hammersmith & fulham

COUNCIL AGENDA

BUDGET COUNCIL MEETING

Thursday 24 February 2022

The Mayor – Councillor PJ Murphy
Deputy Mayor – Councillor Daryl Brown

ADDISON

Adam Connell (L)
Rachel Leighton (L)
Sue Fennimore (L)

ASKEW

Lisa Homan (L)
Rowan Ree (L)
Rory Vaughan (L)

AVONMORE & BROOK GREEN

David Morton (L)
Rebecca Harvey (L)
Fiona Smith (L)

COLLEGE PARK & OLD OAK

Alexandra Sanderson (L)
Wesley Harcourt (L)

FULHAM BROADWAY

Ben Coleman (L)
Sharon Holder (L)
Helen Rowbottom (L)

FULHAM REACH

Iain Cassidy (L)
Christabel Cooper (L)
Guy Vincent (L)

HAMMERSMITH BROADWAY

Stephen Cowan (L)
PJ Murphy (L)
Patricia Quigley (L)

MUNSTER

Adronie Alford (C)
Alex Karmel (C)
Dominic Stanton (C)

NORTH END

Daryl Brown (L)
Larry Culhane (L)
Zarar Qayyum (L)

PALACE RIVERSIDE

Amanda Lloyd-Harris (C)
Donald Johnson (C)

PARSONS GREEN AND WALHAM

Matt Thorley (C)
Mark Loveday (C)
Frances Stainton (C)

RAVENSCOURT PARK

Jonathan Caleb-Landy (L)
Bora Kwon (L)
Asif Siddique (L)

SANDS END

Lucy Richardson (L)
Ann Rosenberg (L)
Matt Uberoi (L)

SHEPHERDS BUSH GREEN

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

TOWN

Andrew Brown (C)
Belinda Donovan (C)
Victoria Brocklebank-Fowler (C)

WORMHOLT AND WHITE CITY

Frances Umeh (L)
Sue Macmillan (L)
Max Schmid (L)

SUMMONS

Councillors of the London Borough of
Hammersmith & Fulham
are requested to attend the
Budget Meeting of the Council on
Thursday 24 February 2022
at 3 Shortlands, W6 8DA

The Council will meet at 7.00pm

Members of the public can watch the meeting
live on YouTube: youtu.be/CdYicdoYqf0

16 February 2022
3 Shortlands
Hammersmith W6

Kim Smith
Chief Executive

London Borough of Hammersmith & Fulham

Full Council Agenda

24 February 2022

If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.

At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken.

Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.

Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Standards Committee.

To approve the minutes of the meeting held on 19 January 2022.

The Leader/relevant Cabinet Member to reply to questions submitted by members of the public.

6.1 REVENUE BUDGET AND COUNCIL TAX LEVELS 2022/23 30 - 105

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

The 2022/23 revenue budget proposals are set out regarding:

- A Council Tax freeze
- £7.434m of new investment in services
- Savings proposals
- Fees and charges
- Budget risks, reserves and balances
- Equalities Impact Assessments

6.2 FOUR YEAR CAPITAL PROGRAMME 2022-26 AND CAPITAL STRATEGY 2022/23 106 - 142

This report presents the Council's four-year Capital Programme for the period 2022 to 2026.

6.3 TREASURY MANAGEMENT STRATEGY STATEMENT 2022/23 143 - 185

This report sets out the Council's proposed Treasury Management Strategy Statement and Annual Investment Strategy for 2022/23.

6.4 PAY POLICY STATEMENT 2022/23 186 - 207

The Council is required to prepare a pay policy statement for each financial year that sets out the Council's approach to recognising and rewarding its employees in a fair, consistent, and equitable manner.

6.5 MEMBERS' ALLOWANCES SCHEME ANNUAL REVIEW 2022/23 208 - 218

This report performs the statutory annual review of Members' allowances for the 2022/23 financial year.

6.6 REVIEW OF THE CONSTITUTION 219 - 228

This report asks Council to approve updates to the Scheme of Delegation to Officers.

COUNCIL MINUTES

ORDINARY COUNCIL MEETING

WEDNESDAY 19 JANUARY 2022

PRESENT

Attended In Person	Attended Remotely	Attended Remotely
PJ Murphy (Mayor)	Daryl Brown (Deputy Mayor)	David Morton
Stephen Cowan	Frances Stainton	Guy Vincent
Ben Coleman	Adronie Alford	Jonathan Caleb Landy
Sharon Holder	Alex Sanderson	Larry Culhane
Rachel Leighton	Amanda Lloyd-Harris	Lucy Richardson
Rory Vaughan	Belinda Donovan	Matt Thorley
Lisa Homan	Christabel Cooper	Max Schmid
Andrew Jones	Andrew Brown	Rowan Ree
Iain Cassidy	Asif Siddique	Sue Macmillan
Frances Umeh	Dominic Stanton	Zarar Qayyum
Bora Kwon	Fiona Smith	
Wesley Harcourt	Helen Rowbottom	
Victoria Brocklebank-Fowler	Matt Uberoi	
Alex Karmel	Natalia Perez	
Mark Loveday	Patricia Quigley	
	Mercy Umeh	

NOTE: This meeting was held as a hybrid meeting. 15 members attended in person and voted on decision reports. You can watch the meeting online: https://youtu.be/PJd6HZzayLY

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Sue Fennimore, Rebecca Harvey, Adam Connell, Ann Rosenberg, and Donald Johnson.

2. DECLARATIONS OF INTERESTS

There were no declarations of interest.

3. MINUTES

RESOLVED
The minutes of the meeting held on 20 October 2021 were agreed as an accurate record.

4. MAYOR'S/CHIEF EXECUTIVE'S ANNOUNCEMENTS

Queen's Birthday Honours List

The Mayor, on behalf of the Council, congratulated the following people who were recognised in the Queen's Birthday Honours for their outstanding achievements:

- Angela Joan Mooney, who was awarded an MBE for services to Social Care in Hammersmith & Fulham.
- Jacqueline Patricia Boyce, Caesar President, Savraj Kaur Singh, Maria Sturdy-Morton, and Julian Nicol Sturdy-Morton who were all awarded British Empire Medals for their services to the community in Hammersmith & Fulham during the Covid-19 pandemic.

The Mayor thanked them for their hard work and service to the community.

Speeches of congratulations were also made by Councillors Stephen Cowan (Leader of the Council), Victoria Brocklebank-Fowler (Leader of the Opposition), and Councillor Amanda-Lloyd Harris.

Death of Former Councillor Tony Hennessey

With great sadness, the Mayor noted the death of former Councillor Tony Hennessey, who passed away on Friday the 3rd of December 2021. Mr Hennessey was elected as a Councillor representing Brook Green from 1978 until 1994. His areas of focus were housing and care for older residents, and he was the President of Age UK in Hammersmith and Fulham.

Councillors Wesley Harcourt (Cabinet Member for the Environment), Stephen Cowan (Leader of the Council), Adronie Alford, Victoria Brocklebank-Fowler (Leader of the Opposition), Alex Karmel, and Amanda-Lloyd Harris made speeches of remembrance.

The Council observed a minute of silence in his memory.

5. PUBLIC QUESTIONS (20 MINUTES)

The Mayor thanked all of the residents who submitted questions. He noted that public question time was limited to 20 minutes, and it would not be extended as there was a full agenda.

Questions 1, 2, 3, and 4 were addressed in the meeting. The Mayor noted that any questions not addressed in the meeting would receive written responses which would also be published in the minutes. All the questions and responses can be found in Appendix 1 at the end of the minutes.

6. ITEMS FOR DISCUSSION/COMMITTEE REPORTS

6.1 **Council Tax Support Scheme 2022/23**

The Mayor noted that an amendment to the report had been published and circulated.

7.49pm – The amended report and recommendations were formally moved for adoption by the Cabinet Member for Finance and Commercial Services, Councillor Max Schmid.

Councillor Max Schmid made a speech on the report (for the Administration).

The amended report and recommendations were unanimously agreed.

7.49pm – RESOLVED

That Full Council approved the following recommendations:

1. That the Council Tax Support Scheme in operation in 2021/2022 (included at Appendix 1) shall continue in 2022/2023.
2. That the Council shall apply the annual uprating of allowances, applicable amounts and income, set out in the DWP Housing Benefit circular, to the Council Tax Support scheme for 2022/2023.

6.2 **Council Tax Base and Collection 2022/23 and Delegation of the Business Rates Estimate**

7.49pm – The report and recommendations were formally moved for adoption by the Cabinet Member for Finance and Commercial Services, Councillor Max Schmid.

The report and recommendations were unanimously agreed.

7.49pm – RESOLVED

That Full Council approved for the financial year 2022/23: -

1. The estimated numbers of properties for each Valuation Band as set out in this report.
2. An estimated collection rate of 97.0%.
3. The Council Tax Base of 82,263 Band "D" equivalent properties.
4. The delegation of authority to the Director of Finance to determine the business rates tax base for 2022/23.

6.3 **Review of Polling Districts and Polling Places**

The Mayor noted that an amendment to the report had been published and circulated.

7.49pm – The amended report and recommendations were formally moved for adoption by the Leader of the Council, Councillor Stephen Cowan.

The amended report and recommendations were unanimously agreed.

7.50pm – RESOLVED

1. That Council approved the adoption of parliamentary polling districts and parliamentary polling places as set out in the scheme contained in Appendix 1.
2. That Council approved the adoption of the scheme contained in Appendix 1 in relation to all other referenda and elections held within the borough.
3. That Council instructed the Electoral Registration Officer to make the necessary amendments to polling districts and to revise and republish the electoral register on 1 February 2022.

6.4 Review of the Statement of Gambling Policy

7.50pm – The report and recommendations were formally moved for adoption by the Cabinet Member for the Environment, Councillor Wesley Harcourt.

A speech on the report was made by Councillor Alex Karmel (for the Opposition).

The report and recommendations were unanimously agreed.

7.54pm – RESOLVED

1. The Council noted that Appendix 11 was not for publication on the basis that it contains information in respect of which a claim to legal professional privilege could be maintained in legal proceedings, as set out in paragraph 5 of Schedule 12A of the Local Government Act 1972 (as amended).
2. That the Council carefully considered and noted the responses to the consultation attached at Appendix 5.
3. That the Council approved the revised Statement of Gambling Policy 2022 – 2025, at Appendix 1.
4. That the Council agreed to retain an existing no casino resolution within the Council's Statement of Gambling Policy.

6.5 Review of the Constitution

7.54pm – The updates to the Economy Register of Authorities were noted.

6.6 Council Calendar of Meetings 2022/23

7.55pm – The report and recommendations were formally moved for adoption by the Leader of the Council, Councillor Stephen Cowan.

The report and recommendations were unanimously agreed.

7.55pm – RESOLVED

1. That the 2022/23 Council calendar of meetings at Appendix 1 was approved.

7. SPECIAL MOTIONS

7.56pm – Councillor Bora Kwon moved a motion under Standing Order 15(e)3 to reorder the special motions in the following order: 7, 3, 4, 2, 6, 5, 1. Councillor Iain Cassidy seconded the motion, and it was put to the vote:

FOR	**31**
AGAINST	10
NOT VOTING	0

7.58pm – The motion was declared **CARRIED**.

7.7 Special Motion 7 - Home Care

7.58pm – Councillor Ben Coleman moved, seconded by Councillor Sharon Holder, the special motion in their names:

"The Council supports free home care for elderly and Disabled residents and welcomes the Labour administration's commitment to maintaining it.

The Council recognises that the last Conservative administration promised to keep home care free when they were in opposition but introduced charges very quickly after they became the administration.

The Council calls on the government to bring forward a national plan which ensures all councils are fully funded to give everyone in our country free home care."

Speeches on the motion were made by Councillors Ben Coleman, Sharon Holder, Rory Vaughan, and Lucy Richardson (for the Administration) and Councillors Amanda Lloyd-Harris and Andrew Brown (for the Opposition).

Councillor Ben Coleman made a speech winding up the debate before the motion was put to the vote:

FOR	**31**
AGAINST	10
NOT VOTING	0

The motion was declared **CARRIED**.

8.23pm – RESOLVED

The Council supports free home care for elderly and Disabled residents and welcomes the Labour administration's commitment to maintaining it.

The Council recognises that the last Conservative administration promised to keep home care free when they were in opposition but introduced charges very quickly after they became the administration.

The Council calls on the government to bring forward a national plan which ensures all councils are fully funded to give everyone in our country free home care.

7.3 **Special Motion 3 - Thanking Our NHS and Celebrating the Importance of Charing Cross Hospital**

8.23pm – Councillor Ben Coleman moved, seconded by Councillor Patricia Quigley, the special motion in their names:

"This Council gives its heartfelt thanks to the NHS on behalf of the residents of Hammersmith & Fulham for working so valiantly throughout the pandemic and this winter's health crisis. It recognises how its staff have made huge personal sacrifices to keep people safe.

The Council notes that there would have been a devastating impact on the people of Hammersmith & Fulham if Charing Cross Hospital had been demolished as the Conservative government had planned. It recalls how Hammersmith & Fulham's Conservative councillors energetically and wholeheartedly supported the demolition plan, which would have seen:

1. *Charing Cross Hospital bulldozed with most of the site sold off to developers*
2. *Charing Cross Hospital replaced with clinics which would have been just 13 per cent the size of the current hospital*
3. *The clinics cynically rebranded as a "local hospital"*
4. *The A&E closed and replaced with an Urgent Care Clinic*
5. *The Urgent Care Clinic cynically rebranded as a "Class 3 A&E"*

The Council agrees these plans were dangerous and calls on Hammersmith & Fulham Conservatives to apologise for their repeated comments which misled the public about the danger to Charing Cross Hospital, including:

"Andrew Brown 28/10/2013
It's crucial for patents' lives & outcomes that @NHS_NWLondon plans to reorganise its hospitals for C21st to go ahead."

"Andrew Brown 29/05/2014
NHS NWL's plans aren't about taking away services they are about reorganising them to provide better higher quality care."

"Andrew Brown 14/04/2014
Just caught up on yesterday's #bbccsp with my Town Ward colleague @gregsmithsw6 demolishing Labour lies & myths on CX & Comms. Very proud!"

"Andrew Brown 15/05/2014
CX will retain an A&E + many other services will specialise in oncology, geriatrics & world class elective surgery."

"Andrew Brown 08/09/2014
As IMPERIAL NHS trust have confirmed they have no plans to close CX A&E"

“Andrew Brown 27/11/2017
STP plan states that CX will continue to provide its current A&E & wider services for at least lifetime of the plan”

“Greg Hands 22/05/2017
Anyone getting a Labour or H&F Council leaflet about Charing Cross, remember local NHS has rebuked their falsehoods!””

Speeches on the motion were made by Councillors Ben Coleman, Patricia Quigley, Rory Vaughan, and Stephen Cowan (for the Administration) and Councillor Andrew Brown (for the Opposition).

Councillor Ben Coleman made a speech winding up the debate before the motion was put to the vote:

FOR	**31**
AGAINST	10
NOT VOTING	0

The motion was declared **CARRIED**.

8.54pm – RESOLVED

This Council gives its heartfelt thanks to the NHS on behalf of the residents of Hammersmith & Fulham for working so valiantly throughout the pandemic and this winter’s health crisis. It recognises how its staff have made huge personal sacrifices to keep people safe.

The Council notes that there would have been a devastating impact on the people of Hammersmith & Fulham if Charing Cross Hospital had been demolished as the Conservative government had planned. It recalls how Hammersmith & Fulham’s Conservative councillors energetically and wholeheartedly supported the demolition plan, which would have seen:

1. Charing Cross Hospital bulldozed with most of the site sold off to developers
2. Charing Cross Hospital replaced with clinics which would have been just 13 per cent the size of the current hospital
3. The clinics cynically rebranded as a “local hospital”
4. The A&E closed and replaced with an Urgent Care Clinic
5. The Urgent Care Clinic cynically rebranded as a “Class 3 A&E”

The Council agrees these plans were dangerous and calls on Hammersmith & Fulham Conservatives to apologise for their repeated comments which misled the public about the danger to Charing Cross Hospital, including:

“Andrew Brown 28/10/2013
It’s crucial for patents’ lives & outcomes that @NHS_NWLondon plans to reorganise its hospitals for C21st to go ahead.”

“Andrew Brown 29/05/2014

NHS NWL's plans aren't about taking away services they are about reorganising them to provide better higher quality care.”

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Just caught up on yesterday’s #bbccsp with my Town Ward colleague @gregsmithsw6 demolishing Labour lies & myths on CX & Comms. Very proud!”

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CX will retain an A&E + many other services will specialise in oncology, geriatrics & world class elective surgery.”

“Andrew Brown 08/09/2014
As IMPERIAL NHS trust have confirmed they have no plans to close CX A&E”

“Andrew Brown 27/11/2017
STP plan states that CX will continue to provide its current A&E & wider services for at least lifetime of the plan”

“Greg Hands 22/05/2017
Anyone getting a Labour or H&F Council leaflet about Charing Cross, remember local NHS has rebuked their falsehoods!”

7.4 **Special Motion 4 - The West Kensington and Gibbs Green Estates**

8.55pm – Councillor Andrew Jones moved, seconded by Councillor Lisa Homan, the special motion in their names:

“This Council welcomes the return of the West Kensington and Gibbs Green estates. It deplores the fact that they were ever sold.

The Council notes that the estates were sold by the previous Conservative administration at a knock down price and that the obligations placed on the Council in the deal done by the Conservatives would have significantly damaged the Council’s finances.”

Speeches on the motion were made by Councillors Andrew Jones, Lisa Homan, Zarar Qayyum, and Larry Culhane (for the Administration) and Councillor Matt Thorley (for the Opposition).

Councillor Andrew Jones made a speech winding up the debate before the motion was put to the vote:

FOR	**31**
AGAINST	10
NOT VOTING	0

The motion was declared **CARRIED**.

9.22pm – RESOLVED

This Council welcomes the return of the West Kensington and Gibbs Green estates. It deplores the fact that they were ever sold.

The Council notes that the estates were sold by the previous Conservative administration at a knock down price and that the obligations placed on the Council in the deal done by the Conservatives would have significantly damaged the Council's finances.

