

Joint Policy and Accountability Committee Budget Meeting

Monday, 25 January 2021, at 6.30 pm

This meeting will be held remotely – members of the public can watch
live on YouTube: youtu.be/7CsybbQ-IOA

MEMBERSHIPS

Community Safety and Environment Policy and Accountability Committee	The Economy, Housing and the Arts Policy and Accountability Committee
Administration	
Councillor Bora Kwon (Chair) Councillor Iain Cassidy Councillor Fiona Smith Councillor Ann Rosenberg	Councillor Rory Vaughan (Chair) Councillor Daryl Brown Councillor Ann Rosenberg Councillor Helen Rowbottom
Opposition	
Councillor Victoria Brocklebank-Fowler	Councillor Adronie Alford

NOTE: This is a joint meeting of the Community Safety and Environment PAC and the Economy, Housing and the Arts PAC to scrutinise the 2021/22 budget proposals

CONTACT OFFICER

Amrita Gill
Governance and Scrutiny
☎: 07776672845
E-mail: amrita.gill@lbhf.gov.uk

Date Issued: 15 January 2021

Joint Policy and Accountability Committee Budget Meeting Agenda

25 January 2021

<u>Item</u>	<u>Pages</u>
1. APOLOGIES FOR ABSENCE	
2. ROLL CALL AND DECLARATIONS OF INTEREST	
<p>To confirm attendance, the Chair will perform a roll call. Members will also have the opportunity to declare any interests.</p> <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>	
3. 2021 MEDIUM TERM FINANCIAL STRATEGY (MTFS)	3 - 39
<p>This report sets out the budget proposals for the services covered by these Policy and Accountability Committees (PAC). An update is also provided on any proposed changes in fees and charges in the budget.</p>	

London Borough of Hammersmith & Fulham

Report to: Community Safety and Environment Policy and Accountability Committee
Economy, Housing and the Arts Policy & Accountability Committee

Date: 25/01/2021

Subject: 2021 Medium Term Financial Strategy (MTFS)

Report of: Cabinet Member for the Environment – Councillor Wesley Harcourt
Cabinet Member for Housing – Councillor Lisa Homan
Cabinet Member for the Economy – Councillor Andrew Jones
Cabinet Member for Finance and Commercial Services – Councillor Max Schmid

Responsible Directors: Strategic Director of Environment – Sharon Lea
Interim Strategic Director of Economy – Tony Clements
Director of Finance – Emily Hill

Summary

Cabinet will present their revenue budget and council tax proposals to Budget Council on 24th February 2021. A balanced budget will be set in accordance with the Local Government Finance Act 1992.

This report sets out the budget proposals for the services covered by these Policy and Accountability Committees (PAC). An update is also provided on any proposed changes in fees and charges in the budget.

Recommendations

1. That the joint Policy and Accountability Committee (PAC) considers the budget proposals and makes recommendations to Cabinet as appropriate.
2. That the joint PAC considers the proposed changes to fees and charges and makes recommendations as appropriate.

Wards Affected: All

H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
Being ruthlessly financially efficient	We need to always confirm that spend fits our Council's priorities; challenge how much needs to be spent; and achieve results within agreed budgets. Finance is

Contact Officer(s):

Name: Emily Hill
Position: Director of Finance
Telephone: 020 8753 3145
Email: emily.hill@lbhf.gov.uk

Name: Andrew Lord
Position: Head of Strategic Planning and Monitoring
Telephone: 020 8753 2531
Email: andrew.lord@lbhf.gov.uk

Name: Sukvinder Kalsi
Position: Head of Finance – The Environment
Telephone: 020 8753 2203
Email: sukvinder.kalsi@lbhf.gov.uk

Name: Gary Hannaway
Position: Head of Finance – Parking
Telephone: 020 8753 6071
Email: gary.hannaway@lbhf.gov.uk

Name: Danny Rochford
Position: Head of Finance – Economy
Telephone: 020 8753 4023
Email: danny.rochford@lbhf.gov.uk

Background Papers Used in Preparing This Report

Not Applicable

Proposals and detailed analysis

The budget requirement and gap

1. The gross General Fund budget¹ rolled forward to 2021/22 is £528m of which the **net budget requirement of £156.9m** is funded from council resources (such as council tax and business rates) and general government grant.

Table 1 – 2021/22 budget requirement

Budgeted expenditure	£m
Housing benefit payments	111
Departmental budgets	417
Gross budgeted expenditure	528
Less:	
Specific government grants (including housing benefits and dedicated schools grant)	(243)
Fees and charges	(67)
Contributions (e.g. health, other boroughs)	(44)
Other income (e.g. investment interest, rentals and recharges)	(17.1)
Budget requirement rolled forward to 2021/22	156.9

2. The budget proposals for 2021/22, and forecast to 2024/25, are summarised in Table 2. A balanced budget is proposed for 2021/22 with a contribution to general balances, arising from one-off/ non-recurrent benefits, to enhance financial resilience, of £1.1m and set aside of a contingency for unfunded Covid-19 pressures of £1.1m.
3. The medium-term financial forecast is subject to significant uncertainty and risk. Covid-19 has had an unprecedented impact on national and council finances. As part of the Spending Review 2020 (SR20) the Chancellor of the Exchequer set out the economic crisis resulting from Covid-19. Past experience of the government austerity programme indicates that the local authority sector may bear a disproportionate share of any future austerity measures, at the same time as experiencing increased demand. The government's so-called 'levelling-up' policy is also likely to result in a significant transfer of resources away from London despite the presence of high levels of deprivation in the capital that councils are tasked with addressing. The 2021/22 budget proposals are therefore mindful of these future financial threats.
4. The Covid-19 pandemic has emphasised that councils need an adequate safety net to manage increased levels of financial risk. The experience of

¹ Figures exclude capital charges and internal service level agreements. These have a net nil impact on the budget.

several councils, including Croydon and Bexley in London, has shown the difficulties that can arise when reserves are not maintained at a sufficient level.

Table 2 - Budget Summary

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Base budget	156.9	156.9	156.9	156.9
Provision for inflation	4.1	10.1	16.1	22.1
Budget pressures and priorities	5.2	11.2	17.2	23.2
Covid-19 impact provision	2.7	2.5	0	0
Net cost of borrowing	0.8	1.6	2.0	2.0
Savings and additional income	(6.7)	(7.6)	(7.8)	(8.0)
Adjustment for one-off saving	(1.1)	0	0	0
Covid-19 contingency	1.1	0	0	0
Contribution to balances	1.1	0	0	0
Budgeted expenditure	164.1	174.7	184.4	196.2
Government resources	(36.9)	(36.9)	(36.9)	(36.9)
Fair funding /grant reform (estimate)	0	4.7	9.5	14.2
Business rates (net of tariff)	(57.2)	(58.3)	(59.4)	(60.6)
Council tax	(67.3)	(68.0)	(68.7)	(69.3)
Council tax – prior year collection fund deficit	0.4	0.4	0.4	0
One-off council tax support grant	(1.4)	0	0	0
Use of developer contributions for enhanced community enforcement / safety	(1.7)	(1.7)	(1.7)	(1.7)
Budgeted resources	(164.1)	(159.7)	(156.8)	(154.3)
Budget gap	0	14.9	27.6	41.9

Budget assumptions

- 5 **Provision for contract inflation** of £4.1m is made of which £2.4m relates to adult social care. Further to the Spending Review 2020 (SR20) announcement a pay freeze is modelled.
- 6 For non-statutory **fees and charges** in recent years the policy has been that they are:
 - Frozen for Adult Social Care, Children’s Services and Housing.
 - A standard uplift of 1.7% based on the July 2020 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.

- Parking charges and fines are to be set in line with transport policy objectives and not considered as part of the budget process.

However, for this budget a ‘freeze’ is also proposed to the fees and charges set by the Environment Department. Exceptions to the inflation assumptions for the Economy Department are set out in Appendix 4.

