough in London because the health and wellbeing of the people is so important.
- 11.2. Implications verified by: Michael Sloniowski, Risk Manager, tel. 0208 753 2587.

12. OTHER IMPLICATIONS

- 12.1. None

13. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

- 13.1. None

LIST OF APPENDICES

Appendix A - H&F Equality Impact Analysis Tool

H&F Equality Impact Analysis Tool

Conducting an Equality Impact Analysis

An EqIA is an improvement process which helps to determine whether our policies, practices, or new proposals will impact on, or affect different groups or communities. It enables officers to assess whether the impacts are positive, negative, or unlikely to have a significant impact on each of the protected characteristic groups.

The tool has been updated to reflect the new public sector equality duty (PSED). The Duty highlights three areas in which public bodies must show compliance. It states that a public authority must, in the exercise of its functions, have due regard to the need to:

Page 401

- 1. Eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited under this Act;**
- 2. Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;**
- 3. Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.**

Whilst working on your Equality Impact Assessment, you must analyse your proposal against the three tenets of the Equality Duty.

General points

1. In the case of matters such as service closures or reductions, considerable thought will need to be given to any potential equality impacts. Case law has established that due regard cannot be demonstrated after the decision has been taken. Your EIA should be

considered at the outset and throughout the development of your proposal, it should demonstrably inform the decision, and be made available when the decision is recommended.

2. Wherever appropriate, the outcome of the EIA should be summarised in the Cabinet/Cabinet Member report and equalities issues dealt with and cross referenced as appropriate within the report.
3. Equalities duties are fertile ground for litigation and a failure to deal with them properly can result in considerable delay, expense, and reputational damage.
4. Where dealing with obvious equalities issues e.g. changing services to disabled people/children, take care not to lose sight of other less obvious issues for other protected groups.
5. If you already know that your decision is likely to be of high relevance to equality and/or be of high public interest, you should contact the Equality Officer for support.
6. Further advice and guidance can be accessed from the separate guidance document (on the intranet) or [ACAS - EIA](#). Or you can contact the councils Equalities Lead (see below).

Equality Lead: Fawad Bhatti (Policy & Strategy)
Fawad.bhatti@lbhf.gov.uk
020 8753 3437

H&F Equality Impact Analysis Tool

Overall Information	Details of Full Equality Impact Analysis
Financial Year and Quarter	4th Quarter 2018/19
Name and details of policy, strategy, function, project, activity, or programme	PARKING MANAGEMENT AND CONTROL REVIEW To approve the recommendation in the report titled – PARKING MANAGEMENT AND CONTROL REVIEW
Lead Officer	Name: Richard Hearle Position: Parking Projects and Policy Manager Email: richard.hearle@lbhf.gov.uk Telephone No: 020 8753 4651
Date of completion of final EIA	04/12/2018

Page 403

Section 02	Scoping of Full EIA		
Plan for completion	Timing: March 2019 Resources: Parking Projects and Policy Team, Parking Services		
Analyse the impact of the policy, strategy, function, project, activity, or programme	As a result of the overall works, there may be benefits associated with certain groups and not others as detailed below:		
	Protected characteristic	Analysis	Impact:
	Age	N/A	Neutral
	Disability	N/A	Neutral
	Gender reassignment	N/A	Neutral
	Marriage & Civil Partnership	N/A	Neutral

	Pregnancy & maternity	N/A	Neutral
	Race	N/A	Neutral
	Religion/belief	N/A	Neutral
	Gender	N/A	Neutral
	Sexual Orientation	N/A	Neutral
<p>Human Rights or Children's Rights Will it affect Human Rights, as defined by the Human Rights Act 1998? No Will it affect Children's Rights, as defined by the UNCRC (1992)? No</p>			

Section 03	Analysis of relevant data Examples of data can range from census data to customer satisfaction surveys. Data should involve specialist data and information and where possible, be disaggregated by different equality strands.
Documents and data reviewed	Contract documents and Call-Off Contract tender procedures
New research	N/A

Section 04	Consultation
Consultation	Traffic Order Procedure.
Analysis of consultation outcomes	None required

Section 05	Analysis of impact and outcomes
Analysis	N/A

Section 06	Reducing any adverse impacts and recommendations
Outcome of Analysis	N/A

Section 07	Action Plan
Action Plan	N/A

Section 08	Agreement, publication and monitoring
Chief Officers' sign-off	Name: Chris Bainbridge Position: Head of Transport Policy and Network Management Email: chris.bainbridge@lbhf.gov.uk Telephone No: 0208 753 3354
Key Decision Report (if relevant)	Date of report to Cabinet/Cabinet Member: 04/02/2019 Key equalities issues have been included: Yes/No
Equalities Lead (where involved)	Name: Chris Bainbridge (ACTING) Position: Head of Transport Policy and Network Management Email: chris.bainbridge@lbhf.gov.uk Telephone No: 0208 753 3354

NOTICE OF CONSIDERATION OF A KEY DECISION

In accordance with paragraph 9 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, the Cabinet hereby gives notice of Key Decisions which it intends to consider at its next meeting and at future meetings. The list may change between the date of publication of this list and the date of future Cabinet meetings.