7.2 **Special Motion 2 - The Borough's Housing Stock**

9.22pm – Councillor Adronie Alford moved, seconded by Councillor Mark Loveday, the special motion in their names:

"This Council notes with serious concern, the report from the October 2021 Housing Ombudsman Service report "Spotlight on: Damp and Mould: It's not lifestyle", which found that Hammersmith and Fulham Council has:

1. *The highest rate of mismanagement in damp and mould cases for any social landlord in England.*
2. *The highest maladministration rate for dealing with reports of damp and mould for any social landlord in England.*
3. *The highest maladministration rate for complaint handling for any social landlord in England.*

This Council calls upon the Administration to provide a clear and detailed plan of how it is going to address the repairs crisis in the borough's housing stock."

Under Standing Order 15(e)(6), Councillor Lisa Homan moved, seconded by Councillor Max Schmid, an amendment in their names:

"Remove all after "This Council notes with serious concern, the report from the October 2021 Housing Ombudsman Service report "Spotlight on: Damp and Mould: It's not lifestyle" and replace with:

"This Council apologises to the residents that are affected by damp and mould and commits to eradicating <u>all</u> the long-standing damp and mould issues within the next six months, with works currently underway. This Council supports its record £600m investment to refurbish council homes.

This Council recognises that the following actions have been taken to secure and improve the Borough's council homes: -

- *Negotiated a successful early ending to the atrocious 10-year repairs contract (awarded by the previous Conservative administration) which underfunded repairs, did not meet service standards, had record customer dissatisfaction, and seriously impeded the council's maintenance of its stock*
- *The introduction of an extensive planned preventative maintenance program which had not existed between 2006 to 2014.*
- *Ended the Conservatives' ideologically inspired policy of selling off the Borough's council estates so they could be demolished, and replaced with*

new developments of luxury apartments targeted at overseas property speculators

- *Ended the Conservatives' ideologically inspired policy of selling off all council street properties at knock down prices to property developers – a scheme that was even featured on the BBC's Homes Under The Hammer.*
- *Ended the Conservatives' program of depleting the council housing management service which had been part of its scheme to significantly reduce the borough's housing stock*
- *Is working with tenant and leaseholder residents to continuously improve the Council's housing management services*
- *Introduced a £20m Fire Safety Plus program*
- *Is investing a record £600m to improve Councils homes and reduce energy bills despite 12 years of government Austerity.*

This Council agrees to support these actions.

This Council reaffirms its commitment to residents of all the Borough's council housing which recognises they have a right to affordable rents and service charges, and never have to suffer a political administration that sells their homes against their wishes. Furthermore, it restates that council homes must always be maintained to excellent standards and the housing management service is required to continuously improve to deliver the highest levels of customer satisfaction. The Council will take all necessary measures to deliver on these commitments.""

Speeches on the amendment were made by Councillors Lisa Homan and Max Schmid (for the Administration) and Councillor Mark Loveday (for the Opposition).

The amendment was then put to the vote:

FOR	**31**
AGAINST	10
NOT VOTING	0

The amendment was declared **CARRIED**.

Councillor Adronie Alford then made a speech winding up the debate before the amended motion was put to the vote:

FOR	**31**
AGAINST	10
NOT VOTING	0

The amended motion was declared **CARRIED**.

9.48pm – RESOLVED

This Council notes with serious concern, the report from the October 2021 Housing Ombudsman Service report "Spotlight on: Damp and Mould: It's not lifestyle".

This Council apologises to the residents that are affected by damp and mould and commits to eradicating all the long-standing damp and mould issues within the next six months, with works currently underway. This Council supports its record £600m investment to refurbish council homes.

This Council recognises that the following actions have been taken to secure and improve the Borough's council homes: -

- Negotiated a successful early ending to the atrocious 10-year repairs contract (awarded by the previous Conservative administration) which underfunded repairs, did not meet service standards, had record customer dissatisfaction, and seriously impeded the council's maintenance of its stock
- The introduction of an extensive planned preventative maintenance program which had not existed between 2006 to 2014.
- Ended the Conservatives' ideologically inspired policy of selling off the Borough's council estates so they could be demolished, and replaced with new developments of luxury apartments targeted at overseas property speculators
- Ended the Conservatives' ideologically inspired policy of selling off all council street properties at knock down prices to property developers – a scheme that was even featured on the BBC's Homes Under The Hammer.
- Ended the Conservatives' program of depleting the council housing management service which had been part of its scheme to significantly reduce the borough's housing stock
- Is working with tenant and leaseholder residents to continuously improve the Council's housing management services
- Introduced a £20m Fire Safety Plus program
- Is investing a record £600m to improve Councils homes and reduce energy bills despite 12 years of government Austerity

This Council agrees to support these actions.

This Council reaffirms its commitment to residents of all the Borough's council housing which recognises they have a right to affordable rents and service charges, and never have to suffer a political administration that sells their homes against their wishes. Furthermore, it restates that council homes must always be maintained to excellent standards and the housing management service is required to continuously improve to deliver the highest levels of customer satisfaction. The Council will take all necessary measures to deliver on these commitments.

7.6 **Special Motion 6 - Thanking Volunteers**

9.48pm – Councillor Stephen Cowan moved, seconded by Councillor Rowan Ree, the special motion:

"The Council thanks all the people who have volunteered to make Hammersmith & Fulham a better, safer, and stronger place.

The Council recognises the many unpaid people who give their time, money, and effort in so many different ways because they care about their fellow citizens, their neighbourhoods and building a better future for our wonderful borough.

The Council notes the extremely wide range of volunteering activity in the borough, and that this work has been and remains particularly important during the Covid pandemic."

Speeches on the special motion were made by Councillors Stephen Cowan, Rowan Ree, and Iain Cassidy (for the Administration), and Councillor Belinda Donovan (for the Opposition).

The guillotine fell at 10.05pm. All subsequent special motions and amendments were taken as moved and seconded.

Councillor Stephen Cowan summed up the debate before the motion was put to the vote:

FOR	**UNANIMOUS**
AGAINST	0
NOT VOTING	0

The motion was declared **CARRIED**.

10.06pm – RESOLVED

The Council thanks all the people who have volunteered to make Hammersmith & Fulham a better, safer, and stronger place.

The Council recognises the many unpaid people who give their time, money, and effort in so many different ways because they care about their fellow citizens, their neighbourhoods and building a better future for our wonderful borough.

The Council notes the extremely wide range of volunteering activity in the borough, and that this work has been and remains particularly important during the Covid pandemic.

7.5 **Special Motion 5 - Funding Hammersmith & Fulham**

10.06pm – The guillotine had fallen so the special motion was taken as moved and seconded:

"The Council recognises that austerity is and has always been economically illiterate, unnecessarily cruel, and a huge mistake for British people and the economy. It notes it was introduced for ideological, conservative reasons by the Conservative / Liberal Democrat government in 2010. It agrees that Austerity has damaged our country and been bad for Hammersmith & Fulham.

The Council notes that, despite this, Hammersmith & Fulham's Labour administration has delivered some of the lowest council tax in Britain, made homecare free, kept other costs to our residents low, maintained council tax *support and other key payments to poorer residents, created a new Law Enforcement Team of over 70 officers to drive down environmental crime and anti-social behaviour, introduced social value procurement to prioritise spend on local businesses and delivered new services.*

This Council notes that the Labour administration has done this by cutting huge levels of wasteful council spending, leaving costly tri-borough arrangements and modernising how the council works.

The Council calls on the Conservative government to bring forward a plan that will return its funding of Hammersmith and Fulham and other councils to 2010 levels within a reasonable timescale."

The motion was put to the vote without debate:

FOR	**31**
AGAINST	10
NOT VOTING	0

The motion was declared **CARRIED**.

10.07pm – RESOLVED

The Council recognises that austerity is and has always been economically illiterate, unnecessarily cruel, and a huge mistake for British people and the economy. It notes it was introduced for ideological, conservative reasons by the Conservative / Liberal Democrat government in 2010. It agrees that Austerity has damaged our country and been bad for Hammersmith & Fulham.

The Council notes that, despite this, Hammersmith & Fulham's Labour administration has delivered some of the lowest council tax in Britain, made homecare free, kept other costs to our residents low, maintained council tax support and other key payments to poorer residents, created a new Law Enforcement Team of over 70 officers to drive down environmental crime and anti-social behaviour, introduced social value procurement to prioritise spend on local businesses and delivered new services.

This Council notes that the Labour administration has done this by cutting huge levels of wasteful council spending, leaving costly tri-borough arrangements and modernising how the council works.

The Council calls on the Conservative government to bring forward a plan that will return its funding of Hammersmith and Fulham and other councils to 2010 levels within a reasonable timescale.

7.1 **Special Motion 1 - Eel Brook Common**

The special motion was withdrawn.

Meeting started: 7.05 pm
Meeting ended: 10.07 pm

Mayor ....

Appendix 1

Public Questions and Responses – 19 January 2022

Question 1 – Controlling Drug Dealing
From: Rebecca Emerick, Resident
To: The Leader of the Council

"What is being done to control levels of drug dealing in the borough? Although this is not something that can likely be stamped out, residents are complaining that it has become excessively visible, that the dealers have no fear of the police and that school children frequently witness it on their way home from school."

Response
Thank you for your question.

We deeply share the concern about drug dealing, but not just drug dealing, about gangs and about the increase in violent crime that has occurred across the United Kingdom over the last decade or more.

To that end, and I stress that crime fighting is predominantly the strategic responsibility of the London Mayor and the Home Secretary and that's how those agencies are dealt with, but despite that I don't think it is tenable to not act and so what we have done is put the largest funding into crime fighting in the borough's history by spending 4.7 million pounds a year on an extensive series of actions.

There are 72 law enforcement officers that are now patrolling the streets, indeed I was with them on the Clem Atlee [Estate] today, providing reassurance, providing the eyes and ears of the council, gathering intelligence and working hand in hand with the Metropolitan Police Service – and they have started to great success.

Secondly, we now have one of the most extensive CCTV programs in Britain. The manning of that CCTV and the feeding of that information through to the police allows us to capture people very quickly.

We've also set up a gangs unit because there's been a step change in the way gangs operate over the last decade. It used to be that people would often use the term that young people as young as eight are being coerced – groomed into gang life. Now it is that they're pressed ganged into a type of slavery that terrorises the young people. It's a new phenomenon which for police forces around the United Kingdom are having to deal with. We took the view that that is simply unacceptable and proposed to the police that we set up a first of its kind gangs unit, compiling specialist police officers, specialist social workers, specialist gangs professionals, and many others, and they have made significant headway.

Finally we have introduced a new strategy to protect women and girls following the increase both in crimes but also in the fear of crime on that issue.

In the mid-part of last year over 600 serious drug-running criminals were arrested in one of London's biggest gang heists, and the police openly say that would not have happened without the Hammersmith and Fulham gangs unit. So there are many things that Hammersmith and Fulham Council is doing to step into that breach.

It is simply not acceptable for crime to be on our streets, it is a sign of a broken society. And as we look around there are many more signs of that and we will stamp crime out wherever we find it – that is a determined commitment.

I believe when you look at all the priorities that any political administration should have the number one priority is keeping people safe. This is the biggest investment in Britain for the size of the Council, and we will increase it more as time goes on. And we're doing that at a time of huge challenges, but I commit that we will always be on the side of the crime issue and we will always continue to prioritise investment in fighting crime.

Question 2 – Expanding the number of bike hangers in Fulham
From: Jon Burden, Resident
To: The Cabinet Member for the Environment

"Given the general encouragement to cycling declared in the Council's recently published Climate and Ecology Strategy, can the Council explain their plans to expand the number of bike hangers in Fulham in order to encourage more cycling and help to reduce bike crime?"

Response
The council is fully committed to increasing cycling and the safety of cycling in the borough and you are right that this is part of our Climate and Ecological Emergency strategy. We do, however, understand that one of the major obstacles to increasing cycling participation in the borough is residents not having access to a safe and secure space in their properties where they can store a bicycle.

Bike hangars are proving to be very popular, and we already have 40 of them located across the borough with another 28 to be in place by April this year making 68 in total or some 408 spaces. Five of the residential hangars are in the Fulham area but this is due to be significantly expanded with a further 300 residential hangers to be installed across the borough making 368 in total and 2208 spaces.

Additionally, a large cycle storage unit is also due to be built under Hammersmith Flyover in later this year providing over 80 rentable spaces near to the key transport interchange in the borough – Hammersmith Broadway.

Question 3 – Water Billing Safeguards
From: Aliya Khan, Resident
To: The Cabinet Member for Housing

"LBHF has now changed from charging council tenants for their water and handed over the responsibility to Thames Water for direct billing. What safeguards have been put in place to prevent tenants being overcharged and threatened with bailiffs?"

Response
Thank you for your question.

As it wasn't the Council's decision to change to direct billing by Thames Water and we were unable to stop this from happening, the Council has no control over the safeguards that

Thames Water may have put in place to prevent overcharging and visits from debt enforcement agencies.

However, the Council did work with Thames Water to help them manage the transition and to set up a tariff that minimises any difference to residents' previous charges under the Council's billing arrangements, thereby reducing the risk of residents getting into debt on their water bills. We also advised Thames Water about what we would have charged communally metered homes (those with the greatest risk of higher charges) if the arrangement had continued as before so that when Thames Water initially made contact with residents to tell them about their full range of services, this included information for those people who may need extra help and support from Thames Water.

Thames Water are best placed to advise about the safeguards they have in place. I will send you a link to Thames Water's financial support pages which provide advice and support on a variety of ways Thames can support its customers who are struggling to pay their bills. You can also contact Thames Water on 0800 980 8800 or using their website at www2.thameswater.co.uk

There's also some very helpful advice available from Citizens Advice which residents may find useful.

Question 4 – Council Tax
From: Constance Campbell, Resident
To: The Cabinet Member for Finance and Commercial Services

"When you, the current Labour administration were in opposition, you consistently claimed you would reduce council tax faster and more than the Conservative Administration's 20% reduction from 2006-14. Why have you failed?"

Response
Thank you, Ms Campbell, for your question. Unfortunately, though it's based on a false premise. What we actually said in our 2014 election manifesto was and I quote, "We guarantee to cut taxes and root out waste. We will do this while sticking to the Council's current overall spending forecasts. We will not increase spending in one area without matching it with efficiencies elsewhere".

We've done exactly that. In our first administration we cut council tax in the first year and we froze it for the rest of the term – a real terms cut. This was when councils across the country, including in Westminster, Kensington and Chelsea, and Wandsworth were increasing council tax above inflation. This led John O'Connell, the Chief Executive of the TaxPayers Alliance to say in 2018, and I quote, "Hammersmith & Fulham council has a proud record of cutting council tax".

In 2018 our manifesto promised, and I quote, "we will continue to keep council tax and council charges low". Again, we have delivered on that with council tax increases below most of the rest of London. Overall since 2014 council tax is nine percent lower in real terms.

We have the third lowest council tax in the country and the best council tax record in London over the period of our administration.

Just as important is our record on fees and charges paid by Hammersmith and Fulham residents. While in opposition we likened the then conservative administration to an octopus giving council tax reductions with one hand while taking money from residents pockets with the other seven through massive increases in over 600 fees and charges. We have done the opposite over the last seven years, cutting or freezing charges in adult social care, children's services, and housing each year since we have been in office.

We also abolished home care charges which the conservative administration that preceded us introduced – which we'll discuss later this meeting in a special motion.

We also slashed meals on wheels charges and froze many others, so no we haven't failed, quite the opposite. We've delivered exactly what we promised residents when they elected us in 2014 and 2018.

Question 5 – Covid Vaccination and Booster Rates
From: Adrian Pascu-Tulbure, Resident
To: The Cabinet Member for Health and Adult Social Care

"What exactly is the council doing to address LBHF's dreadfully low anti-Covid vaccination and booster rates?"

Response

Vaccination rates

The Council has taken a wide range of steps to work with the NHS (which is the lead organisation and ultimately responsible for vaccination) to encourage and enable residents to get vaccinated. We are pleased that, using the most accurate figures available, our borough has among the highest vaccination rates in London, at 88.3% for first vaccinations, 80.4% for second vaccinations and 52.9% for boosters as of 17 January 2022.

Unfortunately, the government is choosing to publicise a less accurate measure of vaccine uptake based on the number of patients registered with GPs, which in H&F is 225,000 people. This grossly overstates H&F's actual population, which the Office for National Statistics projects as being 192,060 in 2022.

A more accurate population estimate we use is the population projection created by Greater London Authority (GLA). This puts the actual H&F population eligible for vaccination at 160,000 people. The government's preferred measurement thus inflates our eligible population by 40 per cent and depresses our vaccination success by upwards of 25 per cent.

We have raised this with NHS North West London, pointing out that the inaccurate figures worry residents and discourage those working so hard to get residents vaccinated. They have told us they agree with our view but are powerless to change the population basis as this is a national decision.

Vaccination activity

From our experience since June 2021, the key to vaccination is ease of access. We successfully encouraged NHS England to reverse its decision last year not to approve any more pharmacies as vaccination hubs and H&F now has ten pharmacies offering vaccinations. We are still working for more to be approved.
Currently, there are also two large hospital sites and five primary care networks (GP groupings) providing vaccinations in H&F, and we regularly organise “pop ups” (eg vaccine buses) in the lowest vaccinated areas, based on data from our Business Intelligence Unit.

We believe this to be the highest concentration of vaccine sites in the country. On average we have between 8,000 and 9,000 bookable appointments available a week to our residents.

We advertise all vaccination locations and times on the LBHF and NWL CCG websites. We also undertake targeted local advertising and text messaging to estates and areas for planned pop-ups.

We have engaged closely with our communities about the benefits of the vaccine and to understand and address vaccine reluctance. This has included over 50 outreach sessions with community groups, including Somali groups. We have found a notable lack of trust in some communities as a result of lived experience and are working with the NHS to tackle this over time by taking a new approach which shapes services directly with communities.

Discussions at the borough’s Faith Forum have led to additional popup clinics, including in mosques. We have also worked with the NHS to support uptake among children and young people, residents with a learning disability and those with severe mental illness.

Overall, since June 2021, there have been 72 pop-up vaccination clinics in the borough, including at the Claybrook Mental Health Centre and schools for disabled children.

We secured the Novotel as a mass vaccination centre that vaccinated over 100,000 people, and we provided operational management and staffing support for the NHS there.

Working with the NHS, we facilitated three “Super Saturday” events which vaccinated over 10,000 people at Chelsea FC’s Stamford Bridge stadium.
We have supported GP vaccination centres with site management, security and marshalling staff; and have supported local pharmacy vaccination hubs with outdoor furniture, marquees and banners.

We have recently won fresh government funding to deploy more outreach workers to target those least likely to be vaccinated or boosted. A new team will also be calling unvaccinated individuals to encourage them to get the jab.