- 7 Allowance is made for an increase in the **net cost of borrowing** in line with the 2021/22 capital programme commitments. This takes account of an announcement by the Public Works Loans Board that local authority borrowing rates (except when the primary purpose is to secure an investment yield) have fallen by 1% from 26 November. Whilst the current low interest rate environment enables Hammersmith & Fulham to borrow at low rates it also means that minimal returns are earned on the council’s cash balances.
- 8 The Council has determined that a key priority area for the investment of available **developer contributions**, with general purposes, is the provision of enhanced community enforcement and safety arrangements. An on-going investment of £1.7m per annum is included within the financial forecast.
- 9 **Government grant funding** allocations to Hammersmith & Fulham have been cut by £63m from 2010/11 to 2021/22. As part of the SR20 announcement the Chancellor announced a 4.5% increase in local authority core “spending power” for 2021/22. But, as set out in Table 3 the majority of this increase comes from an assumed 2% increase in council tax and further 3% levy regarding the adult social care precept. Local authorities are also compensated for the government decision to freeze business rates in 2021/22 (local authorities would normally receive extra income from an inflationary increase). The net general grant increase for Hammersmith & Fulham from 2020/21 to 2021/22 is £3.3m. This includes additional one-off council tax support grant of £1.4m. All figures are subject to confirmation when the final settlement is published in late January.

Table 3 – Core spending power analysis

2021/22 additional core spending power (general grant, council tax and business rates)	National	H&F Estimate
New adults & children’s social care support grant	£0.3 billion	£2.0 million
New lower tier services grant	£0.1 billion	£0.9 million
Reduction in new homes bonus grant	-£0.3 billion	-£1.6 million
3% additional adult social care precept	£0.8 billion	£1.9 million
2% council tax referendum cap	£0.3 billion	£1.3 million
One-off council tax support grant	£0.8 billion	£1.4 million

Business rates (grant compensation for a freeze)	£0.2 billion	£0.7 million
Total	£2.2 billion	£6.6 million
London spending power increase estimated at 4.3%	+4.5%	+4.0%

- 10 The spending power increases for both London and Hammersmith & Fulham are below the national average. Changes to the New Homes Bonus grant scheme (which compensated faster growing areas for delivering additional housing) reflect the government's so-called 'levelling-up' agenda. The £1.6m grant loss regarding the New Homes Bonus grant in 2021/22 was unexpected and only became apparent following the SR20 announcement. The residual New Homes Grant receivable in 2021/22 is £5.2m for Hammersmith and Fulham and there is a significant risk that this funding will reduce further in future years. A new un-ringfenced grant is receivable for local authorities (including Hammersmith & Fulham) that provide lower tier services, such as homelessness, planning, recycling and refuse collection and leisure services but it is unclear if that is set to continue in future years.
- 11 Several new specific grant allocations were announced in the SR20. The allocations are not yet known for Hammersmith & Fulham. The financial forecast assumes a neutral impact as they will be potentially matched against spend commitments. The national figures for these grants are:
- The Schools budget will increase by £2.2 billion in 2021/22 (compared to a £2.7 billion increase in 2020/21)
 - an additional £98m for local authorities to deliver the new duty to support victims of domestic abuse
 - £220m for a holiday activities and food programme.
 - £254m new funding for rough sleeping.
- 12 A number of planned reforms to the local government finance system were postponed in 2020/21. SR20 indicates that the following will be taken forward in 2021/22:
- the so-called 'Fair funding' review and a multi-year local government settlement are expected to be implemented from 2022/23 onwards
 - the government will shortly consult on the New Homes Bonus grant scheme with a view to implementing reform in 2022/23
 - proposals are to be brought forward on reform of the adult social care system next year
 - further significant action on public health grant will be taken in the forthcoming months
 - a final report on a fundamental review of business rates will be published in the Spring.
- Significant risk and uncertainty arises from each of these potential reforms. Given the government's agenda there is a threat that substantial resources will be distributed away from London. The forecast assumes a 5% (£4m) cut in grant/ business rates resources from 2022/23 onwards and further reductions of £0.8m per annum in the New Homes Bonus grant.

- 13 **The government has modelled an adult social care precept** since 2016/17. In the first years of the levy, Hammersmith & Fulham determined not to apply the levy despite the fact the Council's funding from government was modelled on the assumption that we would. Due to the continued high levels of inflation and instability in the social care market, the impact of the Covid-19 pandemic and the government's continued failure to propose a long-term funding solution to social care funding, the Council proposes to allow 3% of the government's adult social care levy for 2021/22. The total levy increase for Hammersmith & Fulham over the 6 years to 2021/22 will be 7% compared to the 13% increase assumed by the government. The 3% levy will generate £1.9m and Hammersmith & Fulham will use such funding to support adult social care.
- 14 **An increase in the Hammersmith & Fulham element of council tax of 1.99%** is proposed for 2021/22, as modelled by the government in their spending power calculations for local government. This will generate extra income of £1.3m in 2021/22 and £5.2m over a four-year period. This will support investment in key services for residents and, given the financial risks and threats facing H&F, support future financial resilience. The Hammersmith & Fulham Band D Council Tax charge is the third lowest in the country and 35% (£322) below the London average. As set out below, only slightly more than half of dwellings are liable for full council tax with exemptions/discounts for council tax support claimants, students, care leavers and single person households.

Table 4: Liability for council tax

Total dwellings in the borough	91,550
Reductions:	
Exemptions (mainly students, includes care leavers)	(4,161)
Council tax support claimants (elderly & working age on low income)	(12,009)
Single person discount (25% discount)	(28,180)
Dwellings liable for 100% of council tax	52%
2020/21 Band D charge for Hammersmith & Fulham	792.42
A 4.99% increase for 2021/22 is £39.54 per annum, £0.076 per week. £0.11 per day.	

15. Due to the economic impact of Covid-19, the council tax income forecast assumes a collection rate of 97% (compared to 97.5% for 2020/21). Allowance is also made for an increase of 1,005 (11%) in the number of local council tax support discounts awarded. There is a risk that the economic downturn may result in a lower council tax income if collection rates deteriorate or if more residents become eligible for council tax support. As part of the provisional local government finance settlement it was announced that £670m of new **local council tax support grant** funding is to be distributed in recognition of the increased costs of providing local council tax support following the pandemic. The grant will be un-ringfenced and is for 2021/22 with no commitment to it continuing in future years. The indicative allocation is £1.4m and this is included in the 2021/22 budget. Of this sum £1.1m is set aside as a **covid-19 contingency** to help address potential extra budgetary pressures.

- 16 For 2020/21 council tax income has been adversely impacted by the Covid-19 pandemic. An estimated in-year loss of £6m is currently forecast (of which the council share is £4.228m). The government have announced that this loss (**collection fund deficit**) can be spread over 3 years from 2021/22 onwards and SR20 further announced that 75% of these irrecoverable losses will be funded by government. The estimated net charge to Hammersmith & Fulham is £0.4m per annum from 2021/22 to 2023/24. This estimate is subject to further review and confirmation of the government compensation scheme and allocations.
- 17 The government have announced a **business rates** freeze for 2021/22. Normally the business rates multiplier would increase in line with inflation and local authorities would retain a share (30% for Hammersmith & Fulham) of the resultant extra income. As set out in Table 3 the government will compensate local authorities for this decision.
- 18 The impact of Covid-19 on future business rates income is unknown but likely to be negative in the short and medium term. The financial forecast assumes that Hammersmith & Fulham will receive the minimum amount guaranteed, the safety net threshold, by government. This is £57.2m for 2021/22. For years beyond 2021/22 a 2% inflationary increase to the safety net is modelled.
- 19 Hammersmith & Fulham currently participates in the pan-London business rates pool which enables more business rates growth to be retained within London. The latest estimated pool benefit for Hammersmith & Fulham is £580,000 for 2020/21 but due to the impact of Covid-19 on businesses it is expected that the final pool benefit will be lower. An updated forecast is due in January and the final benefit will be confirmed by next September. Due to concerns regarding the impact of Covid-19 on future business rates income the financial case for pooling in 2021/22 is not strong. London Councils are seeking assurances/ guarantees regarding potential pool losses from government. Should these not be forthcoming a collective withdrawal from the pool is likely.