NOTICE OF THE INTENTION TO CONDUCT BUSINESS IN PRIVATE

The Cabinet also hereby gives notice in accordance with paragraph 5 of the above Regulations that it intends to meet in private after its public meeting to consider Key Decisions which may contain confidential or exempt information. The private meeting of the Cabinet is open only to Members of the Cabinet, other Councillors and Council officers.

Reports relating to key decisions which the Cabinet will take at its private meeting are indicated in the list of Key Decisions below, with the reasons for the decision being made in private. Any person is able to make representations to the Cabinet if he/she believes the decision should instead be made in the public Cabinet meeting. If you want to make such representations, please e-mail Katia Neale on katia.neale@lbhf.gov.uk. You will then be sent a response in reply to your representations. Both your representations and the Executive's response will be published on the Council's website at least 5 working days before the Cabinet meeting.

KEY DECISIONS PROPOSED TO BE MADE BY CABINET ON 4 MARCH 2019 AND AT FUTURE CABINET MEETINGS UNTIL APRIL 2019

The following is a list of Key Decisions which the Authority proposes to take at the above Cabinet meeting and future meetings. The list may change over the next few weeks. A further notice will be published no less than 5 working days before the date of the Cabinet meeting showing the final list of Key Decisions to be considered at that meeting.

KEY DECISIONS are those which are likely to result in one or more of the following:

- Any expenditure or savings which are significant (ie. in excess of £100,000) in relation to the Council's budget for the service function to which the decision relates;
- Anything affecting communities living or working in an area comprising two or more wards in the borough;
- Anything significantly affecting communities within one ward (where practicable);
- Anything affecting the budget and policy framework set by the Council.

The Key Decisions List will be updated and published on the Council's website on a monthly basis.

NB: Key Decisions will generally be taken by the Executive at the Cabinet.

*If you have any queries on this Key Decisions List, please contact
Katia Neale on 020 8753 2368 or by e-mail to katia.neale@lbhf.gov.uk*

Access to Cabinet reports and other relevant documents

Reports and documents relevant to matters to be considered at the Cabinet's public meeting will be available on the Council's website (www.lbhf.org.uk) a minimum of 5 working days before the meeting. Further information, and other relevant documents as they become available, can be obtained from the contact officer shown in column 4 of the list below.

Decisions

All decisions taken by Cabinet may be implemented 5 working days after the relevant Cabinet meeting, unless called in by Councillors.

Making your Views Heard

You can comment on any of the items in this list by contacting the officer shown in column 4. You can also submit a deputation to the Cabinet. Full details of how to do this (and the date by which a deputation must be submitted) will be shown in the Cabinet agenda.

LONDON BOROUGH OF HAMMERSMITH & FULHAM: CABINET 2018/19

Leader:	Councillor Stephen Cowan
Deputy Leader:	Councillor Sue Fennimore
Cabinet Member for the Environment:	Councillor Wesley Harcourt
Cabinet Member for Housing:	Councillor Lisa Homan
Cabinet Member for the Economy and the Arts:	Councillor Andrew Jones
Cabinet Member for Health and Adult Social Care:	Councillor Ben Coleman
Cabinet Member for Children and Education:	Councillor Larry Culhane
Cabinet Member for Finance and Commercial Services:	Councillor Max Schmid
Cabinet Member for Public Services Reform:	Councillor Adam Connell
Cabinet Member for Strategy:	Councillor Sue Macmillan

Key Decisions List No. **74** (published 25 January 2019)

KEY DECISIONS LIST - CABINET ON 4 MARCH 2019

The list also includes decisions proposed to be made by future Cabinet meetings

Where column 3 shows a report as EXEMPT, the report for this proposed decision will be considered at the private Cabinet meeting. Anybody may make representations to the Cabinet to the effect that the report should be considered at the open Cabinet meeting (see above).

* All these decisions may be called in by Councillors; If a decision is called in, it will not be capable of implementation until a final decision is made.