Finally, it is worth noting that although the infection rate in H&F has fallen since late December, our seven-day Covid rate is still worryingly high at 1,291 per 100,000 people as of 17 January 2022. We will continue to pursue dynamic ways to increase vaccination and keep our borough safe.

It is further worth noting that the council has enabled a high amount of Covid testing throughout the pandemic, consistently ensuring reliable testing facilities for people both with symptoms (PCR testing) and without (lateral flow testing). We were the first council in London to be approved to implement targeted lateral flow testing in November 2020. We also wrapped a protective ring around our care homes in March 2020 and provided rapid PCR testing, ahead of any government guidance, to make sure the spread of infections was reduced.

Question 6 – Air Pollution
From: Ted Townsend, Resident
To: The Cabinet Member for the Environment

"The public consultation on the Council's Climate and Ecology Strategy document identified 'Air pollution' and 'Traffic on our streets' as two of the issues of most concern to residents. However, the big emphasis on transitioning to electric vehicles in order to reduce greenhouse gas as well as NO2, benzene and sulphur dioxide emissions seems not to have considered the increase in particulate matter that comes from brakes and tyres on heavy electric vehicles, some of which can be up to 30% heavier than their petrol or diesel equivalent. Given that 96% of H&F's super output areas are in the worst 10% in the country for particulate matter pollution, and 100% in the worst 20%, could the Council give an indication of the trade-off analysis that has been done to support the promotion of electric vehicle usage potentially at the expensive of worse air pollution?"

Response
There is not a trade-off analysis as described, although shifting existing polluting traffic to zero emission vehicles will improve current air pollution from tailpipe emissions, the council recognises the need to reduce overall traffic levels and therefore particulate levels that also come from brakes and tyres. The aims of the Climate and Ecological Strategy sets out a hierarchy of interventions with travelling less at the top, indicating a need to reduce vehicle numbers as a priority. Second in the hierarchy is the promotion of active travel which contributes similarly to reduction air pollution. To encourage this we have started to explore the reallocation of road space for example the recently opened Safer Cycle Pathway on King Street.

Question 7 – New Enforcement Team
From: Andrew Dinsmore
To: The Deputy Leader

"I note that the H&F magazine delivered to all residents before Christmas highlighted the council deploying '72 new enforcement officers'. Prior to this, the Council disbanded the highly regarded Parks Police.

What was the cost of setting up the new Enforcement team (including without limitation a breakdown of the costs of making Parks Police redundant, re-employing them in the new Enforcement team, transferring staff from other departments and the recruitment of individuals that had not previously worked for the Council)?"

Response
The safety of our residents is our top priority, which is why in December 2020, Cabinet made the historic decision to invest £4.6m in creating what is the largest local authority enforcement team in the country. Following this decision, we rapidly set up the team who were in place and operational from May 2021

The Law Enforcement Team is made up of 72 trained and accredited Officers who are operational in H&F every day and every night, 24/7, seven days a week, patrolling housing estates, residential streets, and open spaces to deter crime and anti-social behaviour. Patrolling and locking parks is a core function of the team who in the Summer of 2021 were responsible for dealing with a wide range of anti-social and criminal issues in our parks as well as being instrumental in shutting down several unlicensed music events and anti-social parties. At all times, the Law Enforcement Team act as the eyes and ears of the residents and the council, working in conjunction with the police, our expansive CCTV network, and our newly created Gangs Unit to ensure everything possible is being done to improve the safety of our residents.

The total one off set up costs for the new Law Enforcement Team came to £447,000. Of this figure, redundancy costs for the Parks Police accounted for £119,000.

Agenda Item 5

Public Questions for Full Council – 24 February 2022

Question 1 – Historic Water Overcharges to Council Tenants
From: John O'Callaghan-Williamson, Resident
To: The Leader of the Council

"To ask the Council when the 'Key Decision' will be tabled and made regarding refunding historic water overcharging to council tenants arising from the cases London Borough of Southwark and Kim Jones and Royal Borough of Kingston-upon-Thames and Derek Moss.

I raised this matter in December 2020 and was informed that although too late for that financial year it was likely to fall in this financial year 2021/22 by the then Assistant Director – Housing Finance. Recent enquires still state it is being worked through.

The Council has already set aside a 'Utilities Reserve' in the HRA and covered this matter in the meeting on the 1st of February 2021. Residents are facing a 'cost of living crisis' and many other councils have already completed this process for their residents."

London Borough of Hammersmith & Fulham

Report to: Full Council

Date: 24/02/2022

Subject: Revenue Budget And Council Tax Levels 2022/23

Report of: Leader of the Council – Councillor Stephen Cowan

Responsible Director: Director of Finance – Emily Hill

SUMMARY

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

The 2022/23 revenue budget proposals are set out regarding:
- A council Tax freeze
- £7.434m of new investment in services
- Savings proposals
- Fees and charges
- Budget risks, reserves and balances
- Equalities Impact Assessments

RECOMMENDATIONS

Full Council, for the reasons set out in this report and appendices, agree:

1. To freeze the Hammersmith & Fulham element of the council tax charge for 2022/23 and not apply the 2% increase modelled by the government for the coming year.

2. To not apply the government modelled "adult social care precept" levy of 1% for 2022/23, and to instead use council savings and income to fund growth in adult social care spending.

3. To set the Council's own total net expenditure budget for 2022/23 at £125.657m.

4. To approve £7.434m of new investment on key services for residents.

5. To approve fees and charges, as set out in paragraph 10, including freezing charges in adult social care, children's services and general fund housing.

6. To note the budget projections to 2025/26 made by the Director of Finance in consultation with the Strategic Leadership Team.

7. To note the statement of the Director of Finance, under Section 25 of the Local Government Act 2003, regarding the adequacy of reserves and robustness of estimates (paragraph 37).

8. To approve the reserves strategy and realignment of reserves as set out in Appendix J and Appendix K.

9. 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.

10. To authorise Directors to implement their service spending plans for 2022/23 in accordance with the recommendations within this report, the Council's Standing Orders, Financial Regulations, relevant Schemes of Delegation and undertake any further consultation required regarding the Equalities Impact Assessment.

11. Set the Council's element of council tax for 2022/23 for each category of dwelling, as outlined in the table below and in full in Appendix A and calculated in accordance with Sections 31A to 49B of the Localism Act 2011.

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	554.64	647.08	739.52	831.96	1,016.84	1,201.72	1,386.60	1,663.92

12. To note, based on the Mayor of London's draft consolidated budget, the element of council tax to be charged by the Greater London Authority in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwellings as shown in the table below

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 £
b) GLA	263.73	307.68	351.64	395.59	483.50	571.41	659.32	791.18

13. That the overall council tax to be set at £1,227.55 per Band D property as follows:

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	554.64	647.08	739.52	831.96	1,016.84	1,201.72	1,386.60	1,663.92
b) GLA	263.73	307.68	351.64	395.59	483.50	571.41	659.32	791.18
c) Total	**818.37**	**954.76**	**1,091.16**	**1,227.55**	**1,500.34**	**1,773.13**	**2,045.92**	**2,455.10**

14. To authorise the Director of Finance 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.

15. To note the requirement to amend the local Council Tax Support Scheme in relation to energy bills rebate payments and delegate authority to the Strategic Director of the Environment in consultation with the Cabinet Member for Finance and Commercial Services to amend and approve the detailed scheme before 11 March 2022.

16. That the Council opts-in to the sector led 'appointing person' regime operated by Public Sector Audit Appointments (PSAA) for the appointment of the external auditor (including Pension Fund) for the years 2023-28.

Wards Affected: All

H&F values	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 everyone's business and every penny counts.

Financial Impact

This report is wholly financial in nature and those implications are contained within.

Legal Implications

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.

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 taxpayers and ratepayers on the one hand and the users of Council services on the other are both taken into account. The recommendations contained in the report have been prepared in line with these requirements.

Section 30 of the Local Government Finance Act 1992 provides that no amount of council tax may be set before the earlier of the following— (a) 1st March in the financial year preceding that for which the amount is set; (b) the date of the issue to the authority of the last precept capable of being issued to it (otherwise than by way of substitute) by a major precepting authority for the financial year for which the amount is set. The GLA precept is due to be agreed at its meeting of 24 February 2022 in advance of the Hammersmith & Fulham council tax setting meeting.

Section 25 of the Local Government Act 2003 requires the Director of Finance to report on the robustness of the estimates made for the purposes of budget calculations and the adequacy of the proposed financial reserves. The Council must take these matters into account when making decisions about the budget calculations.

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"). 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.

The protected characteristics to which the 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.

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.

Case law has established the following principles relevant to compliance with the PSED which the 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.

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.

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 carefully 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 this report.
Section 106 of the 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.

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.

Public Sector Audit Appointment

Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires the Council to appoint a local auditor to audit its accounts by 31 December in the preceding year for a maximum period of five years.

The procedure for appointment of a local auditor is set out in Section 8 of the Act and requires the Council to consult and take account of the advice of its auditor panel on the selection and appointment of the auditor.

Section 17 of the Act gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 and gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person. This report proposes that the Council opts-in to the sector-led 'appointing person' regime.

As the Council operates executive arrangements, under section 8 of the Act, the correct decision maker is Full Council.

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Background Papers Used in Preparing This Report – none

BUDGET OVERVIEW

1. The Council's budget proposals support the local recovery from the Covid-19 pandemic and delivery of resident priorities. The ongoing pandemic and health

emergency has led to an increase in demand for services whilst the upturn in inflation and resetting of the public finances, at a national level, has placed a further strain on local government.

2. **A freeze in the Hammersmith & Fulham element of council tax is recommended.** This includes not levying the government modelled 1% ‘adult social care precept’ or increasing council tax by 2% as modelled by central government. This will provide a balanced budget whilst resulting in a reduced burden, in real terms, on local taxpayers. The council tax freeze has been delivered despite the upturn in inflation causing significant pressure on Council costs with the government forecasting in October 2021 that the Consumer Price Index will be 4.4% in the second quarter of 2022.CPI in December 2021 already exceeds that forecast at 5.4%.

3. **General government grant funding** has increased by an estimated £6.95m from 2021/22 to 2022/23. This is well below the increase in the Council’s costs due to inflation, the costs associated with the government’s increase in employer national insurance contributions, demographic pressures and the Covid-19 health and economic crisis. £2.6m of the grant increase is not new money but compensation for the government decision not to increase business rates. Historically, overall government funding has reduced by £57m from 2010/11 to 2022/23 – a real terms funding cut of 54%.

4. **Investment of £7.4m** is provided to meet the costs of statutory obligations, demographic, service and demand pressures and key resident priorities. This includes over £5m in investment in social care and public health. Budget provision is also made regarding the ongoing consequences of Covid-19.

5. **Savings of £4.9m** are put forward to balance the 2022/23 budget.

6. The budget proposals include measures to strengthen the Council’s future financial resilience by **contributing one-off resources of £2.9m to reserves and general balances.** An additional one-off contingency of £1.5m is also set aside to meet potential Covid funding pressures with £0.5m added to the unallocated contingency. The Council faces significant future financial risk with particular uncertainty regarding the ongoing impact of the Covid-19 pandemic, future government funding allocations, the on-going adverse economic impact of Brexit, inflation and increasing demand for services.

THE COUNCIL TAX REQUIREMENT

7. The Council's current gross General Fund budget rolled forward to 2022/23 is £533.5m, of which £160.4m (the budget requirement) is funded from Council resources (such as council tax and business rates) and general government grant.

Table 1 : 2022/23 budget requirement

Budgeted expenditure 2021/22	**£m**
Housing benefit payments	98.0
Departmental budgets	435.5
Gross budgeted expenditure	**533.5**
Less:	
Specific government grant (including housing benefits and dedicated schools grant)	(242.0)
Fees and charges	(67.0)
Contributions (e.g. health)	(47.0)
Other income (e.g. investment interest, rentals, recharges)	(17.1)
Base budget requirement rolled forward to 2022/23	**160.4**

8. The Band D council tax charge is calculated by dividing the council tax requirement by the council tax base[1]. The determination of the 2022/23 council tax requirement is set out in Table 2. The medium-term forecast, to 2025/26 is set out in Appendix B.

[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.

Table 2: The council tax requirement

	£000s
Base gross budget rolled forward from 2021/22	**160,416**
Plus/minus:	
Inflation	10,000
Investment and impact of Covid-19	7,434
Increase in the net cost of borrowing	400
Savings and change proposals (includes collection fund surplus)	-4,851
Covid-19 impact on concessionary fares	-2,300
Increase in unallocated contingency	500
Covid-19 contingency	1,500
Recognition of current income projection	-3,400
Contribution to reserves and balances	2,890
Gross budget requirement	**172,589**
General grants	-45,232
Use of developer contributions	-1,700
Net budget requirement for 2022/23	**125,657**
Less:	
Locally retained business rates	-57,217
2022/23 council tax requirement (including the adult social care precept)	**68,440**

INFLATION AND INVESTMENT

Inflation

9. Supply constraints, driven by Covid-19 and Brexit, have led to higher prices and pressure on wages. The Consumer Price Index has reached 5.4%, in the 12 months to December 2021, and the government forecast that it will still be 4.4% in the second quarter of 2022. The pressure on wages is compounded by the government's introduction of the health and social care levy which will increase employer national insurance contributions by 1.25%. This will impact on both Hammersmith & Fulham staff costs and suppliers. A provision of £10m is included in the 2022/23 budget for inflation. This allows for:
   - contract inflation of £3.15m.
   - catch up inflation for the 2021/22 pay award of £1.75m (a pay freeze was assumed in 2021/22 but the latest national pay offer is for a 1.75% increase).
   - £1.25m for the 1.25% increase in employer national insurance contributions (health and social care levy).
   - £2.35m provision for a 2022/23 pay increase (this equates to a 2.3% pay award).
   - A retained contingency of £1.5m as mitigation against additional inflationary risk.

10. For non-statutory fees and charges, levied by Hammersmith & Fulham, it is recommended that:

- they are frozen for Adult Social Care, Children's Services and Housing in line with administration policy.
- 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 set in line with transport policy objectives and not considered as part of the budget process.
- a standard uplift of 3.8% is applied, based on the July 2021 Retail Price Index, for other non-commercial and non-parking fees.

The current proposed exceptions to the standard 3.8% increase and policies above are set out in Appendix F.

Investment

11. Investment in services is provided through the budget process as necessary. Investment is required to fund increases in cost as a result of demographic growth and other increases in demand and to fund resident priorities. Almost 75% of this investment is in social care for adults and children. In addition, for 2022/23 the budget makes time limited provision for increased costs or lost income expected as a result of the Covid-19 pandemic and economic disruption. The investment proposals are detailed in Appendix C and summarised in Tables 3 and 4.

12. As part of the budget review and challenge process, departments have brought forward detailed proposals that have enabled spend pressures to be addressed directly. Such budget mitigations have partially offset the need for new investment.

Table 3: 2022/23 investment proposals

Department	£m
Children's Services	0.534
Social Care and Public Health	5.031
Economy	0.650
Environment	0.878
Corporate (Finance, Resources and Council wide)	0.341
Total investment	**7.434**

Table 4: Categorisation of investment proposals

Growth categories	£m
Increase in demand/ demographic growth	2.311
Resident priority	0.690
Budget pressure	0.655
New burden / government pressure	1.137
Impact of Covid-19 / economic downturn	2.641
Total	**7.434**

SAVINGS AND INCOME GENERATION

13. The proposed savings are detailed in Appendix C and summarised in Tables 5 and 6. In addition a further short-term saving of £2.3m (for 2022/23 and possibly, to a similar extent, 2023/24) will arise regarding the cost of the concessionary fares scheme (freedom pass). This is due to lower usage during lockdown and impact on passenger usage of public transport in response to the Covid-19 pandemic. As a short-term saving £2.1m of this sum will be added to reserves and general balances in line with the Council's reserves strategy. The balance will part fund the one-off Covid-19 contingency.

Table 5: 2022/23 savings proposals

Department	£m
Children's Services	(0.533)
Social Care and reinvestment of Public Health	(1.670)
Economy	(0.235)
Environment	(1.184)
Corporate (Finance, Resources and Council wide)	(1.229)
Total savings	**(4.851)**

Table 6: Categorisation of savings

Savings categories	£m
Commercialisation / income	(0.650)
Outside investment	(0.035)
Procurement / commissioning	(1.828)
Service reconfiguration	(0.892)
Staffing / productivity	(1.446)
Total savings	**(4.851)**

GOVERNMENT GRANT, DEVELOPER AND BUSINESS RATES FUNDING

16 The government funding receivable is detailed in Appendix E. The estimated cash increase in 2022/23 general grant is £6.95m of which £2.6m is compensation for the government decision not to increase business rates. The grant increase is also intended to compensate authorities for the extra costs associated with the increase in employer national insurance contributions required by government. There is a new 'market sustainability and fair cost of care' grant of £0.62m which the Council is fully investing in adult social care.

17 The 2022/23 local government finance settlement is a single year settlement with no grant allocations confirmed beyond next year. The lack of future certainty continues to undermine effective medium-term financial planning. The risk of future funding reform and levelling up remains with the government making clear that the new 2022/23 'services grant' of £4.234m will be potentially subject to significant redistribution in 2023/24. For modelling purposes the future grant forecast, included within Appendix B, assumes that the services grant reduces by

50%. The future of the new homes bonus grant scheme is also uncertain and is modelled to reduce by 50% following a significant reduction of £2.5m (48%) in 2022/23 compared to 2021/22.

18 As set out in Appendix I the government calculate that Hammersmith & Fulham spending power has increased by 7% in 2022/23. This is below the London average increase (7.3%) and national average increase (7.4%). The government spending power calculation also assumes that authorities will increase council tax (including the adult social care precept) by 3%, which the Council is proposing to freeze, and that business rates collection is not adversely impacted by rating appeals or lower collection rates experienced during the Covid-19 pandemic. Taking these into account the Hammersmith & Fulham calculation is that spending power has increased by 2.5%.

19 Ringfenced grants, which can only be used for a specific purpose, are currently forecast to have increased by £0.978m from 2021/22 to 2022/23. This forecast will be updated as further announcements are confirmed. It is assumed that such grants will have a neutral impact on the budget requirement as they will be matched against spend commitments, particularly given the current inflation risks.