INVESTMENT, SAVINGS AND RISKS

- 20 Investment in services (increasing the available budget) and savings proposals (reducing the available budget) for the services covered by this PAC are set out in Appendix 1 with budget risks set out in Appendix 2.

Investment

- 21 Investment is required to fund expenditure on priority areas and/ or to meet the costs associated with demographic or demand led pressures. Allowance is also made for the on-going impact of Covid-19 on council services. Investment in services is summarised by department in Table 4 and by category in Table 5. Beyond 2021/22 headroom of £6m per annum is modelled to fund new investment and a further £2.5m set aside as cover for the impact of covid-19 in 2022/23.

Table 5: 2021/22 Investment Proposals

Department	£m
Children's Services	1.6
Social Care	2.4
The Economy	1.2
Environment	1.1
Finance	0.1
Council Wide	1.5
Total	7.9

Table 6: Categorisation of investment proposals

	£m
Increase in demand / demographic growth	2.4
Resident priority	0.5
Budget pressure / increase in contingency	2.3
Impact of Covid-19 / Economic downturn	2.7
Total	7.9

Savings and Income Generation

- 22 After ten years of austerity it is increasingly difficult to identify and deliver substantive savings. However, further savings are necessary if the financial challenge of government funding cuts, unfunded burdens, inflation, and demand and growth pressures is to be met and the council will need to continue to consider all available options to operate within the funding available to it.
- 23 The proposed savings (including additional income) for 2021/22 are set out in Table 7. London Councils have also indicated that a further short-term saving of £1.1m (for 2021/22 and possibly 2022/23) will arise regarding the cost of the concessionary fares scheme (freedom pass). This is due to lower usage of the pass during lockdown and more broadly in response to the Covid-19 pandemic. As a short-term saving this sum will be added to general balances in line with the council's reserves strategy.

Table 7: 2021/22 firm savings and additional income

Department	£m
Children's Services	0.7
Social Care	2.0
Reinvestment of public health	0.9
The Economy	1.1
Environment (including Parking)	1.1
Finance	0.4
Resources	0.5
Savings	6.7

24 The saving proposals are categorised by type in Table 8.

Table 8: Categorisation of 2021/22 savings

	£'m
Service rationalisation/budget reduced in line with spend	1.1
Commercialisation/Income	0.5
Prevention	1.0
Procurement / Commissioning	1.4
Service reconfiguration	1.1
Staffing / Productivity	1.6
Total All Savings	6.7

Risk and financial resilience

- 25 An updated reserves strategy and action plan will be included within the suite of finance reports presented to Budget Council.
- 26 The current reserves forecast is set out in Table 9 and models a fall in overall general fund reserves and balances to £47.9m by the close of 2024/25. This assumes a balanced budget is set each year with no further call on reserves.

Table 9 – Reserves and general balances - cash flow forecast to 2024/25

Three-and-a-half-year Civic Campus relocation	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Opening balance	63.5	47.7	39.5	50.2	48.0
Forecast movement	(6.6)	(7.1)	12.9	(0.1)	(0.1)
Budgeted 2021/22 contribution		1.1			
Closing balance	56.9	41.6	52.3	50.1	47.9
Risks and other potential uses	(9.3)	(2.1)	(2.1)	(2.1)	0
Revised balance	47.7	39.5	50.2	48.0	47.9
Outside the forecast					
Developer contributions	16.6				

- 27 The reserves brought forward to 2020/21 are net of £19m set aside regarding the historic deficit in Dedicated Schools Grant (DSG) funding. Discussions are on-going with the Department for Education on potential financial support regarding this shortfall. Any additional funding made available will improve the current forecast.
- 28 Allowance is made within the reserves forecast for the estimated 2020/21 revenue budget overspend which includes the unfunded impact of Covid-19 (£5.7m at month 6) and further increases in the cumulative High-Needs DSG deficit. Other substantive risks include:
- The direct impact of the Covid-19 pandemic on council expenditure and income. To date the government has not fully funded the council with an in-year shortfall of £2.5m (month 6 Corporate Revenue Monitor) forecast. The government have announced that the fees and charges grant compensation scheme² will continue in the first quarter of 2021/22 and that a new un-ringfenced emergency Covid-19 pressures grant of £6.2m will be receivable in 2021/22. There is a risk that such funding will be insufficient to fully compensate the council for the extra costs incurred and income lost and/ or that the financial impact so Covid-19 measures will extend beyond the first quarter of the new financial year. The budget proposals include the set aside of £1.1m as a contingency for further unfunded Covid-19 pressures.
 - The indirect impact of the Covid-19 pandemic on the wider economy. An economic downturn will likely increase demand for needs-based council services whilst exerting downwards pressure on income streams. The council has already seen an increase in the number of residents awarded council tax support scheme discounts. The new 'tier 4' arrangements for London may result in an even deeper economic shock.
 - Government reform of the local government finance system. So-called 'Fair funding', business rates, the New Homes Bonus grant and the system for social care funding are all potentially subject to reform by 2022/23. It is expected that significant resources will be distributed away from London. For modelling purposes, the council's financial plan assumes a grant reduction of approximately 5% per annum from 2022/23 onwards.
 - The strain on public finances more generally with the Chancellor of the Exchequer stating that the Covid-19 economic crisis has just begun; from past experience any future fiscal and spend measures that seek to reset the public finances may be borne disproportionately by local government.
 - Brexit poses a further risk to public finances, inflation and economic growth.

² The scheme compensates local authority for 75% of income lost, above a 5% budget threshold, from sales fees and charges. It excludes commercial income.

- The impact of an economic downturn on major council projects, such as the Civic Campus or Education City development, and risk to future contributions from developers.
 - Departmental risks. The risks for the services covered by these PACs are set out in Appendix 2.
- 29 Reserves are also a key enabler for future service transformation. The financial challenge facing the council will require investment to deliver future efficiencies to enable the council to balance the budget in future years.
- 30 The Covid-19 pandemic has emphasised the need for reserves to be maintained at an adequate level. The lack of an adequate safety net has resulted in several councils, including Croydon and Bexley in London, across the country running into difficulties. The Council's reserve forecast includes a general balance of £19m. This represents 3.6% (equivalent to 13 days spend) of the Council's gross budget of £528m. Given the heightened financial risks facing Hammersmith & Fulham it is proposed that, over the medium-term, the council seek to increase general balances. The 2021/22 budget proposals include a contribution to general balances of £1.1m as a result of one-off benefits expected in 2021/22.

Comments of the Strategic Director of Environment

Strategic Service Context

- 31 The Environment Department is responsible for the delivery of a wide range of universal services to the residents of Hammersmith & Fulham including Public Realm (Highways, Transport, Parking, Waste Collection, Street Cleaning), Safer Neighbourhoods (Community Safety, Regulatory Services, CCTV, Neighbourhood Enforcement, Building Control), Leisure/Sport & Culture (Libraries, Parks, Leisure Centres, Registrar, Events) and Resident Services (Customer Services, Benefits and Revenues).
- 32 The Environment Department has already implemented a number of major service changes to reflect the Council priorities and these are designed to ensure the effective and efficient delivery of services. Some notable examples are highlighted below:
- establishing sovereign service delivery (within the approved budgets) and re-aligning our services under a new Senior Management Team and Heads of Service
 - reviewing and re-organising some of our major external service contracts e.g. Waste Services (a saving of almost 9% per annum was secured for the duration of the extension to January 2023) and Leisure Centres (an increase in the fee income to the Council)
 - continuing our programmes to improve services e.g. Resident Engagement and Access Programme, establishing the new Neighbourhood Enforcement Team (from April 2021) and restructuring a number of other services such as Highways, Transport, Resident Services.

- 33 The Environment Department is actively working corporately with the Recovery Board, Digitalisation Board, Commercial Board and the Zero-Based Budget Programme. This will continue to deliver and embed further changes that will make a major contribution to the significant medium-term financial challenges that are facing the Council.