Decision to be Made by (Cabinet or Council)	Date of Decision-Making Meeting and Reason	Proposed Key Decision Most decisions are made in public unless indicated below, with the reasons for the decision being made in private.	Lead Executive Councillor(s), Wards Affected, and officer to contact for further information or relevant documents	Documents to be submitted to Cabinet <i>(other relevant documents may be submitted)</i>
4 March				
Cabinet	4 Mar 2019	<p>EdCity Development</p> <p>This report seeks Cabinet authority to support the principles of the development and contracting arrangements. Support for proposals to share in planning costs. Support for the YouthZone arrangements and funding.</p> <p>PART OPEN</p> <p>PART PRIVATE Part of this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p>	Cabinet Member for the Economy and the Arts	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.
	Reason: Expenditure more than £100,000		Ward(s): Wormholt and White City	
Cabinet	4 Mar 2019	<p>Corporate Property Services Framework</p> <p>The report outlines revised LOTS to ensure external advice can be secured on a wide range of property advice to ensure the administrations outcomes on assets are delivered</p>	Cabinet Member for Finance and Commercial Services	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background
	Reason: Expenditure more than £100,000		Ward(s): All Wards	

Decision to be Made by (Cabinet or Council)	Date of Decision-Making Meeting and Reason	Proposed Key Decision Most decisions are made in public unless indicated below, with the reasons for the decision being made in private.	Lead Executive Councillor(s), Wards Affected, and officer to contact for further information or relevant documents	Documents to be submitted to Cabinet (other relevant documents may be submitted)
			David.Burns@lbhf.gov.uk	papers to be considered.
Cabinet	4 Mar 2019 Reason: Expenditure more than £100,000	<p>Grove Neighbourhood Council - 7 Bradmore Park Road W6 0DT</p> <p>Grove Neighbourhood Council has approached the Council to acquire the Freehold of the property which they currently occupies under a 99 year lease from 20th January 1983 on a full repairing and insuring basis at a "peppercorn rent".</p> <p>PART OPEN PART PRIVATE Part of this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p>	<p>Cabinet Member for Finance and Commercial Services</p> <p>Ward(s): Ravenscourt Park</p> <p>Contact officer: Ade Sule, Nigel Brown Tel: 0208 753 2850, Tel: 020 8753 2835 ade.sule@lbhf.gov.uk, Nigel.Brown@lbhf.gov.uk</p>	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.
Cabinet	4 Mar 2019 Reason: Expenditure more than £100,000	<p>Lightning Protection</p> <p>Scheme will protect Council residential buildings 4 storey's and above with protection against Lightning</p> <p>PART OPEN PART PRIVATE Part of this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p>	<p>Cabinet Member for Housing</p> <p>Ward(s): All Wards</p> <p>Contact officer: Steve Glazebrook Tel: 07976345556 Steve.Glazebrook@lbhf.gov.uk</p>	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.

Decision to be Made by (Cabinet or Council)	Date of Decision-Making Meeting and Reason	Proposed Key Decision Most decisions are made in public unless indicated below, with the reasons for the decision being made in private.	Lead Executive Councillor(s), Wards Affected, and officer to contact for further information or relevant documents	Documents to be submitted to Cabinet (other relevant documents may be submitted)
Cabinet	4 Mar 2019	<p>LED Replacement Lighting Project</p> <p>The project will replace the existing Halogen Lighting with LED on all block and estate lighting. The benefits are longer lasting, lower energy costs, and reducing our carbon footprint</p> <p>PART OPEN</p> <p>PART PRIVATE</p> <p>Part of this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p>	Cabinet Member for Housing	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.
	Reason: Expenditure more than £100,000		Ward(s): All Wards	
Cabinet	4 Mar 2019	<p>Award of Tender for the construction of a community garden at Frank Banfield Park</p> <p>This report requests permission to tender works to create a community garden at Frank Banfield Park, at a cost of £300k. It also requests permission to delegate authority to appoint the winning tenderer to the Cabinet member for Resident's services. The works will be wholly funded using S106 monies, previously agreed by Cabinet and confirmed by the Planning department.</p>	Cabinet Member for the Environment	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.
	Reason: Expenditure more than £100,000		Ward(s): Fulham Reach	
Cabinet	4 Mar 2019	<p>Shepherd's Bush Library Phase One Refurbishment</p> <p>Request for funding to be provided from S106 budgets for works to improve the ground floor of the library. It also provides for changes to the layout which will support increased income generation. Carrying out these</p>	Cabinet Member for the Environment	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or
	Reason: Expenditure more than £100,000		Ward(s): Shepherds Bush Green	