20 The business rates forecast is summarised in Appendix H. As part of the Autumn 2021 Budget the Chancellor of the Exchequer announced that a new temporary 50% business rates relief will apply for eligible retail, hospitality and leisure properties for 2022/23. In addition, a new 100% improvement relief will be available where eligible improvements increase rateable value. There will also be a business rates freeze in 2022/23 (no increase in line with the multiplier). Local authorities will be compensated by the government for the resultant loss of income from these measures.

21 The detail of the business rates changes has yet to be confirmed. For financial planning purposes the budget assumes that Hammersmith & Fulham will receive the minimum amount guaranteed, the safety net threshold, by government. This is £57.2m for 2022/23. For years beyond 2022/23 a 2% inflationary increase to the safety net is modelled.

22 Planning obligations under section 106 of the Town and Country Planning Act 1990 (as amended), known as section106 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.

23 The Council has determined that a key priority area for the investment of available section 106 funds is to support the law enforcement team and the gangs unit. The budget assumes that annual contributions of £1.7m are invested in this area and this can be met from receipts currently in hand. The budget assumes that further General Fund investment required in those areas will be met from increased developer contributions.

24 A number of section 106 agreements have been negotiated which will result in the receipt of additional funds in the future. There is a level of uncertainty and risk around the receipt of future section 106 funds as this relies on developments commencing and achieving specified trigger points which may be delayed or not progressed due to the impact of Covid-19 and broader economic conditions. The Council will continue to monitor the receipt of section 106 funds expected in the short and medium term, where the level of uncertainty around trigger points increases.

HAMMERSMITH AND FULHAM's COUNCIL TAX REQUIREMENT

25 On 19 January 2022, Council agreed a council tax base of 82,263 equivalent Band D properties for 2022/23. Therefore, the Council's element of the council tax for Band D properties can be calculated as followed:

$$\frac{\text{Total Council Tax Requirement}}{\text{Tax Base (Band D equivalent)}} = \frac{£68,439,525}{82,263} = £831.96 \text{ Band D}$$

26 This represents a freeze in the Hammersmith & Fulham element of the council tax charge and no additional levy for the adult social care precept.

27 As set out below just over half of dwellings in Hammersmith & Fulham 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	92,148
Reductions:	
Exemptions (mainly students, includes care leavers)	(3,780)
Council tax support claimants (elderly people & working age on low income)	(10,819)
Single person discount (25% discount)	(30,060)
Dwellings liable for 100% of council tax	**47,489**
	52%

PRECEPTOR'S (GREATER LONDON AUTHORITY) COUNCIL TAX REQUIREMENT

28 The Greater London Authority's (GLA) precept is also funded from council tax. The following table analyses the total amount to be funded and the resulting proposed overall Band D council tax level. The Mayor is consulting on budget proposals for a provisional Band D charge of £395.59. This is subject to formal approval by the Mayor following the London Assembly meeting of 24 February. The preceptors budget requirement will be amended should there be a change to the Mayor's proposed Band D charge.

Preceptor's Budget Requirement	= £32,542,420	=	£395.59 Band D
Tax Base (Band D equivalent)	82,263		

29 The proposed GLA charge represents an increase of £31.93 (8.8%), compared to 2021/22. The precept includes government acceptance of the Mayor's request to adjust the council tax excessiveness principles for the GLA (i.e. referendum limits) to accommodate an additional £20 rise to fund transport services.

OVERALL COUNCIL TAX REQUIREMENT 2022/23

30 The overall amount to be met from the council tax is £100.982m. This will provide a balanced budget with £2.9m added to General Fund balances and reserves.

Table 10: Overall 2022/23 council tax requirement

London Borough of Hammersmith & Fulham	£68,439,525
Greater London Authority (proposed)	£32,542,420
Total requirement for council tax	**£100,981,945**

31 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.

32 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. The amount per Band D equivalent property is calculated as follows:

Total Council Tax Requirement	= £100,981,945	= £1,227.55 Band D
Tax Base (Band D equivalent)	82,263	

NON-REPAYABLE COUNCIL TAX REBATE

33 The government announced, on 3 February 2022, that households in England in council tax bands A-D will receive a £150 non-repayable council tax rebate. The rebate to bills will be made directly by local authorities to households in 2022/23. Local authorities will also have a share of the £144 million discretionary funding

that can be used to target additional support at those most in need. This could include for example individuals on low incomes who live in properties valued in bands E-H.

34 At the time of issuing this report, detailed guidance and funding allocations are not yet published. It is expected that the payment will operate outside of the council tax system, using council tax lists to identify eligible households. Authorities will expect to be compensated for the administrative costs of providing the rebate as well as the funding for the rebates. As the impact on the council's finances is expected to be neutral it does not directly impact on the setting of the 2022/23 budget.

35 As a result of the above, the local Council Tax Support Scheme will be amended to disregard Energy Bills Rebate payments in determining a person's eligibility for a council tax reduction and the amount of any such reduction from 1 April 2022 in line with the amended Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012. This will amend the scheme approved by Full Council on 19 January 2022 and the amendment must be made by the statutory deadline on 11 March 2022. This report recommends that the detailed amendments to the scheme in respect of this are delegated to the Strategic Director of the Environment in consultation with the Cabinet Member for Finance and Commercial Services.

CONSULTATION

Non-Domestic Ratepayers

36 In accordance with the Local Government Finance Act 1992, the Council has consulted with non-domestic ratepayers on the budget proposals. The consultation can have no effect on the business rate, which is set by the government.

Policy and Accountability (PAC) Committees

37 As part of the consultation process the budget proposals have been reviewed by the relevant Policy and Accountability Committees.

VIEWS OF THE DIRECTOR OF FINANCE

The robustness of the budget estimates

38 Under Section 25 of the Local Government Act 2003, the Director of Finance is required to include, in the budget report, her view of the robustness of the 2022/23 estimates.

39 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 Director of Finance, is satisfied with the accuracy and robustness of the estimates included in this report:

- The budget proposals have been developed following guidance from the Director of Finance and have been through a robust process of development and challenge with the Strategic Leadership Team, service directors and managers and Cabinet Members.
- An increased provision of £10m is set aside for inflation and takes account of expected pay awards and the 1.25% increase in employers' national insurance contribution.
- The revenue budget proposals provide for the Council to hold an increase of £0.5m in the unallocated contingency to £3.5m to meet unforeseen budget pressures.
- The budget acknowledges the potential on-going impact of Covid-19 with one-off pressures of £2.6m funded. A further one-off contingency of £1.5m is also set aside. There is risk that such funding will be insufficient and may be needed for a significantly longer period and this will be monitored during the year and incorporated into the 2023/24 budget process.
- Adequate allowance is made for pension costs with budgeted contributions in line with the recommendations from the 2019 triennial pension review.
- Service managers have made reasonable assumptions about growth pressures which, where not manageable within current budgets, have resulted in additional investment.
- Rigorous mechanisms will be in place to monitor sensitive areas of expenditure and the delivery of savings. The Council recognises that it faces an increasing financial challenge due to the combination of the impact of the Covid-19 pandemic, government grant funding cuts of £57m over the past 12 years, new burdens from government, demographic trends including increasing demand and complexity and cost of that demand. The latest current year Corporate Revenue Monitoring Report (month 6) forecasts an underspend of £2.768m, increasing to £4.7m should current mitigating actions be delivered. The forecast includes a net improvement in expected parking income of £3.4m and this is recognised within the 2022/23 budget proposals.
- The use of budget monitoring in 2021/22 to re-align budgets where required with mitigating actions identified to meet budget pressures and growth provided when needed.
- 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 are reflected in the budget with an increase of £0.4m in the revenue net cost of borrowing.
- The recommendations regarding fees and charges are in line with the assumptions in the budget.
- A review with the Strategic Leadership Team of proposed savings and their achievability has taken place.
- Cabinet Members have reviewed and challenged all budget proposals. In addition, the relevant Policy and Accountability Committees have scrutinised the budget proposals.

- There are appropriate management and monitoring arrangements for the delivery of savings programmes.
- A prudent approach has been adopted on the local share of business rates income receivable, particularly in light of the impact of Covid-19, budgeting at the safety net.
- Developer contributions £1.7m are included in the budget to support the law enforcement team and gangs unit. Monitoring arrangements are in place to ensure that sufficient contributions are set aside to meet the budget assumptions.

Risk, revenue balances and earmarked reserves

40 Under Section 25 of the Local Government Act 2003, the Director of Finance is required to include, in budget reports, her view of the adequacy of the balances and reserves the budget provides for in light of the medium-term risks facing the authority.

41 The key financial risks that face the Council have been identified and quantified (Appendix D). They total £14.1m. Other substantive risks include:

- The Covid-19 recovery and addressing pent-up demand
- An upturn in inflation post Brexit and Covid-19
- Higher pay inflation particularly given current labour shortages
- The stabilisation and restoration of Hammersmith Bridge, with the Council incurring revenue and capital costs at risk until government funding is confirmed
- The future impact on London of the government's 'levelling-up' agenda and wider local government finance reform (such as business rates)
- The impact of the wider economy on major Council development projects and future contributions from developers
- The impact of, and costs of, tackling climate change
- The challenge of identifying further significant future savings that balance the budget over the longer-term.

42 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.

43 As part of the most recent Audit Findings Report, for the year ended 31 March 2020, the Council's external auditors (Grant Thornton UK LLP) commented on the level of the Council's reserves:

'the Council's reserve position is reasonable but allows no room for complacency or further diminution of those reserves. We would urge that members fully digest the lessons from recent Public Interest Reports and other commentary from sector financial experts as they approach the 2021/22 budget setting round.'

44 The Council continues to take robust action to ensure reserves are maintained at sufficient levels. It has put in place a reserves strategy (Appendix J) to ensure effective oversight regarding the level and use of reserves and has established an

action plan to maintain reserves at an appropriate level. In accordance with the strategy and action plan, the 2022/23 budget includes new one-off contributions to general fund balances and reserves of £2.9m arising, mainly, from one-off benefits. This follows cumulative new contributions of £8.3m agreed in the 2020/21 and 2021/22 budgets.

General fund balances

45 The Council's general balance is budgeted to be £20.4m at the start of 2022/23. This equates to 3.8% (14 days spend) of the Council's gross budget of £533.5m. This is within the medium term optimal range of £19m to £25m set as part of the Council's reserves strategy (Appendix J). The Director of Finance considers that this optimal range is sufficient to allow for the risks identified and to support effective medium-term financial planning.

46 As part of the 2022/23 budget it is proposed that £0.6m, from the planned £2.9m new contribution to reserves and balances, be added to the general balance. This will increase the general balance to £21m.

Earmarked reserves

47 The Council holds a number of earmarked reserves. The latest forecast to 2025/26 is summarised in Table 11 and detailed in Appendix K. It is the view of the Director of Finance that such reserves are adequate to deal with anticipated risks and liabilities. As part of the 2022/23 budget it is proposed that £2.3m, from the planned £2.9m new contribution to reserves and balances, be added to the corporate demands and pressures reserve.

Table 11: Reserves and general balances - cash flow forecast to 2025/26

	2021 £m	**2022 £m**	**2023 £m**	**2024 £m**	**2025 £m**
Opening balance					
General balances	19.3				
Earmarked reserves – unrestricted	63.7				
Covid-19 related	51.4				
Earmarked reserves – restricted	10.4				
Subtotal	**144.8**	**93.1**	**85.8**	**85.2**	**97.8**
Forecast movement (largely relating to timing of Covid payments)	(56.4)	(10.2)	(0.6)	12.6	
Forecast 2021/22 underspend	4.7	0	0	0	
2022/23 new contribution	0	2.9	0	0	
Closing balance	**93.1**	**85.8**	**85.2**	**97.8**	
Revenue developer contributions	46.0	Subject to separate monitoring and approval			

48 The existing commitments are detailed in Appendix J and include the planned investment of earmarked reserves on council priorities (for example

the Civic Campus, implementing the IT strategy and resident experience access programme). Allowance is made within the reserves forecast for the estimated 2021/22 revenue budget underspend (after allowance for the delivery of in-year action plans) of £4.7m at month 6.

49 The Director of Finance considers that current reserves are adequate to deal with anticipated risks and liabilities. Reserves can only be spent once and need careful management and review to safeguard future financial resilience and deliver service transformation and key resident priorities. 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 investment.

Council tax setting

50 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 2022/23 local authorities "will be required to seek the approval of their local electorate in a referendum if, compared with 2021/22, they set an increase in the relevant basic amount of council tax that is 2% or higher". As there is no proposed council tax increase for this Council no such referendum is required.

51 In addition, the government has modelled setting a precept to fund Social Care for Adults of 1% in 2022/23. Hammersmith & Fulham do not propose to apply an increase in relation to this precept in 2022/23.

Prior year Collection Fund adjustments

52 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. Adjustments are made to future years for the difference between the actual, and budgeted income collected.

53 For Hammersmith & Fulham a net collection fund surplus of £685,000 is estimated for 2021/22 (after allowance for the government regulation that allowed the 2020/21 estimated deficit due to the Impact of Covid-19 to be spread over three years). The Hammersmith & Fulham share is estimated at £450,000[2].

APPOINTMENT OF EXTERNAL AUDITORS 2023-28

54 Under the Local Audit and Accountability Act 2014 (the Act), local public bodies in England are required to appoint their own external auditors. Under the legislation, authorities can make an appointment via "an appointing person" to act as a

[2] For the purposes of this report this is shown as part of the corporate savings (balance sheet review)

sector-led joint procurement body for local audit. The government have appointed Public Sector Audit Appointments (PSAA) for this purpose.

55 On 22 September 2021 PSAA invited all eligible bodies to become opted-in authorities for the period 2023/24 to 2027/28 (the compulsory appointing period). A decision to become an opted-in authority must be taken by Full Council and the deadline to opt-in for the period 2023-28 is Friday 11 March 2022.

56 For the period 2018-23, 98% of relevant local bodies opted in to the PSAA arrangements (including Hammersmith & Fulham). It is recommended that the Council opt-in to PSAA sector-led appointing-person arrangements for the appointment of External Audit (including Pension Fund) for the years 2023-28.

57 The detailed report, including analysis of options, as presented to the December 2021 Audit Committee is included at Appendix L. The Audit Committee is supportive of the proposed recommendation.

EQUALITY IMPLICATIONS

58 Published with this report are the Equalities Impact Assessments (EIAs) for each department proposing savings. Additionally, there is a corporate budget EIA which assesses the impacts on equality of the main items in the budget proposed to Full Council, the decision to freeze council tax and not to apply the social care precept increase. The full EIA (draft) is attached at Appendix G together with individual EIAs for service areas.

RISK MANAGEMENT IMPLICATIONS

59 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, in addition to the ongoing financial pressures relating to the Covid-19 pandemic, further, as yet unidentified and therefore unquantified, budget pressures will manifest over the term of the current Medium Term Financial Strategy (MTFS), both in terms of additional/unplanned expenditure and reductions in sources of funding and income. In addition, councils have only received a one-year settlement for 2022/23 which creates further uncertainty over funding levels in the medium term. The Council must be prepared for such eventualities and maintain the progress for further savings, efficiencies and income generating initiatives and retain sufficient reserves to manage unexpected costs.

- *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, particularly given economic uncertainty. 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 Social Care, Children's Services and Temporary Accommodation.

- *<u>Use of Balances</u>:* 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.

- *<u>Procurement and Contracts</u>:* 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 changes resulting from the trade deal agreed with the European Union in December 2020 and any changes made to UK legislation arising from the UK's exit from the European Union.

60 The economic climate in which the Council has to operate continues to be extremely challenging. Cost overspends 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 real terms 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.

61 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 and the known and planned reductions in the level of reserves, which include the significant investment proposed in respect of the regeneration of Civic Campus programme, Education City and other affordable housing developments. Strong programme governance and oversight is in place and it is important that this is maintained to ensure that key objectives and outcomes are being delivered within approved budgets.

62 Appendix D sets out the financial risks against which the 2022/23 budget and MTFS are being proposed for approval. There are significant financial risks around ongoing demand for children and young people with Special Educational Needs funded by High Needs Block Dedicated Schools Grant, 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 (which have been particularly affected by the pandemic) needed to support the delivery of front-line

services, along with inflationary pressures on staffing costs and contracts. Appendix D 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.

63 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.

Implications verified by: David Hughes, Director of Audit, Fraud, Risk and Insurance, 21 January 2022.