Financial Performance

- 34 The Environment Department continues to have a good fiscal and financial management record including the implementation of any necessary recovery action plans. The outturn for 2019/20 showed a marginal overspend of only £0.7m or 1.1% of the budget (excluding our Parking Services). This position was adversely affected towards the end of the financial year due to the developing public health crisis in March 2020. Nonetheless, all our key service areas relating to Public Realm, Safer Neighbourhoods, Leisure/Sport & Culture and Resident Services performed well (with variations ranging between 0.4% to 1.6%).
- 35 The COVID pandemic will have a major financial impact on the Environment Department finances in 2020/21 and excluding that impact, the Department is expecting to deliver a net expenditure outturn of no more than £0.5m of the approved budget (or 0.7%).

Budget 2021/22

- 36 The proposed Environment Department Budget for 2021/22 is summarised at major service level in the table below.

Table 10 – The Environment Department Budget 2021/22

Service	Expenditure £'000	Income £'000	Net £'000
Public Realm	45,542	-9,740	35,802
Safer Neighbourhoods	17,772	-8,263	9,509
Leisure, Sport and Culture	13,184	-5,828	7,357
Resident Services	21,414	-6,113	15,301
Executive and Support	436	-477	-41
Total	98,348	-30,420	67,928

- 37 The proposed net budget is £67.928m (compared to £67.428m for 2020/21) and will ensure the continued investment of resources in these key services for residents. In particular, the following matters should be noted:
- additional investment of £1.035m will be made in services (details in Appendix 1) – the major elements include the Climate Change Team (£0.450m), CCTV Services (£0.100m) and Emergency Planning (£0.050m) and the later are intended in part to deal with the COVID fallout

- provision for contractual inflation on externally provided services of £0.606m in total (there is an expectation that service providers will absorb a significant element of inflation through internal efficiencies)
- investment in newly established Neighbourhood Enforcement Team and the Gangs Team will continue to be provided at £1.700m (funded from Developer Contributions)
- a 'freeze' in the fees and charges is proposed from April 2021 – this will support our residents, service users and businesses during the continuing economic pressures from the health pandemic (see below in paragraphs 37 to 40)
- savings of £0.699m as a contribution to the budget gap (details in Appendix 1) – these are intended to preserve front line services and will be delivered through re-configuring service delivery, commercialisation, generation of income and control of externally contracted services

Fees and Charges

- 38 The Environment Department provides an extensive range of services to local business and residents that are chargeable e.g. Commercial Waste, Building Control, Licensing, Registrars, Leisure Centres.
- 39 These services have been significantly adversely affected by the health pandemic (an estimated income shortfall of almost £2m in 2020/21 that will only be compensated at an average of 72% through the national income compensation scheme).
- 40 In light of the ongoing pandemic, the Department is proposing a price freeze in fees and charges in this budget.

Parking Services

- 41 The Parking Service teams are fully focused on continuing to deliver a high-quality service that delivers the Council's priorities in relation to climate change and maintaining the highway/transport infrastructure, as well as fulfilling the statutory enforcement duties.
- 42 As set out in Table 11 below, the Parking Service is proposing a controllable expenditure budget of £10.533m for 2021/22. £39.695m is expected to be recovered through income. In addition to this, corporate charges, which are not controlled by the service, total £3.091m. The net budgeted surplus will fund related spend elsewhere in the council, as permitted by The Traffic Management Act 2004. During the past year parking has adopted a number of digital initiatives which has allowed for a review of on-street and moving traffic operating models and back-office procedures. This has led to opportunities to implement a number of efficiencies. The parking budgets have been realigned to reflect this, delivering a proposed budgetary saving of £0.400m from 2021/22.

Table 11 – Controlled Parking Account Budget 2021/22

Parking	Expenditure £000	Income £000	Net Budget £000	Savings £000
Controllable Budget	10,533	-39,695	-29,162	-400
Non-Controllable Budget	3,091	0	3,091	0
Total	13,624	-39,695	-26,071	-400

Comments of the Strategic Director for The Economy on the budget proposals

- 43 The Economy department provides services funded by both the Housing Revenue Account (HRA) and by the General Fund. This report only considers those services provided from General Fund budgets.

Housing Revenue Account budgets

- 44 A separate report that sets out the 2021/22 HRA budget is also included within February’s Cabinet agenda. 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.

General Fund budgets

- 45 The proposed budget for the Economy department in 2021/22 reflects the significant and continued challenge of delivering and enhancing front-line services in the face of demand and cost pressures and constraints on income generation.
- responding to major changes and constraints on income collection continues to be impacted by the Government’s programme of Welfare Reform and the Homelessness Reduction Act,
 - embedding a long-term model for delivering temporary accommodation which prevents and relieves homelessness whilst protecting the Council’s financial position.
 - positioning the service to be able to respond to an anticipated impact as a result of loss of private sector properties which may be caused by loss of jobs during the Covid-19 pandemic
 - developing a commercial approach to non-statutory planning fees and maximising cost recovery and alternative income sources to mitigate against reductions in income in recent years

Savings Proposals

- 46 The Economy department plans to deliver General Fund revenue savings of £1.103m:
- **Commercialisation of Planning fees (£350,000)** - a review of planning fees and charges which focusses on developing a more commercial approach to

charging developers. This pre-application advice includes a proposal to implement charging for the duty planner service.

- **Design Review Panel (£20,000)** – this is a discretionary service which improves the quality of development in the borough through the use of independent design experts and local community representatives. It's currently largely used for major or complex schemes as they progress through the planning process. Following a service review, proposals are being brought forward for implementation in 2021/22 to extend this to more schemes,
- **Placing homeless residents in to better, longer-term private rented sector to reduce the use of Temporary Accommodation (£196,000)** – this relates to further savings (in addition to last year's saving of £196,000) resulting from a change in Council policy to enable placing homeless families into longer-term private sector accommodation rather than poorer quality, more expensive short-term temporary accommodation. This will not impact the place of these residents on the social housing register but rather ensure they are housed in better accommodation while they wait. This will increase access to the private rented sector and reduce the use of Temporary Accommodation.
- **Consolidation of management & workforce and reduction in the use of agency staff (£100,000)** – a phased delivery programme to enable overall staffing which produced annual savings of £100,000 in 2020/21 and will deliver a further £100,000 from 2021/22 rising to £400,000 since 2020/21 continues to be implemented.
- **Review of senior management and business support (£113,000)**
- **Debt reduction on commercial property leasing (£25,000)** – better debt management in the council's commercial properties.
- **Reduction in business rates (£36,000 temporary one-year saving only)** – this saving will result from the leasing of properties formerly occupied by the Council. This is a one-off saving as these properties may come back to the Council next year.
- **Facilities Management restructure (£200,000)** – this will be delivered through a review and realignment of staffing.
- **Facilities Management reduction in senior management costs (£63,000)**

Investment

47 Temporary budget growth for one year only is required as follows:

- **Planning fees income (£700,000)** - Planning income in recent years has fallen from £3.4m (2018/19) to £2.3m (2019/20) and is currently forecast to reach only £2.2m in 2020/21, some £1.5m short of the budget. Some of this is due to the impact of Covid-19 but planning activity is also highly sensitive to wider economic cycles, investor confidence, the operation of the development

and construction industries, and in recent years income uncertainty over the economic impact of Brexit.

- **Temporary Accommodation cost avoidance payments (£940,000 of which £400,000 will be met from additional specific grant)** - Historically, cost avoidance payments were funded from an earmarked reserve set aside for temporary accommodation but in accordance with the reserves strategy these funds are now absorbed within the Council's general reserves. This left the service with reduced local flexibility to fund this spend although the service has managed to partially contain this cost by offsetting this against underspends elsewhere. However, this is less likely to be possible in future years due to other savings plans and increasing cost pressures. A review of the need to make cost avoidance payments next year has been undertaken and this indicates that growth of £940,000 will be required. This is based on assumptions that we will need to procure 150 private sector lettings and 350 direct lettings. Further to the SR20 announcement extra specific grant of £400,000 is available in 2021/22 which reduces the additional council contribution to £540,000. The risk associated with not making cost avoidance payments is that this will increase the need for the Council to provide temporary accommodation for homeless clients which would come at a far greater cost to the Council than cost avoidance payments. To illustrate this, procuring 150 properties from the private rented sector at a cost of £450k (£3k cost avoidance payment per property) will avoid costs of £5.25m in future temporary accommodation costs. The growth of £940,000 is therefore a necessary investment to avoid much more significant costs for the Council.