Decision to be Made by (Cabinet or Council)	Date of Decision-Making Meeting and Reason	Proposed Key Decision Most decisions are made in public unless indicated below, with the reasons for the decision being made in private.	Lead Executive Councillor(s), Wards Affected, and officer to contact for further information or relevant documents	Documents to be submitted to Cabinet (other relevant documents may be submitted)
		much needed works will benefit the community by ensuring the library meets expected standards of customer service and ensuring a safe environment for library customers and staff.	Terri.Massally@rbkc.gov.uk	background papers to be considered.
Cabinet	4 Mar 2019 Reason: Expenditure more than £100,000	<p>Update on the new repairs model</p> <p>This report details the costs of the new repairs model that will replace the Mitie contract from 17th April 2019.</p> <p>PART OPEN</p> <p>PART PRIVATE</p> <p>Part of this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p>	<p>Cabinet Member for Housing</p> <hr/> <p>Ward(s): All Wards</p> <hr/> <p>Contact officer: Mark Brayford, William Shanks Tel: 020 8753 4159, Tel: 020 8753 6007 Mark.Brayford@lbhf.gov.uk, william.shanks@lbhf.gov.uk</p>	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.
Cabinet	4 Mar 2019 Reason: Expenditure more than £100,000	<p>WHITE CITY ESTATE SUSTAINABLE URBAN DRAINAGE & STREETSCAPE IMPROVEMENT SCHEME ON THE PUBLIC HIGHWAY</p> <p>The Council's is looking to retrofit sustainable urban drainage in the White City Estate. This report seeks approval for the public highway element of the project.</p> <p>The project is led by Highways and will build on existing successful Sustainable urban Drainage Systems and urban greening schemes within the borough, to retrofit green infrastructure into the highway to create replicable residential streets for the future.</p>	<p>Cabinet Member for the Environment</p> <hr/> <p>Ward(s): Wormholt and White City</p> <hr/> <p>Contact officer: Michael Masella michael.masell@lbhf.gov.uk</p>	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.

Decision to be Made by (Cabinet or Council)	Date of Decision-Making Meeting and Reason	Proposed Key Decision Most decisions are made in public unless indicated below, with the reasons for the decision being made in private.	Lead Executive Councillor(s), Wards Affected, and officer to contact for further information or relevant documents	Documents to be submitted to Cabinet (other relevant documents may be submitted)
		The scheme has multiple small projects, but with recurring elements, such as permeable parking bays, allowing water to soak into the ground rather than to the sewer (reducing the risk of sewer flooding further down the catchment).		
Cabinet	4 Mar 2019 Reason: Affects 2 or more wards	School Organisation Strategy 2019 School Organisation Strategy 2019 submitted for approval	Cabinet Member for Children and Education Ward(s): All Wards Contact officer: Christine Edwards Tel: 020 8753 5179 christine.edwards@lbhf.gov.uk	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.
Cabinet	4 Mar 2019 Reason: Expenditure more than £100,000	The acquisition of the former White City Health Centre from NHS Property Services to enable wider redevelopment The council intends to acquire the former White City Health Centre for inclusion in a wider redevelopment proposition of existing Council assets at New Zealand Way. The site is owned by NHS Property Services. PART OPEN PART PRIVATE Part of this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.	Cabinet Member for the Economy and the Arts Ward(s): Outside the Borough Contact officer: Ayesha Ovaisi Tel: 020 8753 5584 Ayesha.Ovaisi@lbhf.gov.uk	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.

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Cabinet	4 Mar 2019	<p>AWARD OF CONTRACT FOR CONTRACTS AND PROCUREMENT LEGAL ADVICE</p> <p>To award the contract to Sharpe Pritchard Solicitors for contract and procurement legal advice from 1st April 2019.</p> <p>PART OPEN</p> <p>PART PRIVATE Part of this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p>	Cabinet Member for Finance and Commercial Services	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.
	Reason: Expenditure more than £100,000		Ward(s): All Wards	
Cabinet	4 Mar 2019	<p>Approval to drawdown section 106 receipts to fund the activities of the Work Matters (Employment and Skills) and The Business Investment Teams 2018-2020</p> <p>Approval sought for financial years 2018/19 and 2109/20</p>	Cabinet Member for the Economy and the Arts	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.
	Reason: Expenditure more than £100,000		Ward(s): All Wards	
Cabinet	4 Mar 2019	<p>Section 75 Mental Health Agreement with WLNT</p> <p>This report is seeking approval to end the arrangement with WLNT and resume the direct management of the Council's staff and functions for mental health with a future aim of maintaining collaborative working.</p>	Cabinet Member for Health and Adult Social Care	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background
	Reason: Affects 2 or more wards		Ward(s): All Wards	