PROCUREMENT IMPLICATIONS

64 There are no direct implications resulting from this report.

List of Appendices:

Appendix A – The requisite council tax calculations for Hammersmith & Fulham

Appendix B – Medium term financial forecast

Appendix C – Investment and savings proposals

Appendix D – Budget risks

Appendix E – Government grant funding

Appendix F – Fees and charges – exceptions to the standard increase

Appendix G – Equalities Impact Assessment

Appendix H – The business rates retention scheme for Hammersmith & Fulham

Appendix I – Spending power calculation

Appendix J – Reserves strategy

Appendix K – Reserves realignment and forecast

Appendix L – Audit Committee Report: Appointment of external auditors

APPENDIX A

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

		£
(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.	600,442,345
(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.	499,460,400
(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.	100,981,945
(d)	Being the amount formally agreed by Council as the council tax base for 2022/23.	82,263
(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.	1,227.55
(f)	Hammersmith & Fulham proportion of the Basic amount of its council tax (Band D)	831.96

(g) Valuation Bands – Hammersmith & Fulham Council:

Band A	**Band B**	**Band C**	**Band D**
554.64	647.08	739.52	831.96
Band E	**Band F**	**Band G**	**Band H**
1,016.84	1,201.72	1,386.60	1,663.92

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**
263.73	307.68	351.64	395.59

Band E	**Band F**	**Band G**	**Band H**
483.50	571.41	659.32	791.18
(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 2022/23 for each of the categories of dwellings shown below:			
Band A	**Band B**	**Band C**	**Band D**
818.37	**954.76**	**1,091.16**	**1,227.55**
Band E	**Band F**	**Band G**	**Band H**
1,500.34	**1,773.13**	**2,045.92**	**2,455.10**

Appendix B - Medium term financial forecast

	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s
Net base budget	**160,416**	**160,416**	**160,416**	**160,416**
Contract and pay inflation	10,000	16,000	22,000	28,000
Investment	4,793	10,793	16,793	22,793
Impact of Covid-19 / economic downturn	2,641	0	0	0
Net cost of borrowing (revenue cost of capital programme)	400	1,700	2,100	2,100
Savings and change proposals	-4,401	-4,787	-4,858	-4,885
One-off saving (concessionary fares)	-2,300	0	0	0
Recognition of current income projection	-3,400	-3,400	-3,400	-3,400
Increase in unallocated contingency	500	500	500	500
One-off Covid-19 contingency	1,500			
Contribution to reserves and balances	2,890			
Budget requirement	**173,039**	**181,222**	**193,551**	**205,524**
Government resources				
General grants (including new homes bonus)	-27,186	-23,679	-23,679	-23,679
Revenue Support Grant	-18,046	-18,046	-18,046	-18,046
Council resources				
Business rates (net of tariff) (increase by CPI forecast of 2% per annum from 2023/24 onwards)	-57,217	-58,361	-59,529	-60,719
Council tax (freeze assumed from 2023/24; increases in revenue modelled are due to expected new dwellings)	-68,440	-69,064	-69,688	-70,312
Prior Year Collection Fund adjustments (net)	-450	-450	-450	-450
Developer contributions - law enforcement team and gangs unit	-1,700	-1,700	-1,700	-1,700
Total forecast resources	**-173,039**	**-171,300**	**-173,092**	**-174,906**
Budget gap	**0**	**9,922**	**20,459**	**30,618**

Children's Services and Education

Change and Savings Proposals				**Budget Change**			
Ref Nos	**Service**	**Title & Theme**	**Summary**	**2022-23 Budget Change Cumulative (£000's)**	**2023-24 Budget Change Cumulative (£000's)**	**2024-25 Budget Change Cumulative (£000's)**	**2025-26 Budget Change Cumulative (£000's)**
1	Children's & Young People	Placement Sufficiency	Continuation of improved processes for Semi Independent Living through clear pathways and improved use of in borough provision	(341)	(341)	(341)	(341)
2	Children's Services	Social, Emotional and Mental Health Review	Reviewed joint funding arrangements with Health partners for Looked After Children CAMHS - without any reduction in the service	(92)	(92)	(92)	(92)
3	Children's & Young People	Client and placement related expenditure review	Improvement of processes to enable more effective and targeted interventions to support young people	(100)	(100)	(100)	(100)
Total Change and Savings Proposals				**(533)**	**(533)**	**(533)**	**(533)**

Investment and Covid Recovery				**Budget Change**			
Ref Nos	**Service**	**Title & Theme**	**Summary**	**2022-23 Budget Change Cumulative (£000's)**	**2023-24 Budget Change Cumulative (£000's)**	**2024-25 Budget Change Cumulative (£000's)**	**2025-26 Budget Change Cumulative (£000's)**
1	Children's & Young People	Shared Adoption Service	West London Regional Adoption demand led pressure	110	110	110	110
2	Children's & Young People	Shared Fostering Service	Fostering activity based pressure	235	235	235	235
3	Education	Travel care demand	Travel Care demand growth in education and health care plans	169	169	169	169
4	Education	Impact of academisation		20	20	20	20
Total Investment and Covid Recovery				**534**	**534**	**534**	**534**

Public Health

Change and Savings Proposals				Budget Change			
Ref Nos	Service	Title & Theme	Summary	2022-23 Budget Change Cumulative (£000's)	2023-24 Budget Change Cumulative (£000's)	2024-25 Budget Change Cumulative (£000's)	2025-26 Budget Change Cumulative (£000's)
Firm Savings Proposals							
1	Public Health	Reframe and redesign services	Savings from better procurement of health visiting and school nursing. Service quality to be same or better with savings achieved through improved procurement and contract negotiation. Delivery of agreed savings on 0-19 Public Health Nursing.	(120)	(180)	(180)	(180)
2	Public Health	Reframe and redesign services	Substance misuse - remodelling in 2021/22 and subsequent procurement of 3 contracts in 2022/23	0	(50)	(50)	(50)
3	Public Health	Reframe and redesign services	Reviewed joint funding arrangements with Health partners for Looked After Children CAMHS without any reduction in the service	(50)	(50)	(50)	(50)
Total Change and Savings Proposals				**(170)**	**(280)**	**(280)**	**(280)**

Investment and Covid Recovery				Budget Change			
Ref Nos	Service	Title & Theme	Summary	2022-23 Budget Change Cumulative (£000's)	2023-24 Budget Change Cumulative (£000's)	2024-25 Budget Change Cumulative (£000's)	2025-26 Budget Change Cumulative (£000's)
Firm New Investment, Demand and Demographic Growth Requests							
1	Public Health	Re-Investment	Food poverty/ healthy eating	50	50	50	50
2	Public Health	Re-Investment	Health inequalities	50	50	50	50
3	Public Health	Re-Investment	Increase Substance Misuse services to respond to increased caseloads post Covid lockdown	70	70	70	70
Total Investment and Covid Recovery				**170**	**170**	**170**	**170**

Social Care

Firm Change and Savings Proposals				Budget Change			
Ref Nos	**Service**	**Title & Theme**	**Summary**	**2022-23 Budget Change Cumulative (£000's)**	**2023-24 Budget Change Cumulative (£000's)**	**2024-25 Budget Change Cumulative (£000's)**	**2025-26 Budget Change Cumulative (£000's)**
SC1	Quality, Safety and Performance and Front door, brokerage and specialist services	Continuous improvement of services	•**To improve access to the appropriate care at the right time** by reviewing discharge from acute hospitals to ensure placements made by health to clear hospitals quickly do not result in high costs for care when social care take on responsibility for the placements. We would also challenge and reassess NHS Continuing Health Care to ensure where residents need health care it is provided by the NHS. •**To support residents to regain or maintain independence** by redesigning reablement services including better use of equipment and technology, use Occupational Therapists better and more frequently to support both prevention of the need for unnecessary care and to aid reablement and make use of digital technology to assist in accessing our range of services. •**To buy quality, good value for money care and support** by better managing care support and placements so residents are supported at the right time and for the right length of time to enable independent living & improved health and wellbeing. We aim to redesign the brokerage function so we secure the best services for residents and bolster the service with more focus on specialist support. In addition we will use London wide benchmarking data or tools like 'care cubed' to secure quality, good value for money learning disability and mental health placements. •**To engage with residents effectively** by developing a health and wellbeing strategy and continue to coproduce our living independently webpage. In addition developing a workforce so that strength based social work practice is consistently used to offer residents choice and control about how they are supported.	(800)	(800)	(800)	(800)
SC2	Quality, Safety and Performance and Front door, brokerage and specialist services	Improve access to and support provided from our front door	•**To build on the success of Conversations Matters' work** using preventative measures by regular wellbeing phone calls to residents and to provide information and practical support where needed. (Learning from Covid-19). •**To improve access to services/support and information for residents and make better use of digital technology** by the development of a web based/app resident portal (Learning from Covid-19). •**To deliver workforce efficiencies** by a system redesign incorporating a therapeutic approach by using occupational therapists and skilled practitioners at an early stage. •**To improve the hospital discharge pathway into the community** through the changes brought about by NHS Discharge to Assess Hospital Guidance, we are undertaking a review, with our NHS colleagues, to look at the skill mix required to support a safe hospital discharge and ensure we have our social work resources placed in the most appropriate setting. •**The inclusion of specialist services in the Multi Agency Safeguarding Hub (MASH)** by the co-location of agencies (the police and mental health to begin with) to respond to safeguarding concerns in a more informed and responsive way by sharing information quickly.	(700)	(700)	(700)	(700)
Total Firm Savings Proposals				**(1,500)**	**(1,500)**	**(1,500)**	**(1,500)**

Investment and Covid Recovery				Budget Change			
Ref Nos	Service	Title & Theme	Summary	2022-23 Budget Change Cumulative (£000's)	2023-24 Budget Change Cumulative (£000's)	2024-25 Budget Change Cumulative (£000's)	2025-26 Budget Change Cumulative (£000's)
1	Quality, Safety & performance and Learning Disabilities, Mental Health and In-House	Demographic growth	The Social Care budget is under severe pressure due to an ageing population, increasingly complex needs resulting from learning disabilities and mental health issues. For H&F demographic pressures relating to the increased numbers of older and disabled people requiring social care is forecast to be an average of 1.79% over the period 2021 to 2024 and equates in monetary terms to a cumulative total of £5.6m.	1,326	2,694	4,104	5,558
2	Learning Disabilities, Mental Health and In-House	Learning disability transitions	Additional funding is required for the Learning Disabilities budgets to fund the increasing number of disabled young people transitioning into adult services. We have estimated that there are likely to be 70 more young people by 2025/26 creating a cost pressure on an already overspending budget.	411	950	1,032	1,376
3	All Divisions	Employers' NI	Government increase in National Insurance Contributions by 1.25% (employer) with a proposed increase by social care providers requesting the Council fund	537	537	537	537
4	Learning Disabilities, Mental Health and In-House	Hospital discharge	As part of the Hospital Discharge to Access policy, there are greater number of residents discharged and increasing acuity of need, putting pressure on the Social Care budget	1,824	0	0	0
5	All	Long Covid-19/MH	Mental Health mapping impact of long Covid on non secondary and secondary mental health services in the borough	143	0	0	0
6	All	Adult Social Care reform	Application of market sustainability and fair cost of care grant which has the potential to increase prices from care providers	620	620	620	620
Total Investment and Covid Recovery				**4,861**	**4,801**	**6,293**	**8,091**

The Economy Department

Change and Savings Proposals				Budget Change			
Ref Nos	Service	Title & Theme	Summary	2022-23 Budget Change Cumulative (£000's)	2023-24 Budget Change Cumulative (£000's)	2024-25 Budget Change Cumulative (£000's)	2025-26 Budget Change Cumulative (£000's)
1	Housing Solutions	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 conclusion of a phased savings delivery programme.	(200)	(200)	(200)	(200)
2	Economic Development Learning & Skills	Section 106 funding of Economic Development senior management costs	The Economic Development team is largely funded from Section 106 and it is proposed to extend this to cover an appropriate share of senior management costs	(35)	(35)	(35)	(35)
Total Change and Savings Proposals				**(235)**	**(235)**	**(235)**	**(235)**

Investment and Covid Recovery				Budget Change			
Ref Nos	Service	Title & Theme	Summary	2022-23 Budget Change Cumulative (£000's)	2023-24 Budget Change Cumulative (£000's)	2024-25 Budget Change Cumulative (£000's)	2025-26 Budget Change Cumulative (£000's)
1	Planning	Planning Fee income	Realignment of income target following the Covid-19 pandemic, Brexit and other factors damaging the economy	350	350	350	350
2	Planning	Planning Fee income - Covid-19 impact	To mitigate the immediate financial impact of the Covid-19 pandemic	300	0	0	0
Total Investment and Covid Recovery				**650**	**350**	**350**	**350**

The Environment Department

Change and Savings Proposals				Budget Change			
Ref Nos	**Service**	**Title & Theme**	**Summary**	**2022-23 Budget Change Cumulative (£000's)**	**2023-24 Budget Change Cumulative (£000's)**	**2024-25 Budget Change Cumulative (£000's)**	**2025-26 Budget Change Cumulative (£000's)**
1	Resident Services	Resident Experience and Access Programme	Improved resident experience and access through better use of technology	(417)	(693)	(764)	(791)
2	All Environment	Workforce	Review of workforce to deliver efficiency savings	(500)	(500)	(500)	(500)
3	All Environment	Fees and Charges	Review of commercial charges in line with inflation	(200)	(200)	(200)	(200)
4	Leisure	Leisure Contract	Increased income from contractor running leisure contract following council investment in facilities	(67)	(67)	(67)	(67)
Total Change and Savings Proposals				**(1,184)**	**(1,460)**	**(1,531)**	**(1,558)**

Investment and Covid Recovery				Budget Change			
Ref Nos	**Service**	**Title & Theme**	**Summary**	**2022-23 Budget Change Cumulative (£000's)**	**2023-24 Budget Change Cumulative (£000's)**	**2024-25 Budget Change Cumulative (£000's)**	**2025-26 Budget Change Cumulative (£000's)**
1	Community safety	Violence against women and girls	Increased investment in reducing violence against women and girls	100	100	100	100
2	Community Safety	Modern Slavery and Exploitation	Investment in ending modern slavery and exploitation	85	85	85	85
3	Building Control	Building Control Income	Align Building Control budget with cost of statutory and non-chargeable services	50	50	50	50
4	Public Realm	Enhanced community safety	Targeted reduction in crime through focussed redesign of public areas	60	60	60	60
5	Highways	Flood management	Enhanced flood management and mitigation	175	175	175	175
6	Highways	Winter maintenance	Align winter maintenance budget with actual spend	100	100	100	100
7	Waste Disposal	Waste processing costs	Phased increase in recyclate processing costs over 5 years	60	120	180	240
Total Investment				**630**	**690**	**750**	**810**
8	Various	Covid related income losses	Temporary loss of commercial income following the Covid-19 pandemic. Assumes full commercial recovery by quarter two.	248	0	0	0
Total Investment and Covid Recovery				**878**	**690**	**750**	**810**

Corporate (Finance, Resources, Council Wide)

Change and Savings Proposals				Budget Change			
Ref Nos	Service	Title & Theme	Summary	2022-23 Budget Change Cumulative (£000's)	2023-24 Budget Change Cumulative (£000's)	2024-25 Budget Change Cumulative (£000's)	2025-26 Budget Change Cumulative (£000's)
1	Finance	Balance sheet review	Balance sheet review and management of working capital and debt management	(450)	(450)	(450)	(450)
2	Digital	Cloud Strategy: Migration to a modern cloud-based service	Development and implementation of our 'cloud first' strategy to migrate to cloud-based services. This is a wide ranging and long-term programme running over 2-3 years covering applications as well as their supporting infrastructures.	(300)	(300)	(300)	(300)
3	Digital	Multi Functional Devices (Printers) - contract procurement	Reduction of the number of multi-functional devices (printers) across the estate in line with new ways of working and climate strategy	(150)	(150)	(150)	(150)
4	Transformation, Talent and Inclusion	Workforce effectiveness and efficiency	The workforce effectiveness programme is focusing on key workforce workstreams to deliver service efficiencies, reconfiguration and rationalisation across departments	(329)	(329)	(329)	(329)
Total Change and Savings Proposals				**(1,229)**	**(1,229)**	**(1,229)**	**(1,229)**

Investment and Covid Recovery				Budget Change			
Ref Nos	Service	Title & Theme	Summary	2022-23 Budget Change Cumulative (£000's)	2023-24 Budget Change Cumulative (£000's)	2024-25 Budget Change Cumulative (£000's)	2025-26 Budget Change Cumulative (£000's)
1	Finance	Digital advertising income	Realignment of income target regarding underlying income shortfall following the pandemic	90	90	90	90
2	Digital	Remote working support costs	To support the Council's agile working policy and in response to the working from home directive as a result of the Covid-19 pandemic	35	35	35	35
3	Governance and scrutiny	Boundary Commission review of council wards and boundaries	Proposals from the Local Government Boundary Commission for England recommended that H&F increase the number of wards from 16 to 21, and also increase the number of ward councillors from 46 to 50	36	36	36	36
4	Governance and scrutiny	Workforce	Additional support costs	50	50	50	50
5	Finance - Covid Recovery	Recovery from global advertising slowdown	The impact of Covid-19 on the wider advertising market has lead to a decline in income generated from profit share arrangements with advertising agencies	130	0	0	0
Total Investment and Covid Recovery				**341**	**211**	**211**	**211**

Children's Services Department Risks

		Risk				
Department & Division	**Short Description of Risk**	**2022/23 Value (£000s)**	**2023/24 Value (£000s)**	**2024/25 Value (£000s)**	**2025/26 Value (£000s)**	**Mitigation**
Children and Young Peoples Services	Increased demand as a result of the service being needs led	To be kept under review and closely monitored.				Targeting of earlier intervention through use of family group conferences, involvement of Family Assist services and monitoring of trends
Children and Young Peoples Services	Greater demand on services as more families experience prolonged duress and the impact of economic downturn due to the pandemic	To be kept under review and closely monitored				Undertaking risk assessments and monitoring
Education	Travel Care is determined by the needs of children with SEND and the extent to which school placements are made out of borough and at a considerable dustance from the child's home. Demand for Travel Care continues to rise.	To be kept under review and closely monitored				The SEN Sufficiency Review commissioned for early 2022/23 will identify further opportunities for local SEN educational provision and inform how local provision can be developed in order to increase the number of children with SEN being able to access both local mainstream and special school places, thus reducing the both the demand for travel care, and the length of journeys to reduce costs
All Children's and Education Services	Contractual and statutory inflation more than budgeted	To be kept under review and closely monitored				Seek to minimise inflationary uplifts as far as possible, noting these are often legally enforceable contract clauses. Set aside corporate inflationary contingency
Total						

Social Care Department Risks

		Risk				
Department & Division	**Short Description of Risk**	**2022/23 Value (£000's)**	**2023/24 Value (£000's)**	**2024/25 Value (£000's)**	**2025/26 Value (£000's)**	**Mitigation**
All divisions	Market fragility and provider failure as there is a risk that a major service provider ceases to be viable for any of the following combinations of reasons, such as a major incident, change in finances, safeguarding or the impact of Covid-19. For example, vaccinations are now mandatory for all care home staff. With inflation increasing there is a potential risk that the budgetary inflation proposed will be insufficient to support care market providers. In addition, we have not modelled the impact of the National Minimum Wage increase announced in SR21.	830	830	830	830	Manage potential increase in costs in the market and support the market. The department meets contractors at least weekly to ensure contract outcomes are being met, issues are discussed and contractors are resilient in the market. Additional Performance Management meetings are in place, as required.
All divisions	Potential impact on changes in income thresholds	0	194	581	968	Modelling of the income thresholds will be undertaken from October 2023 at the commencement of the Social Care Capping Regulations.
Learning Disabilities, Mental Health and In-House	As part of the Hospital Discharge to Access policy, there are greater number of residents discharged and increasing acuity of need, putting pressure on the Social Care budget (2022/23 from one-off funding and for future years review for base budget change).	0	1,824	1,824	1,824	We will continue to monitor the impact of the Hospital Discharge process and seek funding from government and/or NHS Partners.
Mental Health	Mental Health mapping impact of long Covid on non secondary and secondary mental health services in the borough	0	286	429	572	We will continue to monitor the impact of the Hospital Discharge process and seek funding from government and/or NHS Partners
All divisions	Social Care Reform and NHS uncertainty about future funding	?	?	?	?	We will monitor the potential extra cost in the market of the NI increase being transported back to local authority as additional care costs from providers (1.25% increased cost).
All divisions	Implementation of Liberty Protection Safeguards 2022	100	100	100	100	Likely introduction of the new Liberty Protection Safeguards in 2022 may place new burdens on Social Care. This legislation will replace the Deprivation of Liberty Safeguards.
All divisions	Independent Living Fund grant, due to end on 31st March 2022	772	772	772	772	Grant allocations have not yet been confirmed. The council is committed to support residents in receipt of Independent Living Fund and will lobby the government to maintain grant levels
All divisions	Covid-19 impact on isolation, increasing drugs and alcohol and obesity will place further pressure on Adult Social Care budget	?	?	?	?	Further modelling will be undertaken to estimate the financial risks involved.
Total		**1,702**	**4,006**	**4,536**	**5,066**	