Risks: Housing Solutions

48 The main risks affecting The Economy Department relate to managing the impact of the Government's programme of Welfare Reform:

- the loss of suitable tenancies in the private sector, leading to a risk of increased homelessness and the greater use of expensive temporary accommodation;
- changes in the temporary accommodation (TA) subsidy system, leading to the loss of existing Council-managed temporary accommodation;
- reduced viability for temporary accommodation managed by Housing Associations (HAs), and potential knock-on effects for the authority in providing alternative temporary accommodation;
- loss of tenancies in the private sector or loss of income in Council managed temporary accommodation arising from the direct payment of benefits to claimants under Universal Credit and the potential risk of increased homelessness;
- inflationary pressures on costs due to increased demand for temporary accommodation across London;
- loss of income for the Council due to the removal of the temporary accommodation management fee from housing benefit subsidy entitlement from April 2017;

- increase in staffing and procurement costs due to the implementation of the Homeless Reduction Bill which places additional duties on the Council to prevent homelessness.

49 The potential financial impact can be summarised in the following main areas for Housing Solutions:

Overall benefit cap

50 It is anticipated that the risk relating to the Overall Benefit Cap will be up to £0.117m from 2021/22 onwards because of the Government’s reduction of the Overall Benefit Cap from a maximum of £23,000 per annum for single parents with children and couples to £15,410 per annum for single adults.

Universal Credit (UC) and bad debts

51 The Government’s programme of Welfare Reform continues to have a significant impact on the Council’s ability to collect rental income and may result in increased bad debt charges. However, since April 2018, new TA benefit claims are no longer subject to Universal Credit and instead, claimants are subject to Housing Benefit subsidy which is paid directly to the Council.

52 This means that since 2019/20 the risk that the budgeted bad debt provision will be insufficient has reduced from previous years. Based on current client numbers in receipt of Universal Credit, the predicted risk is £51,000 from 2021/22 onwards.

53 The financial impact of the remaining tenants on Universal Credit will be in part dependent on the efficacy of DWP in providing accurate and timely electronic information to Housing Solutions.

54 Reductions in personal income due to Covid-19 place a further risk on income collection and based on reductions in income of 5%, this could result in an income loss of £0.57m next year.

Increase in client volumes and homelessness acceptances

55 Recent years have seen increases in client numbers in TA and this trend is expected to continue. After taking account of the mitigating impact of homelessness prevention activities, numbers in Private Sector Leased (PSL) accommodation are expected to increase in future years. The forecast number of clients in TA set out below means there is a risk of further net costs of £0.5m in 2021/22 and £1.1m in 2022/23.

Risk	March 2020	March 2021	March 2022	March 2023
Forecast number of clients with TA	1,326	1,379	1,431	1,483

56 Hammersmith & Fulham implementation of the Homeless Reduction Bill in April 2018 saw a 137% increase in households approaching the service for housing assistance. Increased staffing resources on prevention meant that the increased volume did not result in increased TA placements. While the TA reduction programme has contributed towards reducing TA households, this is becoming more challenging with numbers stabilising instead of reducing. The full impact of the Homelessness Reduction Act and the subsequent `Duty to

Refer` that was implemented in October 2018 has significantly impacted service delivery, however, current data shows that approaches have plateaued since the highest volume in December 2018. Since August 2019, the restructure has enabled the service to manage the consistent high volume of approaches using robust supportive, preventative measures to prevent and facilitate homelessness.

Loss of Temporary Accommodation (TA) management fee on housing benefit subsidy

- 57 The Flexible Homelessness Support Grant provided by central Government is currently cushioning the impact of the removal of the management fee for Temporary Accommodation. This, and other related government grants, will diminish and potentially disappear from 2022/23 as Government has not confirmed allocations beyond next year. There is therefore a risk of a loss of income from April 2023 as follows.

Risk	2021/22 £m	2022/23 £m	2023/24 £m
Loss of grant	-	4.0	4.0

Increases in temporary accommodation procurement costs

- 58 There is a risk of inflationary pressures on costs because of increased demand for temporary accommodation across London. The risk is based on an additional 1.5% increase in costs over and above the inflation already budgeted for in 2021/22 and the impact of this additional cost each year is set out below.

Risk	2021/22 £m	2022/23 £m	2023/24 £m
Increase in TA costs	0.3	0.5	0.8

Keeping families out of Bed & Breakfast accommodation

- 59 The Council has successfully managed to protect families from being temporarily housed in B&B accommodation for longer than six weeks since October 2015. The increasing demand pressures arising from the Government’s programme of Welfare Reform mean that there is a risk that the Council may face increasing costs to house families at set out below.

Risk	2021/22 £m	2022/23 £m	2023/24 £m
Increase in housing families’ costs	0.1	0.1	0.2

Homelessness Reduction Act – potential increase in costs

- 60 This is anticipated to result in the need to place additional households in temporary accommodation. The risk table below shows the extra costs if we have an extra 70 homelessness acceptances each year.

Risk	2021/22 £m	2022/23 £m	2023/24 £m

Number of additional homelessness acceptances	0.4	0.8	1.1
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Homelessness prevention and risk mitigation

61 The following activities that will help mitigate these risks are planned:

- The service structure now in place was implemented to prepare for the Homelessness Reduction 2017 to ensure a robust response to the new legislation, ensure legal compliance and greater emphasis on preventing and relieving homelessness. Government New Burdens funding will mitigate against a negative impact on current budgets.
- In light of the current budget pressures in 2020/21, opportunities to invest in a private rented sector portfolio and looking at changing the mix of the current temporary accommodation portfolio away from short term monthly to look for longer term ways to mitigate the cost pressures are being progressed.
- The Social Lettings Agency has delivered increased numbers of private rented accommodation as well as more cost-effective TA. The service offers a tenancy relations service to private landlords as well as other landlord services e.g. Energy Performance Certificates (EPC) to generate income.
- Increasing the supply of social and affordable housing is crucial to the success of any strategic approach to managing the TA process. Low turnover in social housing (in common with all of London) has slowed the TA move on process and resulted in more households in TA for longer period – compounding the need for additional TA units. The Council plans to increase affordable housing, reducing pressure on TA budgets by providing permanent lower cost homes through direct delivery, partnership with HAs and working with developers through the planning process.

Risks: Planning

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

- Changes to the statutory charging schedule, pre-application fees and Planning Performance Agreement templates
- Economic factors such as Brexit, impact of economic recession, local and wider market conditions
- Changes in legislation e.g. permitted development rights, use classes order, Planning Performance Agreement regulation. Continued government changes to the planning system creating uncertainty.
- Availability of development sites in the borough
- Developers behaviour such as by-passing the pre-application process and responding to housing supply
- Government schemes to encourage house building
- Adverse weather conditions.
- The impact of the Coronavirus pandemic

- Availability of investor finance, developer/investor confidence.