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				papers to be considered.
Cabinet	<p>4 Mar 2019</p> <hr/> <p>Reason: Expenditure more than £100,000</p>	<p>Schools Regeneration Programme - procurement of an inclusive design team</p> <p>The report sets out the rationale for a self-funding programme to renew the borough's primary school estate and procure design advice on Flora Gardens and Avonmore Primary schools</p> <p>PART OPEN</p> <p>PART PRIVATE Part of this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p>	<p>Cabinet Member for the Economy and the Arts</p> <hr/> <p>Ward(s): All Wards</p> <hr/> <p>Contact officer: David Burns David.Burns@lbhf.gov.uk</p>	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.
Cabinet	<p>4 Mar 2019</p> <hr/> <p>Reason: Expenditure more than £100,000</p>	<p>School Nursing & Health Visiting contract with CLCH - Direct Award</p> <p>School Nursing & Health Visiting contract with CLCH - Direct Award for 2 years.</p> <p>The current contract terminates on 31st March 2019. It was agreed as a temporary extension for period 1st September 2018 to 31st March 2019 to allow the Authority time to negotiate a longer term contract with CLCH that would fully restore the service.</p> <p>PART OPEN PART PRIVATE Part of this report is exempt from</p>	<p>Cabinet Member for Public Services Reform</p> <hr/> <p>Ward(s): All Wards</p> <hr/> <p>Contact officer: Peter Woods Peter.Woods@lbhf.gov.uk</p>	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.

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		disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information		
1 April 2019				
Cabinet	1 Apr 2019 Reason: Affects 2 or more wards	Corporate Revenue Monitor 2018-19 Month 9 - Dec 2018 forecast of spend v budget	Cabinet Member for Finance and Commercial Services Ward(s): All Wards Contact officer: Emily Hill emily.hill@lbhf.gov.uk	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.
Cabinet	1 Apr 2019 Reason: Expenditure more than £100,000	Offsite Records Storage Service Offsite Records Storage Service, for the secure storage of documents and records in a physical format including paper, microfilms, microfiche and some objects. This will also include retrieval services with the capability of doing scan on demand as well as a bulk scanning service and secure destruction of records as requested. PART OPEN PART PRIVATE Part of this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information)	Cabinet Member for Finance and Commercial Services Ward(s): All Wards Contact officer: Anthea Ferguson, Edward Crow Tel: 02087536641, Anthea.Ferguson@lbhf.gov.uk, Edward.Crow@lbhf.gov.uk	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.

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		under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.		
Cabinet	1 Apr 2019 Reason: Income more than £100,000	Geographical Information Systems (GIS) Software Renewal The reprocurement and implementation of the GIS software solution across the three boroughs. There is currently a joint Enterprise Licence Agreement (ELA) in place with ESRI UK Limited that finishes at the end of September 2019.	Councillor Max Schmid Ward(s): All Wards Contact officer: Geoff Hay Tel: 0208 753 4223 geoff.hay@lbhf.gov.uk	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.
Cabinet	1 Apr 2019 Reason: Expenditure more than £100,000	HIGHWAY MAINTENANCE WORK PROGRAMME 2019/20 Reports seeks approval for the planned highway maintenance work programme for 2019/20.	Cabinet Member for the Environment Ward(s): All Wards Contact officer: Arif Mahmud Tel: 020 7341 5237 arif.mahmud@rbkc.gov.uk	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.
Cabinet	1 Apr 2019 Reason: Expenditure more than £100,000	Drug and Alcohol Wellbeing service contract extension and variation; and The Alcohol Service Contract Extension Proposal to vary the current Drug and Alcohol Wellbeing Service contract to add elements of groupwork and primary care support PART OPEN PART PRIVATE Part of this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a	Cabinet Member for Health and Adult Social Care Ward(s): All Wards Contact officer: Nicola Ashton, Julia Woodman Tel: 020 8753 5359, Nicola.Ashton@lbhf.gov.uk, Julia.Woodman@lbhf.gov.uk	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.

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		particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.		

29 April 2019

Cabinet	29 Apr 2019	<p>Rough Sleeper Supported Accommodation Procurement Strategy</p> <p>Various supported housing contracts are expiring in 2020; a procurement strategy is required to ensure new services deliver better outcomes for residents and better value for money.</p> <p>PART OPEN</p> <p>PART PRIVATE Part of this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p>	Cabinet Member for Housing	A detailed report for this item will be available at least five working days before the date of the meeting and will include details of any supporting documentation and / or background papers to be considered.
	Reason: Expenditure more than £100,000		Ward(s): All Wards	
			Contact officer: Julia Copeland Tel: 0208 753 1203 julia.copeland@lbhf.gov.uk	