The Economy Department Risks

Department & Division	Short Description of Risk	Risk 2022/23 Value (£000s)	2023/24 Value (£000s)	2024/25 Value (£000s)	2025/26 Value (£000s)	Mitigation
Economic Development, Learning & Skills	Section 106 funding (risk modelled of 10% reduction)	250	250	250	250	Regular review of section 106 funding and review of costs
Economic Development, Learning & Skills	Adult Learning & Skills course fees	214	TBC	TBC	TBC	Reduction in levels of sessional staffing where appropriate and staffing restructure
Economic Development, Learning & Skills	Adult Learning grant	1,000	TBC	TBC	TBC	
Regeneration & Development	Development Team - non-capitalised General Fund staffing costs	100	100	100	100	The timing of recruitment to the new team and consequential delivery of development schemes
Regeneration & Development	Abortive costs for development schemes	TBC	TBC	TBC	TBC	
Operations	Property Transformation Programme	214	214	214	214	A review of rental income streams potential is in train to ensure funding for the team is available
Operations	Facilities Management - Cleaning costs	500	-	-	-	Review of Covid-19 funding
Operations	Commercial property income	TBC	-	-	-	
Housing Solutions	Housing solutions - grant income uncertainty (20% loss modelled)	-	954	954	954	
Housing Solutions	Provision of accommodation for rough sleepers and other temporary accommodation clients	139	139	139	139	No further funding is currently being made available for Covid-19 related costs
Housing Solutions	Overall Benefit Cap (OBC) & Discretionary Housing Payments (DHP)	108	108	108	108	Support and enable residents to gain exemption from the Benefit Cap or meet the shortfall through: - Training and qualifying employment - Disability/Carers benefit where possible - Resettlement into affordable housing - Personal budgeting
Housing Solutions	End of Government eviction ban	164	164	164	164	Help new Temporary Accommodation tenants (Private Rental Sector evictees) manage rent shortfalls from tapered income (non-BenCap) through: - Personal budgeting - Welfare benefit advice
Housing Solutions	Rent collection risk due to the impact of Covid19, and cost of living increases, on personal income	595	595	595	595	Robust but sensitive Temporary Accommodation income collection processes post pandemic
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	549	1,097	1,646	2,195	Increase access to private rented accommodation as outlined and agreed in recent changes to Council's Housing Allocation Scheme. Working 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	279	563	851	1,143	Reducing expensive Temporary Accommodation may mean procuring additional units outside of this borough. Capital Letters collaboration.
Housing Solutions	Since 2015, the Council has successfully managed to protect families from being housed in B&B accommodation. The increasing demand pressures arising from the Government's programme of Welfare Reform mean that there is a risk that the cost of maintaining this policy will increase.	129	143	156	170	Good management of the procurement of Temporary Accommodation for larger families
Housing Solutions	Homelessness Reduction Bill - increase in households in temporary accommodation - extra 70 households this year above the current forecast	384	768	1,152	1,536	Increase access to private rented accommodation as outlined and agreed in recent changes to Council's Housing Allocation Scheme. Working closely with Capital Letters to increase supply.
Housing Solutions	Domestic Abuse Act - increase in households in temporary accommodation - extra 70 households this year above the current forecast	384	768	1,152	1,536	Increase access to private rented accommodation as outlined and agreed in recent changes to Council's Housing Allocation Scheme. Working closely with Capital Letters to increase supply.
Planning	Planning application fees income	812	-	-	-	GDP is expected to grow by 6.5% in 2021 returning to pre-pandemic levels by April 2022. Service to continue to pursue opportunities to maximise income through Planning Performance Agreements and reviewing fees and charges.
Planning	Planning - exceptional costs	200	-	-	-	
Total		**6,021**	**5,863**	**7,481**	**9,104**	

Environment Department Risks

Department & Division	Short Description of Risk	Risk 2022/23 Value (£000s)	2023/24 Value (£000s)	2024/25 Value (£000s)	2025/26 Value (£000s)	Mitigation
Environment - All	Pressure on income levels across all chargeable services due to the on-going pandemic	744	992	0	0	Continue to implement recovery plans, work with residents and customers to recover income and to maximise any available government support
Environment - All	Significant national macro-economic inflationary pressures that may impact on service spend and current service contracts	1,784	1,784	1,784	1,784	Continue to work with contractors and suppliers to minimise impacts and secure agreement to temporarily vary contract conditions
Environment - All	Potential national public finance pressures that may impact on our specific grant funded services e.g. MOPAC, Transport for London	1,000	1,000	500	500	Continue to work proactively with our partners and highlight the major outcomes being achieved through the grant funded programmes. Develop alternative funding strategies as practicable.
Total		**3,528**	**3,776**	**2,284**	**2,284**	

Corporate (Finance, Resources, Council Wide) Risks

		Risk				
Department & Division	**Short Description of Risk**	**2022/23 Value (£000s)**	**2023/24 Value (£000s)**	**2024/25 Value (£000s)**	**2025/26 Value (£000s)**	**Mitigation**
Council wide	Contract and pay inflation in excess of current budget assumptions	2,800	2,800	2,800	2,800	The 2022/23 budget proposals include a retained contingency of £1.5m for inflationary risk
Total		**2,800**	**2,800**	**2,800**	**2,800**	

Government grant allocations

	2020/21 £000s	2021/22 £000s	2022/23 £000s	Notes
Within government core spending power				
Revenue support grant	17,410	17,506	18,046	2022/23 LGFS then assume freeze
New homes bonus	6,863	5,274	2,750	2022/23 LGFS then assume 50% reduction
Compensation for change in business rates multiplier	2,479	3,223	5,848	2022/23 assumes grant receivable in line with the business rates safety net threshold
Social care support	5,956	7,994	10,717	2022/23 LGFS
Levy account surplus	207	-		No levy confirmed for 2022/23.
Lower tier services grant		872	937	2022/23 LGFS then assume freeze
Market sustainability and fair cost of care grant			620	New - future allocations to be decided
Services grant			4,264	New one-off grant. 2023/24 allocation to be decided.
	32,915	**34,869**	**43,182**	
Outside core spending power				
Housing benefit administration	966	966	966	2022/23 allocation to be confirmed, freeze assumed
Localised council tax support administration	316	312	312	2022/23 allocation to be confirmed, freeze assumed
Independent living fund	772	772	772	2022/23 allocation to be confirmed, freeze assumed
Covid-19 local council tax support scheme grant		1,355		One year only for 2021/22
Total General Grants	**34,983**	**38,274**	**45,232**	
Grants allocated to departmental budgets				
Within government core spending power				
Better care fund	9,732	9,732	10,027	2022/23 LGPFS, passported to Social Care
Outside core spending power				
Flexible homelessness support	2,805			Replaced by homelessness prevention grant in 2021/22
Homelessness Reduction Act	568			Replaced by homelessness prevention grant in 2021/22
Homelessness prevention		3,774	3,823	The 2022/23 allocation includes £49k regarding a new duty associated with domestic abuse.
Rough Sleeping Initiative (RSI) Fund	184	997	TBC	2021/22 allocation includes £130k Covid funding, £167 RSI3 continuation funding & £700k RSI4
Lead Local Authorities Flood Grant	48	-		
Public Health	22,077	22,624	23,258	
New duty to support victims of domestic abuse	-		TBC	£98m nationally
Holiday activities and food programme	-		TBC	£220m nationally
Local reform and community voices	132	132	132	2022/23 allocation to be confirmed, freeze assumed
Prison social care	219	201	201	2022/23 allocation to be confirmed, freeze assumed
Supporting Families		805	805	Previously troubled families grant
War pensions disregard	8	12	805	2022/23 allocation to be confirmed, freeze assumed

LGFS - Local Government Finance Settlement

Fee Description	2021/22 Charge (£)	2022/23 Charge (£)	Proposed Variation (%)	Total Estimated Income Stream for 2021/22 (£)	Total Estimated Income Stream for 2022/23 (£)	Reason For Variation Not At Standard Rate
Meals service charges	**£2.00**	**£2.00**	0%	£80,000	£54,100	There is no change proposed in the flat rate contribution residents will pay towards the meal service for 2022/23. This will be the seventh year the meals charge will remain unchanged. The new meals and chat service has led to a model of local providers to offer a combination of standard fresh, chilled and ethnically diverse food options.
1. Careline Alarm Gold Service (Pendant)						
Private Clients (Home owners & Private Sector Tenants)	**£23.14**	**£23.14**	0%	£45,900	£45,900	There is no change proposed in the Careline charge in 2022/23, which will be no change for six years.
Council Non-Sheltered or Housing Association (RSL) Tenants	**£17.21**	**£17.21**	0%	£15,600	£15,600	
2. Careline Alarm Silver Service (Pendant) - Monitoring Service only						
Private Clients (Home owners & Private Sector Tenants)	**£16.12**	**£16.12**	0%	£22,800	£22,800	
Council Non-Sheltered or Housing Association (RSL) Tenants	**£10.30**	**£10.30**	0%	£5,700	£5,700	
3. Careline Alarm Gold Service (Pull cord) - Emergency Response & Monitoring Service						
(A) Provided to Registered Social Landlord Sheltered Accommodations (RSL Financed)	**£6.76**	**£6.76**	0%	£17,600	£17,600	

Equalities Impact Assessment (EIA) 2022/23

Overview and summary

The purpose of this EIA is to assess the main items in the budget proposed to Full Council on 24th February 2022.

For 2022/23, a balanced budget is proposed based on various growth areas, savings, grants, fees and reserves. As part of the budget, the Council proposes to freeze Council Tax and not apply the government modelled 1% increase in the Adult Social Care Precept. Further information is set out in the main budget 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 individual equality impact assessments of each of the 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 Adult Social Care precept proposals and, secondly, at the budget on which that decision is based. Initial EIAs have been undertaken of all the proposals at this stage, with a full EIA undertaken for those where potential adverse impact on groups that share protected characteristics have been identified. EIA is an ongoing process and further assessment will be undertaken of policy decisions as appropriate. This will happen throughout 2022/23 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 an adverse or positive impact on any protected group so that these can be considered by the Council when taking a final decision on the budget and the level of Council Tax. Where this is possible, mitigating measures are identified at the appropriate point in this document.

Summary of impact of the proposed budget

Analysis of the impact of Council Tax remaining at current level

It is proposed that Council Tax remains at its current level for 2022/23 which means that there is no new impact resulting from the setting of Council Tax for this budgetary year, either positive or negative. The maximum amount the Council could increase Council Tax, before requiring a compulsory referenda on a Council Tax increase is 2% as modelled by the government in its core spending power calculation. Were the maximum increase of 2% applied this would raise income of £1.37m for Hammersmith & Fulham.

In addition, the government has modelled setting a precept to fund Social Care for Adults of 1% in 2022/23. Hammersmith & Fulham do not propose to apply an increase in relation to this precept in 2022/23. Were the maximum increase of 1% applied this would raise income of £0.685m for Hammersmith & Fulham.

People who use Adult Social Care (ASC) services comprise of individuals with physical support, learning disability and mental health needs and their carers. Based on the latest population data, 20% of the Borough population have a long-term health condition or disability and 10% of the population are aged 65 or over.

Data from Short- and Long-Term Care (SALT) returns shows that 39% of those receiving long term services at end of March 2019 were in the 18-64 age range and 61% were aged 65 or over. The corresponding figures for those receiving short term services were 21% and 79%. Across both long-term and short-term services, 37% of customers were aged 18-64 and 63% aged 65+.

70% of carers assessed by the Council are female carers (compared to 51% of the population as a whole), so carers are disproportionately more likely to be female. For ASC residential and nursing placements and for community-based services, 37% of customers are from Black, Asian, mixed or other ethnic groups, 53% of customers are White and 10% remain unclassified. This is based on published information in the SALT return. In contrast, data from the 2011 Census indicates that the proportion of Black, Asian, mixed or other ethnic groups in the Borough population as a whole was 32%, so these groups are marginally over-represented among service users (as Black, Asian and Minority Ethnic groups tend to have poorer health than those from White groups, after accounting for age differences). Given that the provision of ASC services in general promotes equity of opportunity for these groups, a decision not to use the social care precept is potentially a decision to forego a chance to promote equality of opportunity for these groups and/or a decision not to avoid a negative impact on these groups.

However, the equality impact assessment of the currently proposed ASC budget, later in this document, shows that the savings that it is proposed to make from the social care services budget are unlikely to have any significant adverse impact on any individual service user or carer and the Council will continue to meet its statutory duties on the basis of the current budget. The additional £0.685m which could be raised through the social care precept is not therefore necessary to address any significant adverse impact of the present ASC budget since no such impact has been identified. ASC's proposed budget also incorporates growth totalling £5.204m. which is assessed, below, to have positive impacts, and is achievable without the need to use the social care precept.

An additional £0.685m income could, though, be used for: (i) providing further additional discretionary ASC services; and/or (ii) meeting any non-anticipated ASC budget pressures and managing risks arising from the Covid-19 pandemic e.g., if demand for social care services is greater than expected in any area. Of those, option (i) would be capable of contributing further to the promotion of equality of opportunity for some users of ASC services and their carers. Option (ii) might also have such an effect, though if there were a shortfall in the Council's provision of services to meet its statutory duties, the Council would in any event need to find that money from reserves or savings elsewhere if there were insufficient money in the social care budget.

The Council must give due weight to these impacts when determining Council Tax and the budget for 2022/23. The Council will need to balance the impact of not using the funds raised through the Adult Social Care Precept against the wider benefits of not raising Council Tax or implementing the Adult Social Care Precept this year.

In considering this decision, the Council will also need to consider what the equalities impact would be before introducing any Adult Social Care Precept of 1%. Previous analysis[1] concluded: those who are eligible for full Local Council Tax Support ("LCTS") would not be affected:

- those who are not eligible for LCTS would bear the bulk of the increase (likely to amount to about £8.32 per year for a Band D Council Taxpayer).
- those who are eligible for partial LCTS would bear a smaller increase.

The group that will be most significantly affected by any increase in Council Tax and/or the introduction of the Adult Social Care Precept will be those with low incomes that are just above the threshold for LCTS or who qualify for partial LCTS for whom the increase will represent a larger proportion of their disposable income. No specific data is held for this group, but the profile is likely to be similar to that of those who are eligible for LCTS. Of the 14,014 LCTS claimants, approximately 61% are female (higher than the proportion of females in the borough population, which was 51.3% according to the 2011 Census). Pensioners are also disproportionately represented (34% of LCTS claimants, but only 10% of Borough residents). Based on ONS data on low income groups, it is also likely that disabled residents, ethnic minority groups, women on maternity leave, single parents (who are normally women) and families with young children will be disproportionately represented in the affected group. Any children present in such households may be indirectly affected by the decrease in household income. Further, in line with social trends, there is likely to be a group of pensioners who are asset rich but cash poor who occupy some of the more expensive properties in the borough and will thus be subject to a greater negative financial impact as a proportion of their disposable income. For example, a 1% increase on a property banded at G would result in an increase of £13.87 per year.

As such, introducing the social care precept by 1% would likely have a disproportionate negative impact on older people, women, disabled people, ethnic minority groups and (indirectly) on children. The Council will need to weigh this negative impact against the potential positive impact of raising an additional £0.685m.

[1] 2015/16 Budget

Social Care Savings Proposals

1. Continuous improvement of support - savings proposals of £0.8m

This proposal will have a positive impact on those with protected characteristics as the proposal focuses on reviewing community support and ensuring the right support is provided and building on work undertaken in this financial year.

Improvement of support will be achieved by enhancing access to the appropriate care at the right time, as well as challenging and reassessing NHS Continuing Health Care to ensure that where residents need health care it is provided by the NHS. Residents will be supported in regaining or maintaining independence by redesigning reablement services and making use of digital technology to assist in accessing our range of services. Additionally, we will procure quality, good value for money, care and support.

Finally, we will ensure engagement with residents effectively by developing a Health and Wellbeing Strategy and by continuing to co-produce our Living Independently webpage.

This proposal has various EIA characteristics:

Hospital discharge characteristics will ensure health services are provided where needed through NHS Continuing Health Care funding. This will improve the rehabilitation and reablement provided following hospital discharge, so people regain their independence as soon as possible.

Value for Money characteristics will ensure negotiation across markets.

The Health and Wellbeing Strategy and Independent Living webpage will identify and mitigate any wider inequalities and learning from Covid-19. This will be co-produced with residents.

2. Improve access to and support provided from our front door- savings proposal of £0.7m

This proposal will have a positive impact on those with protected characteristics.

We will improve access to, and support provided from our front of house by building on the success of the work of Conversation Matters (preventative support). Additionally, we will improve access to services/support and information for residents and make better use of digital technology. Through a review with NHS colleagues we will improve the hospital discharge pathway into the community. Finally, we will ensure the inclusion of specialist services in the Multi Agency Safeguarding Hub (MASH) via the co-location of agencies (the police and mental health to begin with) to respond to safeguarding concerns in a more informed and responsive way by sharing information quickly.

This proposal has the following EIA characteristics:

The Conversation Matters programme has seen early positive engagement with residents from all protected characteristics, picking areas for improvement feeding into ongoing engagement and coproduction activity.

The Council's use of digital technology to enhance independent living/widen access for residents through use of the web based digital portal alongside other channels leads to greater empowerment of residents.

Improvement of the hospital discharge pathway will help to ensure those with protected characteristics have equal access at the right time to health care.

The MASH inclusion of specialist services will improve the timely response to safeguarding concerns by all agencies involved.

The earlier involvement of occupational therapists and skilled practitioners will avoid more intensive interventions later.

Social Care investment and Covid-19

3. Demographic pressures in social care – £1.326m

The Social Care budget is under severe pressure due to an ageing population and increasingly complex needs resulting from learning disabilities and mental health issues. As people age their needs become more complex or their informal care arrangements often break down, as unpaid carers can no longer support their relatives and friends.