- 63 The projected underachievement of planning income is primarily due to a drop in those planning fees set by government over which the council has no control and are affected by wider economic factors set out above. The fees received for statutory planning applications represent over 50% of overall planning fee income, however, it is widely accepted that these government set fees do not get close to covering the cost to the council of determining the application. However, where the council does have discretion over the rates, such as for fees and the scope of work charged for pre-application advice, all such fees have been reviewed and additional income is proposed for 2021/22. This has been achieved through developing a greater commercial approach to charging for some planning services, including extending the scope of specialist advice provided to applicants and charged for. The Government has recently consulted on its White Paper to radically alter the planning system, the financial impacts and details of which are still unknown. Proposals include changes to planning fees, and to the resources necessary for local planning authorities to deliver their statutory planning services. These proposed reforms are still at very early stages and clarity on the financial implications are expected in financial year 2021/22.
- 64 There has been a fall in the total number of applications over the course of recent years although the complexity of applications has grown, and this is also impacting adversely on projected fee income. This is understood to be most recently due to the impact of Covid-19 but also trends in the wider economy including Brexit and a deterioration in the buoyancy of the development industry. This trend is likely to continue, resulting in shortfalls in income from planning fees. The risk based on the latest forecast, after taking account of growth of £0.7m, is £0.8m.
- 65 Other risks include costs producing Supplementary Planning Documents will exceed the budgets and funding available. In addition, there is a risk of unbudgeted costs arising from future public enquiries and judicial reviews. In recent years, the cost of judicial reviews and major planning appeals and therefore, there is a risk of an overspend against the budget of £0.2m based on the latest forecast.

Risk mitigation: Planning

- 66 The following activities that will help mitigate the risks to Planning, in addition to the £0.7m growth, have been implemented:
- A full review of planning advice charges has been undertaken and informed by benchmarking across London. Revised and simplified charging rates are scheduled to come into effect in 2021.
 - large schemes are subject to Planning Performance Agreements negotiated with developers. These are billed in advance on a milestone instalment basis and we have tightened up the debt recovery system. Whilst this has not generated additional income, it has reduced the pressure to increase the bad debt provision in future years and will virtually eliminate bad debt risk;

- Mayoral CIL - under Regulation 61 of the Community Infrastructure Levy (CIL) Regulations 2010 (as amended), the Council as a collecting authority can and is using CIL proceeds to cover administrative expenses incurred in collecting CIL up to specified limits, currently this is 4% of CIL collected in each year by collecting authorities.

Risks: Economic Development and Adult Learning

- 67 The Economic Development service is responsible for the delivery of key elements of the Council's Economic Growth priorities. Following a staffing restructure implemented this year, further efficiencies (£104,000) have been identified for next year as part of a continuing review of staffing requirements and funding opportunities. The funding arrangement will be reliant on a drawdown from Section 106 funds. The service is dependent upon securing Section 106 funding. A paper has been submitted for approval by Cabinet. Should funding not be approved, the risk is £2.0m for each year from 2021/22 onwards.
- 68 The impact of Covid-19 is expected to continue to affect revenue generation within the service, with potential reductions in income from the business units at Sullivan & Townmead estates of £0.14m.
- 69 The Adult Learning & Skills Service (ALSS) income projection this year has been adversely impacted by Covid-19. The service has managed this reduction through successfully moving to online delivery of a significant number of courses and flexing the use of sessional staff. From 2021/22 onwards, the budget risk, after taking account of mitigations, is expected to be £0.1m.

Risks: Regeneration & Development

- 70 The Development Team needs to deliver complex regeneration and development schemes across the borough 1,500 council homes by 2025/26, either directly, or, with partners - to provide much needed new housing supply, new community assets and yield new income streams. To support delivery of Council's development plans, the Development Team may need to be significantly expanded and this will require a temporary increase in staff. This may require additional funding of c£1m and although these costs are expected to be funded from capital resources, there will be an ongoing risk that there may be some staffing costs that cannot be capitalised (assuming 10% of costs, this would result in a £0.1m charge to revenue) and that some costs intended to be funded from capital may fall to revenue where schemes do not proceed.
- 71 There is a risk of a potential revenue impact from the Council's strategic regeneration and housing development initiatives. Key risks include the Schools Regeneration Programme (Avonmore and Flora Gardens primary school). Officers are currently developing approaches to mitigate the risk to minimise any potential abortive costs.

Risks: Operations

- 72 During the Covid-19 crisis, commercial properties have been granted 3 months rental holiday which is expected to be recovered later in the year. However,

there is a risk that 25% of commercial rent (£100,000) may not be recovered. There may also be a temporary loss of income due to business failures arising from the reductions in economic activity resulting from Coronavirus (£75,000).

- 73 There is a potential additional cost of cleaning should Coronavirus infection rates continue to cause risks to public and staff health. This includes the need for touch point cleaning during office hours, full sanitisation cleans following outbreaks, the cost of disengaging physical controls as the disease recedes and the potential ongoing cost of PPE. The risk is estimated at £250,000.
- 74 Funding of the staffing costs relating to the Property Transformation Programme (£178,000) are dependent on the generation of additional rental income from properties within the General Fund property portfolio.

Equality Implications

- 75 A draft Equality Impact Analysis (EIA), which assesses the impacts on equality of the main items in the budget proposals relevant to this PAC, is attached as Appendix 3. A final EIA will be reported to Budget Council.

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 1 – Savings and investment proposals

Appendix 2 – Risks

Appendix 3 – Draft Equality Impact Assessment

Appendix 4 – Fees and Charges Exceptions

The Environment Department

Change and Savings Proposals			Budget Change			
Ref Nos	Service	Title & Theme	2021-22 Budget Change Cumulative (£000's)	2022-23 Budget Change Cumulative (£000's)	2023-24 Budget Change Cumulative (£000's)	2024-25 Budget Change Cumulative (£000's)
1	Public Realm	Better use of capital programme to reduce revenue expenditure	(150)	(300)	(450)	(600)
2	Public Realm	The establishment of a new team structure for Highways and special Projects	(150)	(150)	(150)	(150)
3	Leisure Services	Income resulting from better procurement of management service for Leisure Centres	(101)	(168)	(168)	(168)
4	Public Realm	Intelligent street lighting energy management project	(79)	(82)	(82)	(82)
5	Resident Services	Former Inform 360 Contract now insourced post Rochdale	(71)	(71)	(71)	(71)
6	Safer Neighbourhoods	A new team structure is being established (savings from vacancies/voluntary redundancies)	(56)	(56)	(56)	(56)
7	Public Realm	Maintenance of Assets	(40)	(40)	(40)	(40)
8	Safer Neighbourhoods	Maximise Income	(35)	(35)	(35)	(35)
9	Safer Neighbourhoods	Review Land Charges	(17)	(17)	(17)	(17)
The Environment - Total Savings Proposals			(699)	(919)	(1,069)	(1,219)
10	Parking	Changes to the target operating model and efficiency.	(400)	(400)	(400)	(400)
Total - Environment and Parking			(1,099)	(1,319)	(1,469)	(1,619)

Investment			Budget Change			
Ref Nos	Service	Title & Theme	2021-22 Budget Change Cumulative (£000's)	2022-23 Budget Change Cumulative (£000's)	2023-24 Budget Change Cumulative (£000's)	2024-25 Budget Change Cumulative (£000's)
1	Public Realm	Waste disposal expenditure (increase in price per tonne for recyclates)	60	120	180	240
2	Safer Neighbourhoods	Emergency planning services	50	50	50	50
3	Safer Neighbourhoods	Investment in improved CCTV services	100	100	100	100
4	Public Realm	Climate Team to deliver council strategy to address Climate Change	450	450	450	450
5	Safer Neighbourhoods	Building Control Service during Covid recovery	100	0	0	0
6	Leisure Services	Commercial Services (parks and filming) during Covid recovery	125	0	0	0
7	Public Realm	Commercial waste services during Covid recovery	150	0	0	0
The Environment - Total Investment and Covid Recovery			1,035	720	780	840

The Economy Department

Change and Savings Proposals				Budget Change			
Ref Nos	Service	Title & Theme	Summary	2021-22 Budget Change Cumulative (£000's)	2022-23 Budget Change Cumulative (£000's)	2023-24 Budget Change Cumulative (£000's)	2024-25 Budget Change Cumulative (£000's)
Firm Savings Proposals							
1	Growth	Reduction in business rates	A number of properties where the Council owns the lease are no longer occupied by the Council and therefore no business rates are payable. This is a one-off saving as these properties may come back to the Council next year	(36)	0	0	0
2	Economic Development	Review of senior management	This proposal deletes the Work Matters manager position and the General Fund contribution to the Head of Economic Development.	(104)	(104)	(104)	(104)
3	Housing Services	Reduction of temporary accommodation	Further savings in addition to last year's resulting from placing residents in better, longer term private rented accommodation to reduce the use of more expensive, lower quality temporary accommodation.	(196)	(196)	(196)	(196)
4	Housing Services	Consolidation of management & workforce and reduction in the use of agency staff	Current implementation of approved restructure will reduce agency staff and enable overall staffing. This is the beginning of a phased savings delivery programme.	(100)	(300)	(300)	(300)
5	Direct Delivery	Review of senior management and business support	This proposal reduces Business Support Officer spend	(9)	(9)	(9)	(9)
6	Growth	Debt reduction on commercial property leasing	Better management of debt on commercial property portfolio	(25)	(25)	(25)	(25)
7	Planning	Commercialisation of Planning Fees	Review of planning fees for large developers and the implementation of charging for the duty planner service.	(350)	(350)	(350)	(350)
8	Planning	Design Review Panel - increase scope of service and fee	Extending the scope of and fees for this service for developers	(20)	(20)	(20)	(20)
9	Operations	Facilities Management restructure	Staffing restructure to reflect the current office estate	(200)	(200)	(200)	(200)
10	Operations	Facilities Management reduction in senior management costs		(63)	(63)	(63)	(63)
The Economy - Total Change and Savings Proposals				(1,103)	(1,267)	(1,267)	(1,267)

Investment and Covid Recovery				Budget Change			
Ref Nos	Service	Title & Theme	Summary	2021-22 Budget Change Cumulative (£000's)	2022-23 Budget Change Cumulative (£000's)	2023-24 Budget Change Cumulative (£000's)	2024-25 Budget Change Cumulative (£000's)
11	Planning	Planning fees income	Planning income in recent years has fallen from £3.4m (2018/19) to £2.3m (2019/20) and is currently forecast to reach only £2.0m in 2020/21, some £1.7m short of the budget. Some of this is due to Coronavirus but also due to the fact that planning activity is sensitive to wider economic cycles, investor confidence, and the operation of the development and construction industries including the impact of Brexit.	700	0	0	0
12	Housing Services	Temporary accommodation - cost avoidance payments to landlords - loss of earmarked reserve	Historically, cost avoidance payments were funded from an earmarked reserve to secure longer-term, good quality accommodation. A review of the need to make cost avoidance payments next year indicates that payments of £0.94m will be required based on 150 private sector lettings and 350 direct lettings. After allowance for additional specific grant funding of £0.4m the net growth requirement is £0.54m. The risk associated with not making cost avoidance payments is that this will increase the need for the Council to provide temporary accommodation for homeless clients which would come at a far greater cost to the Council than cost avoidance payments.	540	0	0	0
The Economy -Total Investment and Covid Recovery				1,240	0	0	0

Environment Risks/Challenges

Department & Division	Short Description of Risk	Risk				Mitigation
		2020/21 Value (£000's)	2021/22 Value (£000's)	2022/23 Value (£000's)	2023/24 Value (£000's)	
Public Realm	The government remains to confirm funding to manage the continued closure of Hammersmith Bridge	tbc	tbc	tbc	tbc	The Council is working with the government Task Force, TfL, Other London Boroughs and the Private Sector to develop options and resolve funding for a new Bridge
All Services	The continuing impact on service expenditure and income from the continuing pandemic and lockdowns (estimated at £4.8m in 2020/21 before government support)	tbc	tbc	tbc	tbc	Ensuring that recovery plans are activated and that all possible grants/compensation is claimed from government
All Services	The continued impact of reduced grant funding	tbc	tbc	tbc	tbc	Continuing to work proactively with partners to showcase the outcomes being delivered to secure continued future grant
All Services	Ensuring that our re-procurement of major services are completed effectively and efficiently e.g Waste Collection/Street Cleaning/Grounds Maintenance given the severe medium term financial challenges facing the Council	tbc	tbc	tbc	tbc	Project Teams and Governance established to ensure that work is completed in consultation with Members/Residents
Resident Services	Full delivery of the service/financial benefits from the Residents Access programme(REAP) approved by Cabinet in October 2020	tbc	tbc	tbc	tbc	Leadership Project Team established and financial benefits of business case being externally evaluated
Parking	Continued disruption to Parking services enforcement and Pay and display as a result of further lockdowns in response to the Covid Pandemic	3,000	-	-	-	Ensuring that recovery plans are activated and that all possible grants/compensation is claimed from government
Parking	Continued disruption of debt collection services by ensuring compliance to safe working and social distancing practices	700	-	-	-	Ensuring that recovery plans are activated and that all possible grants/compensation is claimed from government
Parking	A reliance on external support dealing with customer correspondence as a result of potential changes in parking and transport related policies approved by Cabinet in July 2020	200	-	-	-	Continually reviewing and re-balancing policies
Total Budget Risks/Challenges - The Environment		3,900	0	0	0	-

The Economy Department Risks

Department & Division	Short Description of Risk	Risk				Mitigation
		2021/22 Value (£000s)	2022/23 Value (£000s)	2023/24 Value (£000s)	2024/25 Value (£000s)	
Economic Development, Learning & Skills	Staffing budget pressures	63	TBC	TBC	TBC	Review of contractual working hours
Economic Development, Learning & Skills	Sullivan & Townmead business units income (Covid-19 pressure)	143	TBC	TBC	TBC	
Economic Development, Learning & Skills	Section 106 funding	2,000	2,000	2,000	2,000	Agreement of the 2021/22 section 106 funding programme.
Economic Development, Learning & Skills	Adult Learning & Skills course fees (Covid-19 pressure)	91	TBC	TBC	TBC	
Regeneration & Development	Development Team - non-capitalised General Fund staffing costs	100	100	100	100	Appropriate timing of recruitment to the new team and consequential delivery of development schemes.
Regeneration & Development	Abortive costs for development schemes	TBC	TBC	TBC	TBC	
Regeneration & Development	Staffing costs falling to revenue due to delays on capital schemes	TBC	TBC	TBC	TBC	
Housing Solutions	Temporary accommodation (TA) - cost avoidance payments to landlords - loss of earmarked reserve	-	940	940	940	
Housing Solutions	Housing solutions - grant income uncertainty	-	3,994	3,994	3,994	
Housing Solutions	Provision of accommodation for rough sleepers and other temporary accommodation clients	TBC	TBC	-	-	
Housing Solutions	Overall Benefit Cap	117	117	117	117	Support and enable residents to gain exemption from the Benefit Cap or meet the shortfall through: <ul style="list-style-type: none"> - Training and qualifying employment - Disability/Carers benefit where possible - Resettlement into affordable housing - Personal budgeting
Housing Solutions	Direct Payments (Universal Credit)	51	51	51	51	Monitor payment receipts from the DWP and request processing of underpaid amounts and/or escalate proceedings against non-paying TA tenants
Housing Solutions	Increase in bad debt provision on Temporary Accommodation (Bed & Breakfast and Private Sector Leasing) rent arrears because of reductions in personal income due to Coronavirus.	570	570	570	570	Robust TA Income collection processes post pandemic. Sensitive approach needed
Housing Solutions	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	539	1,078	1,616	2,155	increase access to private rented accommodation as outlined and agreed in recent changes to Council's Housing Allocation Scheme. Work closely with Capital Letters to increase supply.
Housing Solutions	Inflationary pressures on Temporary Accommodation landlord costs, based on an extra 1.5% rental inflation above the current forecast	269	543	821	1,102	work to reduce expensive TA. Would mean additional units outside of this borough. Capital Letters collaboration
Housing Solutions	Cost of accommodating large families	134	148	162	175	procure TA for larger families.
Housing Solutions	Homelessness Reduction Bill - increase in households in temporary accommodation - extra 70 households this year above the current forecast	377	754	1,132	1,509	increase access to private rented accommodation as outlined and agreed in recent changes to Council's Housing Allocation Scheme. Work closely with Capital Letters to increase supply