These demographic pressures need to be factored into Social Care service plans, as they represent a clear cost pressure that will impact on services. Whilst the numbers receiving support from the Council may not increase significantly, the cost of care packages will increase reflecting more complex needs, including supporting individual in their own homes. For Hammersmith & Fulham demographic pressures relating to the increased numbers of older and disabled people requiring Social Care are forecast to be an average of 1.79% increase over the period 2021 to 2025 which equates in monetary terms to a cumulative total of £5.558m over this period.

4. People with Learning Disabilities (LD) transitioning to adult social care - £0.411m

Additional funding is required for the LD budgets to fund the increasing number of disabled children transitioning into adult services. There are several factors causing cost pressures in LD which include:

- Increasing volumes of disabled children transitioning into adult services reflecting the fact that more children with significant disabilities live to become adults

- Increasing acuity of need
- As people with LD age, so does the age of parents who can no longer provide the care and support they used to, which results in increased demand for social care
- Increasing numbers of care packages/direct payments against LD budget for those not meeting LD but having assessed needs relating to their autism.

For one-year £0.411m will have to fund 11 new residents.

5. Hospital discharges - £1.824m

Patients discharged from hospital since 19 March 2020, whose discharge support package has been paid for by the NHS, will need to be assessed and moved to core NHS, social care or self-funding arrangements. Therefore, we have increasing costs and acuity as discharges made from hospital into health settings are reassessed into the social care market. The financial consequences are likely to be more significant in 2022/23 with a full year impact estimated at £1.824m.

6. Mental Health associated with Long Covid - £0.143m

Social Care is anticipating an increase in the demand for people with mental health issues from Long Covid. Studies have shown that about one in four people who experience Long Covid could develop a mental health and additional care needs. Long Covid might affect things like a person's quality of life or ability to work.

Public Health Savings and Investment Proposals

7. Children and Families reframe and redesign of 0-19 Public Health Nursing Services- Proposed Savings £0.12m

Savings will come from better procurement of the 0-19 healthy child programme. The savings proposed are contractual, generating efficiencies without affecting health outcomes. Elements of the service are required by law and outcomes are reported and monitored by Public Heath England through the public health outcomes framework. This proposal will have a positive equalities impact.

8. Behaviour change reframe and redesign support - proposed savings £0.05m

This proposal will have a neutral impact on those with protected characteristics as health checks will continue to be provided to all residents aged 40+ years meeting the mandatory requirement for this offer.

We have good take up of health checks in the borough compared to other boroughs in London. The comparative price is the only element being reviewed following benchmarking.

9. Public Health reinvestment - proposed reinvestment £0.17m

The proposal, given the ongoing pandemic, is to reinvest all the proposed savings from Public Health into supporting residents around food poverty, health inequalities and substance misuse. This proposal will have a positive impact as the resources are re-invested back into the various services.

Children's Services Savings Proposals

10. Placement sufficiency, continuation of improved processes for Semi-Independent Living through clear pathways and improved use of in borough provision - £0.341m

A. Care Leavers' Accommodation – Semi-independent living procurement

The Care Leaver Accommodation project aim is to increase the supply of local semi-independent living accommodation for young people leaving care. The key objectives of the project are to reduce expenditure pressures within Children's Services, where placements for young people through framework or spot purchasing are significantly higher than locally commissioned provision, whilst simultaneously improving outcomes for young people through quality semi-independent living provision and closer links to family and community support networks.

This proposal will have a positive impact on groups that share protected characteristics for the following reasons:

- The strategy is to recommission, by way of a competitive procurement exercise, all semi-independent living services for young people at risk of becoming homeless, at risk of entering the care system and care leavers across Hammersmith & Fulham. A tendering process will commence which will enable the Council to ensure it is receiving best value and competitive rates for this provision.

- This decision significantly contributes towards the Council's placement sufficiency program which will enable more of our vulnerable young people to be placed locally with greater access to family and local support networks including health and education services.

- The procurement will deliver efficiencies through increasing capacity of in borough placements and therefore reduce the need to place in higher cost out of borough spot purchase placements.

- The newly commissioned services will both improve the quality of services and offer a person-centered approach leading to positive outcomes for our children and young people.

B. Careplace maximisation

This proposal relates to improved use of the Commissioning Alliance dynamic purchasing procurement systems for residential, independent fostering agency and semi-independent living placements by searching and placing through the online Careplace system where greater competition and more competitive placement rates are offered.

This proposal will have a neutral impact on groups that share protected characteristics for the following reasons:

- The proposals relate to improved use of the Careplace Placement system which is hosted by Ealing Council on behalf of the Commissioning Alliance and its membership boroughs. The system offers a range of benefits over spot purchasing or framework placements. Each placement category listed on the Careplace system are part of a dynamic purchasing procurement system which allows providers to leave or join at any point throughout the system's lifetime. The placement categories are independent fostering agencies, residential children's homes, special education needs and residential school placements.

- There is a wider selection of providers on these systems and more competitive rates. Improved use of this system will provide reassurance to wider department that providers being commissioned to look after our children have undergone a series of safeguarding and compliance checks. This will reduce the need to place with spot purchase and sometime unknown organisations.

11. Social, Emotional and Mental Health Review - joint funding arrangements with Health partners for Children and Adolescent Mental Health Services (CAMHS) for Looked After Children (LAC) - £0.092m

This relates to a proposed contribution from the Health Service with respect to the provision of Child and Adolescent Mental Health Services for Looked After Children**.**

It is believed that this proposal has a neutral impact on groups that share protected characteristics for the following reasons:

- There is no proposal to change the overall funding envelope for the service. The saving will be achieved by increasing the contribution paid by NHS organisations, while decreasing the relative portion paid for by the Local Authority.
- Overall, the service will not be negatively financially impacted, and there will not be any loss of delivery.

The service continues to have a positive impact on looked after children, and in particular those with mental health conditions.

12. Client and Placement Related Support - Improvement of processes to enable more effective and targeted interventions to support young people - £0.1m

Cost related to sections 17 and 23 support for children and families:

- Section 17 expenditure relates to supporting children and families to remain safely living together in the community. It includes support for subsistence, essential items, living costs, family support workers etc. to support children's

wellbeing, keep them safe and reduce escalation of need and likely entry into care.
- Section 23 expenditure relates to supporting children looked after. This includes transport to school and appointments, contact escorts, setting up home allowances, subsistence payments etc. Transport related cost constitute the biggest spend.

Tthis proposal will have a positive impact on groups that share protected characteristics for the reasons outlined above and below:

- The proposals are in line with the business-as-usual functions of the department to safeguard and promote the welfare of children within the area who are in need; and to promote their upbringing by their families, by providing a range and level of services appropriate to those children’s needs.

- The proposals will ensure that the financial or cost related support given to children and families are purposeful and meet an identified need.

An assessment will determine the need for the support identified as essential to meet the needs of the child and/or prevent the child from suffering significant harm. The assessment will consider any protected characteristics of a child and/or family to ensure that they are not negatively affected, and an allocated worker will usually be involved with the family to ensure that the support is based on assessed need and its effectiveness is reviewed. It will also ensure that families make use of community provision e.g. food banks, free nursery places to meet that need where appropriate and will ensure support and guidance regarding benefits support and accessing work.

Children’s Services Investment Proposals

13. Investment in Fostering and Adoption Services - £0.345m

- Shared Services Fostering Recharge – Investment following activity-based review within the Shared Service
- West London Regional Adoption – Investment following activity-based review within the agreement

This proposal will have a neutral impact on groups that share protected characteristics for the following reasons:

- In 2022/23 growth has been requested to manage activity and demand led pressures in front line service provision within the shared fostering and regional adoption services. This budget growth is to manage activity led workloads and not as a result of any proposed service change.

- Increased local provision will benefit young people in Hammersmith & Fulham to be placed in quality foster carers and more locally.

- With respect to adoption, this will enable us to recruit an increased and diverse pool of skilled adopters to meet the varied needs of children. This will also enable us to improve the quality and timeliness of permanence arrangements for young people.

14. Investment in Travel Care & Support - £0.169m

Budget growth is requested to reflect the increased demand of children and young people accessing travel assistance services.

Officers have assessed that the proposed budget growth will have a positive impact on protected groups, allowing the Council to respond to growing demands and meet its obligations under published travel care policies.

Environment Savings Proposals

15. Improved resident experience and access through increased use of technology - £0.417m

This saving will be delivered by the Resident Experience and Access Programme (REAP); a programme that will transform the way residents interact with the Council by centralising customer contact and maximising our use of technology. REAP will ensure all services are fully accessible via digital channels and introduce efficient processes. This means greater efficiency and vital financial savings are possible.

This proposal has a neutral equalities impact. Additional equality impact assessments will be undertaken for REAP programmes/projects to ascertain the potential impact on groups that share protected characteristics and to ensure services are accessible and do not digitally exclude any groups.

16. Review of Environment workforce - £0.5m

A review of the Environment workforce and rationalisation of posts is expected to reduce staffing costs. This saving will be delivered through a combination of recruitment freeze and structural changes. The resulting changes to the workforce will not impact frontline services.

This proposal has a neutral equalities impact. An equality impact assessment will be undertaken as part of any staff structural changes

17. Review of commercial charges - £0.2m

This saving will be delivered through a review of commercial income across the Environment department. Charges do not vary according to any particular group with protected characteristics.

This proposal has a neutral equalities impact.

18. Increased Leisure Contract Income - £0.067m

This is a year on year increase of an existing saving carried forward from 2019/20 (cumulative budgetary saving of £500,000 to 2022/23).

The current leisure contract has secured better income terms following Council investment in improved facilities at Lillie Road Fitness Centre and Phoenix Leisure Centre. This is expected to increase use of the facilities and therefore increase the amount of income able to be generated by the contractor (of which the Council gets a share). These facilities are public leisure facilities, available for all to use (charged for at the point of use). As such, there is a neutral impact on those with protected characteristics.

This proposal has a neutral equalities impact.

Environment Investment and Covid-19 Recovery

19. Reducing Violence Against Women and Girls - £0.1m

This is increased investment in reducing violence against women and girls. This will have a positive impact on victims of such crime. It does impact on groups that share protected characteristics (mainly gender) and therefore has a positive equalities impact.

20. Ending Modern Slavery and Exploitation - £0.085m

This is increased investment in ending modern slavery and exploitation. This will have a positive impact on victims of such crime. It does impact on groups that share protected characteristics (mainly race) and therefore has a positive equalities impact.

21. Building Control Income - £0.05m

This is the alignment of budgets with actual demand for the statutory and chargeable parts of the service. Building Control is a chargeable service, available for all to use (charged for at the point of use). As such, there is a neutral impact on those with protected characteristics.

22. Public Realm Community Safety Improvements - £0.06m

This is increased investment to redesign public realm areas to reduce the potential for crime. This will have a positive impact on victims of crime as well as on groups that share protected characteristics such as disability, age, gender and pregnancy and maternity.

23. Highways Flood Management - £0.175m

This is increased investment in flood mitigation measures. This will have a positive impact on those affected by flooding in the borough and groups that share protected characteristics, in particular those living in disadvantaged areas.

24. Highways Winter Maintenance - £0.1m

This is the alignment of budgets with the actual cost of highways winter maintenance. This will allow for the continuation of existing maintenance and continue to have a positive impact on the public realm for all, but it does not impact any particular group with protected characteristics and therefore has a neutral equalities impact.

25. Waste Processing Costs - £0.06m

This is increased spend on the processing of household recyclate, due to increased processing costs. This service is provided to all residents. It does not impact any particular group with protected characteristics and therefore has a neutral equalities impact.

26. Covid Related Income Losses - £0.248m

This is to temporarily reduce income budgets for those commercial services most adversely affected by the ongoing Covid-19 pandemic. This does not affect the services provided or their fees and charges. The proposal has a neutral equalities impact.

The Economy Savings Proposals

27. Consolidation of management and workforce and reduction in the use of agency staff (Housing Solutions) - £0.2m

This proposal and subsequent restructure will reduce agency staff and enable overall staffing. This is the final year of a phased three-year savings delivery programme. The proposal has a neutral equalities impact.

28. Review of Section 106 funding of Economic Development workforce costs - £0.035m

This proposal relates to a change in the funding source for part of the Assistant Director post from General Fund to Section 106 in accordance with the duties carried out by this post. The proposal has a neutral equalities impact.

The Economy Investment and Covid recovery

29. Planning Fee Income - £0.35m

Funding is provided to offset an underlying shortfall in forecast planning income. This proposal has a neutral equalities impact.

30. Planning Fee Income – Covid-19 Impact - £0.3m

Funding is provided to offset the potential loss of income arising from the Covid-19 pandemic and economic downturn. This proposal has a neutral equalities impact.

Corporate savings and change proposals

31. Digital Services contracts review £0.45m

The proposals focus on realising efficiencies related to back office staff and functions. Savings will be delivered through the migration of infrastructure services to cloud hosting platforms (£300k) and the re-procurement of the printing contract in line with the new ways of working and corporate accommodation strategy (£150k).

It is believed that this proposal has a neutral impact on those with protected characteristics as the proposal focuses on managing and procuring contracts more effectively and efficiencies relating to back office staff and functions. As such there is a neutral impact for any groups, residents and/or employees alike, who share protected characteristics.

32. Balance Sheet Review £0.45m

The saving will be delivered as a result of managing debt management costs and working capital neither of which directly impacts any specific services used by residents. It is expected that there will be a neutral impact on residents and employees as a result of this saving.

33. Workforce Effectiveness and Efficiency £0.329m

Savings will be secured using vacancies arising from staff turnover - with some posts being deleted whilst others are replaced with lower graded posts. There will not be any compulsory redundancies.

Where there are staff changes leading to savings, Equality Impact Assessments are carried out as part of the reorganisation process.

The proposal has a neutral equalities impact.

Corporate Investment and Covid Recovery

34. Digital Advertising Income £0.09m

This proposal relates to income receivable by the Council and has a neutral equalities impact

35. Remote Working Support Costs £0.035m

The investment requested reflects increased demand for laptop devices across the Council since February 2019, and the associated increase in 3rd party support costs for the incremental increase in devices.

It is expected that there will be a neutral equalities impact on residents and employees as a result.

36. Boundary Commission Review £0.036m

This proposal has a positive impact on those with protected characteristics as improving electoral equality by equalising the number of electors that each councillor represents; ensuring that the recommendations reflect community identity and providing arrangements that support effective and convenient local government.

37. Workforce – additional support costs £0.05m

This is a minor budget realignment that will have a neutral equalities impact on residents and employees.

38. Recovery from global advertising slow down £0.130m

This proposal relates to income receivable by the Council and has a neutral equalities impact.

Summary on impact on the budget

Social Care & Public Health

The 2022/23 proposals are detailed in this report. The proposals generally centre around promoting independence and early intervention. These will be achieved without any anticipated adverse impact on people who use the services. All of the proposals therefore have a neutral and/or positive equalities impact.

Children's Services

The savings proposals for these vital services to vulnerable children and young people will be delivered through promoting greater independence, more access to support within the community and increasing the number of in-borough placements. Together with a bigger emphasis on recoupment of unused direct payment balances, these proposals will realise cost savings whilst ensuring a positive equalities impact.

The requests for growth funding are primarily to align budgets with the demand led growth in numbers that services are experiencing. These proposals will ensure that we continue to achieve a positive equalities impact for these children and young people.

Economy

Key elements of the savings proposals from this department are associated with the reduction in use of agency staff, review of section 106 funding of Economic Development workforce costs. These proposals are expected to result in a neutral equalities impact.

Environment

Savings will be realised through increased use of technology, workforce review, and review of commercial charges. These proposals are expected to result in a neutral equalities impact.

Corporate

The majority of savings from this department relate back office staff and functions and managing and procuring contracts more effectively. As such there are no adverse equality implications for any, residents and employees who share protected characteristics. Where proposals affect staff, more detailed equality impact assessment will follow in line with the Human Resources policy and procedure.

Conclusion

Overall, these collective budget proposals are likely to result in either a neutral or positive impact on groups that share protected characteristics, under the Equality Act 2010.

Where Council departments have outlined efficiencies around staffing, residents will not experience any decline in services. Efficiencies are anticipated to be realised through 'natural wastage' and the reduction in agency staff, avoiding compulsory *redundancies. For any proposed restructure, an Equality Impact Assessment will be undertaken as part of the reorganisation process.*

As proposals are developed further, the assessment will be built upon, and the impact will be assessed further. Mitigating actions will be identified and implemented, to prevent negative impacts on groups that share protected characteristics.

Appendix H

The Business Rates Retention Scheme for Hammersmith and Fulham

		2022/23 £m
Step 1	**Business rates baseline** Notification from the government of the business Rates they expect Hammersmith & Fulham to collect	78.713
Step 2	**Tariff** Payable to government	(16.299)
Step 3	**Funding baseline** The income from business rates that government modelling assumes Hammersmith & Fulham will retain	61.857
Step 4	**Actual Hammersmith & Fulham forecast of business rates income** Includes the Hammersmith & Fulham share of section 31 grant regarding retail, hospitality and leisure rate relief.	54.869
Step 5	**Safety net threshold** The safety net threshold is set at 92.5% of the funding baseline and is the minimum amount of funding guaranteed by government.	57.217
Step 6	**Safety net compensation** Sum receivable by Hammersmith & Fulham to bring it to the safety net threshold (Step 5 less step 4).	2.348

The London Borough of Hammersmith & Fulham share of business rates income included in the 2022/23 budget is £57.217m. This is the minimum sum guaranteed by the safety net threshold. This is £4.640m lower than the funding baseline (step 3) assumed by the government.

Appendix I

Spending Power calculation

The provisional 2022/23 local government finance settlement (LGFS)

1. The final LGFS 2022/23 was published on 7 February 2022. As part of the settlement the government calculate how much they think local authority spending power has increased.

2. The Hammersmith & Fulham figures that are included in the government spending power calculation are set out in Table 1. As well as government funding this includes their assumption on what local authorities will collect through council tax and business rates.

Table 1 – Government core spending power calculation

Funding within core spending power	2021/22 £000s	2022/23 £000s
General Grants		
Revenue support grant	17,506	18,046
New homes bonus grant	5,274	2,750
Social care support grant	7,994	10,717
Multiplier cap compensation	3,223	6,322,
Market sustainability and fair cost of care	0	620
Lower tier support services grant	872	937
Services grant	0	4,264
Earmarked Grants		
Improved better care fund	9,732	10,026
Total	**44,601**	**53,682**
Government assumed council tax (based on 3% increase including 1% adult social care precept)	67,330	70,462
Assumed business rates	61,855	61,855
Total	**173,786**	**185,999**
% increase		7.0%

2 The figures set out in Table 2 show that the Hammersmith & Fulham increase is below the London and national average increase.