Housing Solutions	Increase in the number of households in Temporary Accommodation - based on current forecast		316	635	915	increase access to private rented accommodation as outlined and agreed in recent changes to Council's Housing Allocation Scheme. Work closely with Capital Letters to increase supply
Growth	Development Team - additional risk	54	54	54	54	Potential capitalisation of all staff costs
Planning	Planning fees income (extra risk re the economic downturn)	500	unknown	-	-	One-off growth of £0.7m has been proposed for 2021/22 regarding planning income pressures.
Planning	Planning fees Income - due to Covid-19	350	TBC	-	-	One-off growth of £0.7m has been proposed for 2021/22 regarding planning income pressures.
Planning	Planning -Exceptional costs	200				
Operations	Facilities Management - Cleaning costs (Covid-19 related)	250	TBC	-	-	
Operations	Commercial Property Income	75	TBC	-	-	
Operations	Asset Strategy and Portfolio Management - Commercial property rental income	100	-	-	-	
Operations	Property Transformation Programme	178	178	178	178	A review of rental income streams potential is in train to ensure funding for the team is available.
Total		6,161	10,843	12,370	13,860	

Budget 2021/22 - Draft 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 24th February 2021.

For 2021/22, a balanced budget is proposed based on investment in key priorities, efficiency savings and strengthening financial resilience. On the basis of that budget, the Council proposes, in line with the increases modelled by government in their spending power calculations, a 1.99% rise in Council Tax and the application of a 3% adult 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 of 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.

The remainder of this Appendix outlines the issues relating to the Environment Department.

Environment Savings**1 – Re-alignment of the Reactive Footway Repair Service - £150,000**

This proposal will use the capital budget to complete more focused planned maintenance by resurfacing on the worst section of footways.

This would mean increased capital investment, which could be funded through borrowing (low interest rates currently) and proper phasing for reducing revenue spend, as it will take time to undertake the required works.

This proposal has a neutral equalities impact.

2 – Special Projects & Highways Service Structure Review - £150,000

This is a new integrated proposed team structure.

This proposal has a neutral equalities impact.

3 - New Leisure Contract - £101,000

This is an uplift in an existing savings from 2020/21 in respect of increased management fee income from the new Leisure Contract. Capital investment in the sports facilities at Lillie Road Fitness Centre and Phoenix Leisure Centre is expected to increase use of the facilities and

therefore increase the amount of income generated by the contractor (of which the council gets a share).

This proposal requires a one-off investment of £1,500,000 which is funded through the capital programme. The facilities are public leisure facilities available for all to use (charged for at the point of use).

This proposal has a neutral equalities impact.

4 - Intelligent Street Lighting Energy Management - £79,000

This is an uplift from an existing saving in 2020/21. This proposal is to install sensors on street lighting (streetlamps, illuminated signs and bollards) in order to remotely control hours and levels of illumination. Requires circa £1,100,000 of one-off investment which is allowed for within the capital programme.

Levels of illumination are driven by the needs of the wider public (i.e. in accordance with levels of natural daylight).

This proposal has a neutral equalities impact.

5 – Cease Inform 360 Contract – Netcall Solution - £71,000

This proposal is to cease the Inform 360 contract as it is now included in Net Call requirements post insourcing. These are part of the corporate contract and the former contract ended in October 2020.

This proposal has a neutral equalities impact

6 New structure for Technical Support Team - £56,000

Structure change can be achieved through recruitment freeze and structural changes (including voluntary redundancies, if necessary).

This proposal has a neutral equalities impact.

7 – Reduction in Maintenance of Assets - £40,000

Some of our public square assets are only available for a limited time with the space is now used more for events and markets. This proposal is to reduce maintenance costs in light of this.

This proposal has a neutral equalities impact.

8 - Maximise Pest Control Income - £35,000

This is an uplift in a saving brought forward in 2020/21. The Pest Control service is a paid for service available to the wider public and businesses and does not vary according to any particular group with protected characteristics.

This proposal has a neutral equalities impact.

9 Introduce differential charges for commercially lead Land search enquiries and S106 agreements - £17,000.

This proposal increases the search fees for enquiries that are requested by Developers and other commercial parties to assess development opportunities or to update their investment portfolio information.

This proposal has a neutral equalities impact and implications from proposals by Developers will be assessed as part of the Planning approval process.

10 Parking £400,000

This is based on changes to the target operating model and more efficient working.

This proposal has a neutral equalities impact.

Economy savings

1 - Business Rates challenge (Growth service) - £36,000

A number of properties where the Council owns the lease are no longer occupied by the Council and therefore no National Non Domestic Rates (NNDR) is payable. This proposal is a one-off saving as these properties may come back to the Council next year.

This proposal has a neutral equalities impact.

2 – Review of Senior Management (Economic Development) - £104,000

This proposal is a staffing change that is part of a wider refocusing of Economic Development which will have a positive equalities impact. Activity will support Hammersmith & Fulham's inclusive economy objectives and offers help for residents that are furthest from the labour market. Specific measures will be delivered supporting disabled residents, Black and Minority Ethnic ((BAME) residents, Special Education Needs (SEND and those with learning disabilities. Targeted interventions are also planned for young people, older residents. Alongside this, there will be specific activity to support local businesses in the borough.

3 – Discharge of a main housing duty in the private rented sector (Housing Services) - £196,000

The proposal will increase access to the private rented sector and reduce Temporary Accommodation use.

This proposal has a neutral equalities impact.

4 – Consolidation of management & workforce and reduction in the use of agency staff (Housing Management) - £100,000

This proposal and subsequent restructure will reduce agency staff and enable overall staffing. This is the beginning of a phased savings delivery programme.

This proposal has a neutral equalities impact.

5 - Review of senior management and business support (Direct Delivery) - £9,000

This proposal delivers staffing efficiencies.

This proposal has neutral equalities impact.

6 - Income/Debt avoidance: deposit system on all new leases (Growth service) – £25,000

This proposal will reduce the likelihood of irrecoverable debt through better debt management.

This proposal has a neutral equalities impact.

7 - Commercialisation of Planning Fees (Planning) - £350,000

This proposal refers to a review of planning fees and charges which focusses on developing a commercial approach to charging developers and includes a proposal to implement charging for the duty planner service.

This proposal has a neutral equalities impact.

8 – Expansion of Design Review Panel (Planning) - £20,000

This proposal refers to an increased scope of service and fee for that expertise realised in our Design & Review Panel.

The proposal is expected to have a neutral impact on those with protected characteristics.

9 - Service restructure and review (Facilities Management) - £263,000

This proposal refers to a restructure which includes a reduction in senior management costs. Savings will be generated from vacancies and reviewing functions and processes to improve productivity. It is not expected that there will be a direct impact on any residents or employees. Where there are staff changes leading to savings, Equality Impact Assessments are carried out as part of the reorganisation process.

This proposal has a neutral equalities impact.

Fee Description	2020/21 Charge (£)	2021/22 Charge (£)	Proposed Variation (%)	Total Estimated Income Stream for 2019/20	Total Estimated Income Stream for 2020/21	Reason For Variation Not At Standard Rate
Private Sector Leasing						
Private Sector Leasing Water Charges	Varies	Varies		£39,000	£40,000	The charge is determined by the annual increase set by the water companies. This is expected in January 2021.
Private Sector Leasing Rent (average per week)	£257.59 as at 2nd October 2019	£262.43 as at 20nd October 2020	na	£12.5m (2020/21 Estimates, based on 969 units with 4% void at the weekly rent of £257.59)	£12.9m (2021/22 Estimates, based on 978 units with 4% void at the weekly rent of £262.43)	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 2019, 6% 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)	£215.20 as at 1st October 2019	£215.20 as at 1st October 2020	na	£1.0m (2020/21 Estimates, based on 90 tenants at a weekly rent of £215.20)	£1.1m (2021/22 Estimates, based on 99 tenants at a weekly rent of £215.20)	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.