Table 2 – Government spending power calculation

	2021/22	2022/23
Hammersmith & Fulham	+4%	+7.0%
London average[1]	+4.3%	+7.3%
National average	+4.5%	+7.4%

[1] Estimated figure from the Local Government Association.

5. The government spending power calculation:
   - takes no account new funding burdens (the market sustainability and fair cost of care grant)
   - assumes that authorities will increase council tax by 2% and levy the adult social care precept at 1%.
   - 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 Hammersmith & Fulham may be £4.6m[3] lower.
   - assumes that the multiplier cap compensation grant, payable for the government decision not to increase business rates, is funded in line with the business rates baseline. As Hammersmith and Fulham budgets to receive a lower amount of business rates income (the safety net threshold) the actual grant forecast is lower.

6 As set out in Table 3 when account is taken of the above factors the local spending power increase for Hammersmith & Fulham is estimated at £4.4m (2.5%). This compares to inflationary pressures of £10m.

Table 3 – Hammersmith & Fulham spending power calculation

	£m
Government Spending Power calculation 2021/22	**173.8**
Government Spending Power calculation 2022/23	**186.0**
Less:	
Business rates below funding baseline	(4.6)
Lower multiplier cap compensation grant	(0.5)
New burdens	(0.6)
Assumed council tax increase of 3%	(2.1)
Adjusted Hammersmith & Fulham spending power calculation 2022/23	**178.2**
Adjusted 2022/23 increase	**2.5%**

[2] This figure is the net business rates the government expect Hammersmith & Fulham to retain after payment of a tariff to the government.
[3] This is confirmed following completion of the 2022/23 NNDR1 business rates return in January 2022.

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APPENDIX J

2022 RESERVES STRATEGY AND ACTION PLAN

Summary

The Council faces a continued financial challenge due to the impact of the Coronavirus (Covid-19) pandemic, on-going demand and demographic pressures and uncertainty regarding future government policy and funding. Supply constraints, driven by Covid and Brexit, have also led to increased inflationary risk. Continued action is required to ensure that reserves remain adequate to meet the pressures facing the Council over the medium term and deal with future unexpected events.

The reserves strategy acknowledges the challenges facing the Council. It is supported by an action plan that proposes measures which improve the medium-term outlook. The measures taken since the action plan was approved in 2019/20 have already improved the reserves forecast by £27.6m.

Hammersmith & Fulham will carry forward a budgeted general balance of £20.4m and earmarked reserves (excluding Covid-19 funding and developer contributions) of £74.1m at the start of 2021/22. Based on the most recent comparative data (the start of 2020/21) the Council's reserves are slightly above average, as a percentage of net revenue expenditure, for a London Borough.

The Council is already committed to use reserves to fund several major initiatives and priorities. It also faces significant current and future financial pressures and risks and potential costs of future service improvements.

Detailed analysis

1. Reserves play a crucial role in good public financial management. They enable investment in service transformation and provide resilience against unexpected events or emergent needs. As one-off resources they can only be spent once.

2. Hammersmith & Fulham holds reserves for two main purposes:.
   - As a contingency to cushion the impact of unexpected events or emergencies – this forms part of general balances. The lack of an appropriate safety net has resulted in several councils, including Bexley, Croydon and Northamptonshire, running into financial difficulties.
   - To build up funds for known or predicted requirements; these specific reserves are known as earmarked reserves.

3. For 2021/22 Hammersmith and Fulham carried forward General Fund reserves and balances of £190.8m. The split, and trend since 2017/18 is set out in Table 1.

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Table 1 – The general balance and earmarked reserves 2017/18 to 2021/22

	Opening balance 2017/18 £m	Opening balance 2018/19 £m	Opening balance 2019/20 £m	Opening Balance 2020/21 £m	Opening Balance 2021/22 £m
General balance	19.0	19.0	19.0	19.0	19.3
Earmarked reserves	79.1	89.6	55.5	38.3	74.1
Sub-total	**98.1**	**108.6**	**74.5**	**57.3**	**93.4**
Covid-19 related	0	0	0	6.2	51.4
Total	**98.1**	**108.6**	**74.5**	**63.6**	**144.8**
Developer Contributions	3.8	5.3	6.5	16.4	46.0
Grand total	**101.9**	**113.9**	**81.0**	**80.0**	**190.8**

4. The level of reserves increased significantly in 2020/21. In part this related to the carry forward of £51.4m regarding the financial impact of Covid-19. The majority of this is not available for the Council to spend. It is required to fund existing liabilities regarding the timing of collection fund impacts relating to business rates reliefs (£41m) and business grants (£3.9m). The reserves include, in line with accounting practice, £46.0m relating to developer contributions. The use, and monitoring of such contributions, is subject to a separate approval and monitoring process which ensure the conditions within the relevant s106 legal agreements and Community Infrastructure Levy requirements are met.

5. A comparison between Hammersmith & Fulham and the London borough average, based on the most recent data (the start of 2020/21), is set out in Table 2. The final row of the table (General fund and non-schools earmarked general fund reserves as a percentage of service revenue expenditure (%)) is the more illuminating, as it takes into account the Council's smaller size compared to most other London boroughs.

Table 2 – Comparison to other London Boroughs as at 31 March 2020

Measure	Hammersmith & Fulham	Average for London Boroughs	Ranking relative to other London Boroughs (/32)
Total general fund and non-schools earmarked general fund reserves	£79.9m	£107.7m	19
General fund and non-schools earmarked general fund reserves as a percentage of service revenue expenditure (%)	29%	25%	8

6. As part of the Audit Findings Report, for the year ended 31 March 2020, the Council's external auditors (Grant Thornton) commented on the level of the Council's reserves:

'the Council's reserve position is reasonable but allows no room for complacency or further diminution of those reserves. We would urge that members fully digest the

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lessons from recent Public Interest Reports and other commentary from sector financial experts as they approach the 2021/22 budget setting round'.

7. The Council has put in place a reserves strategy to ensure effective oversight regarding the level and use of reserves and has established an action plan to maintain reserves at an appropriate level. This has included significant contributions to reserves in the 2021/22 budget and the proposed 2022/23 budget.

RESERVES STRATEGY

8 The Council's reserves strategy is based on the following key principles:

- General Balances are reviewed annually as part of the Council Tax and Budget report.
- Those reserves no longer required for their intended purpose are identified and made available for other defined priorities.
- The level of reserves and forecast should be re-assessed every 6 months to ensure their adequacy.
- The risk assumptions to be reviewed every 6 months.
- A long-term view will be used when assessing the use of reserves to ensure that existing commitments and agreed priorities can be delivered.
- Being 'ruthlessly financial efficient' will underpin any request for use of reserves. Internal bids for one-off funding will be peer challenged and clear business cases presented so that using reserves is agreed in exceptional cases. The 'one-off nature' and funding solution/ outcome will be rigorously assessed during the funding term and at the end of life. Use of reserves will only be progressed once agreed with the Director of Finance, the Chief Executive and the Cabinet Member for Finance and Commercial Services.
- Reserves can only be used once and the required future service transformation is significant given the expected future financial challenges. In accordance with proper accounting practice, and subject to affordability, the draw down from reserves will be minimised through consideration of government provisions for the flexible use of capital receipts, securing an appropriate contribution from partners and non-General Fund services, revenue contributions and regular balance sheet review.
- When the Council is in receipt of one-off and non-recurrent resources it should aim to utilise them to replenish and top-up reserves. An additional contribution of one-off sums of £1.1m was agreed as part of the 2021/22 budget**.**
- The reserves strategy is supported by an action plan, that is updated regularly, that aims to ensure the adequacy of reserves over the medium-term.

Planned use of reserves

General balances

9. Under Section 25 of the Local Government Act 2003, the Director of Finance is required to include, in budget reports, her view on the adequacy of Council's balances and reserves.

10. General balances cover unforeseen financial risks and provide cover for unexpected or unavoidable additional costs. 2021 Budget Council agreed that the medium-term recommended range for general balances is between £19m and £25m. For 2021/22 the budgeted general balance is £20.4m, an increase of £1.4m since 2019/20. As part

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of the 2022/23 budget it is proposed that the general balance increase by £0.6m to £21m.

11. Whilst use of the general balance can be part of a plan to ease future budget reductions, and to allow longer term savings to come to fruition, it is not a prudent use to draw down from the general balance with no clear plan on how any future budget gap will be bridged. Should general balances be anticipated to fall below the recommended range then concerns may arise regarding the Council's financial resilience and sustainability.

Earmarked reserves

11. Earmarked reserves are held for several purposes:
    - sums set aside for major schemes, such as the decant from the Town Hall as part of the Civic Campus programme
    - insurance reserves
    - service transformation
    - to meet one-off pressures
    - unspent revenue grants, held for specific purposes.

12. Some earmarked reserves have restrictions placed on their use. For example, reserves relating to unspent revenue grants may have conditions attached. The main restricted reserves for Hammersmith & Fulham are set out in Table 3. The need for restricted reserves is reviewed annually to ensure they are still required for their intended purpose

Table 3 – Restricted and earmarked reserves

	Opening balance 2021/22 £m
Covid-19 grant funding	51.4
Revenue grants	4.5
Insurance fund	5.9
Restricted reserves excluding developer contributions	**61.8**
Developer contributions (Section 106 and Community Infrastructure Levy)	46.0
Restricted reserves including developer contributions	**107.8**
Other earmarked reserves (unrestricted)	63.7
Total earmarked reserves	**171.5**

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Unrestricted earmarked reserves

13. As set out in Table 3 the level of unrestricted earmarked reserves carried forward at the start of 2021/22 was £63.7m. In accordance with the reserves strategy the intended purpose, and level of such reserves has been reviewed. The proposed balances carried forward are summarised in Table 4 with further detail provided in Appendix 1.

Table 4 – Proposed earmarked reserves (unrestricted) as at 1 April 2021

	£m
Corporate demands and pressures	31.1
Dedicated schools grant support	16.7
Civic Campus	3.4
IT enabling fund	3.0
Efficiency projects reserve	1.7
Unallocated contingency (prior year commitments)	1.4
IBC development	1.1
Other	5.3
Total earmarked reserves	**63.7**

14. An earmarked reserve of £16.7m is held regarding the cumulative Dedicated Schools Grant (DSG) high needs deficit. This is £3.1m lower than the previous year. The deficit is expected to reduce further in future years following the Council securing additional government funding and continuing to manage its DSG recovery plan. As the deficit reduces as grant is received, resources will be freed up for transfer to the corporate demands and pressures reserve.

15. Appendix K summarises the current forecast draw downs from, and planned contributions to, earmarked reserves. The major commitments include:
- £4m of investment in the **resident experience and access programme (REAP**). This is planned to drive transformation, improved access, reliability and quality across all front-line services. The programme would resolve the low level of digital access that residents of the borough currently experienced, ensuring digital inclusion and choice.
- Continued investment of £9.6m in the **Civic Campus programme** (following prior year investment of £20.1m). The total approved use of reserves is £36.7m of which the latest estimate is that £29.7m will be drawn down. The business plan models a future profit share of £11.1m from the Joint Venture and section 106 contributions of £5.9m.
- £3.1m of further investment to undertake an area-based prototypes for an **alternative waste collection schemes** and for contract procurement of a new waste, recycling and street cleansing contract. Prototype collection schemes relating to, for example, separate food waste collection and wheeled bin containers need to be carried out to inform the Council's requirements for the services going forward. In Hammersmith & Fulham a 1% shift from general waste to recycling equates to a saving of approximately £70,000 per year in waste disposal fees.

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Reserves adequacy and future risk / priorities

16. A reserves cashflow forecast has been undertaken. This is detailed in Appendix K. The forecast is for financial modelling purposes and significant uncertainty remains regarding the timing of expenditure and income flows. The forecast excludes any movement in developer contributions. Allowance is made for the 2021/22 forecast budget underspend (reported in Corporate Revenue Monitor month 6) of £4.7m. A further contribution of £2.9m is also proposed as part of the 2022/23 budget.

Table 5 – Cash flow (general balances, earmarked and restricted reserves)

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Opening balance	**144.8**	**93.0**	**85.8**	**85.3**
Forecast movement (largely due to timing of Covid payments)	(56.5)	(10.2)	(0.6)	12.6
2021/22 forecast budget underspend (month 6)	4.7	0	0	0
Budgeted 2022/23 contributions	0	2.9	0	0
Closing balance	**93.0**	**85.8**	**85.2**	**97.9**
Developer contributions	46.0			

17. The Council faces several potential risks whilst indicative plans for further service transformation highlight possible further calls on reserves. Such risks include:
- Covid-19 recovery and addressing pent-up demand
- Discussion are on-going regarding the future of Hammersmith Bridge and the Council is incurring revenue and capital costs at risk until government funding is confirmed
- An upturn in inflation post Brexit and Covid-19
- Cuts to government funding and the impact on London of the‘levelling-up’ agenda
- The impact of, and tackling, climate change
- Any write-off of pre-development costs should it not be possible to take forward planned capital schemes - the updated reserves strategy incorporates an earmarked reserve of £5m as mitigation against this risk.

18. **The future risks forecast highlights that action continues to be required to ensure that reserves remain adequate over the medium-term.** The current action plan is set out in Table 6. The actions delivered to date are estimated to have already benefited the reserves forecast by £27.6m. Further opportunities will continue to be taken forward.

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Table 6 – Reserves action plan

Ref	Action	Actions taken to date	Potential further opportunity
1	Relocate back to the new Town Hall Civic Campus at the earliest opportunity and capitalisation of appropriate programme costs (£1.5m to date).	£1.5m	£5.5m
2	New ways of working following the learning from the Covid-19 pandemic may enable additional Civic Campus decant and other accommodation savings to be made.		On-going
3	Manage in-year council spend within budget to enable additional contributions to reserves. The future opportunity reflects the current forecast 2021/22 underspend at month 6.	£7.2m	£4.7m
4	Prepare and consider a programme of asset disposals to deliver capital receipts to fund invest to save and IT investment costs through the flexible use of capital receipts. The regulations require expenditure to be incurred by the end of 2024/25 and £5.8m of receipts are forecast within the capital programme.	£3.6m	£5.8m
5	Review of future requests to use reserves, such as the Resident Access and Experience Programme, to identify potential capitalisation opportunities. £0.2m of column replacement costs were capitalised in 2019/20 to protect revenue reserves.	£0.2m	On-going
8	Ensure all Council budgets (such as the Housing Revenue Account/ Pension Fund) and partners pay a fair share of costs falling on reserves. The actions taken to date include an HRA contribution to the Civic Campus.	£1.2m	On-going
9	Peer challenge by the Chief Executive and Director of Finance of all existing commitments.		On-going
10	Review of existing commitments. For example, following the exit from the previous facilities management contract a provision of £2.5m was set aside which is no longer required.	£2.5m	On-going

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Ref	Action	Actions taken to date	Potential further opportunity
11	Balance sheet review to establish if further reserves can be freed up. As part of the 2020/21 budget process £3.4m of historic council tax adjustments were identified as available for release. A separate exercise has been undertaken that released £3m of historic business rates adjustments to the Council's Collection Fund. By preventing a deficit arising on the Collection Fund a potential future call on reserves has been avoided.	£3.4m	On-going
12	Release the dedicted schools grant (DSG) support reserve in line with the DSG recovery plan.	£3.1m	£16.7m
13	Review external funding opportunities and developer contributions.		On-going
14	Assess the IT funding requirement over the medium-term.		On-going
15	Review the purpose for which all reserves are held on a twice-yearly basis, including those that are restricted, to ensure they are required for their intended purpose. Actions taken included above.		On-going
16	Consider additional contributions to reserves as part of annual revenue budget setting process. The 2022/23 budget includes new contributions of £2.9m.	£4.9m	£2.9m
	Total	**£27.6m**	**£35.6m**

Reserves - Cash Flow

		Balance 31/3/21 £000s	Forecast movement 2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s	Balance 31/3/25 £000s	Comments
General balances	Contributions	**19,305**	1,100	0	0	0	**20,405**	2021/22 budgeted contribution of £1.1m.
	Drawdowns		0	0	0	0		
Earmarked reserves								
Civic Campus	Contributions	**3,434**	6,215			11,100	**11,100**	Contribution is a transfer from corporate demands and pressures. Updated sum required is £29.7m with £20.051m charged to prior years. Future contribution £11.1m re Joint Venture profit share. £5.9m section 106 receipts also receivable.
	Drawdowns		-7,700	-1,949				
Contribution to local elections	Contributions	**342**	75	75	75	75	**242**	Budgeted contributions of £0.075m per annum. £0.400m drawdown modelled for 2022/23 to fund the local election.
	Drawdowns			-400				
Efficiency Projects Reserve	Contributions	**1,731**	750	750	750	750	**3,108**	Budgeted contributions of £0.750m per annum. Current commitments are £3.858m (REAP) less use of capital receipts of £2.235m. Balance includes £0.5m contribution to REAP development made in 2020/21.
	Drawdowns		-1,623	0	0	0		
IBC Development	Contributions	**1,128**	0	0	0	0	**1,128**	
	Drawdowns		0	0	0	0		
IT Enabling Fund	Contributions	**3,045**	1,110	800	800	800	**4,580**	Budgeted contributions are £0.800m per annum & £0.310m retained profit of the H&F Bridge Partnership in 2021/22. Existing commitments £0.095m and £0.080 for desk booking system. Potential drawdown of £1.8m for the cloud strategy (to deliver MTFS saving).
	Drawdowns		-175	-1,800				
Unallocated contingency	Contributions	**1,362**	0	0	0	0	**646**	Commitments of £0.715m (mainly) Hammersmith Bridge.
	Drawdowns		-716	0	0	0		
Property Reserve	Contributions	**650**	0	0	0	0	**200**	Potential drawdown to support the revenue costs of future regeneration and development projects.
	Drawdowns		0	-150	-150	-150		
Climate change	Contributions	**750**	0	0	0	0	**0**	Reserve yet to be fully committed but anticipated to be fully utilised.
	Drawdowns		-500	-250	0	0		
Legal	Contributions	**600**	0	0	0	0	**600**	
	Drawdowns		0	0	0	0		
Workforce	Contributions	**150**	0	0	0	0	**150**	
	Drawdowns		0	0	0	0		
Corporate demands and pressures	Contributions	**31,090**	1,827	0	0	0	**18,368**	Commitments include £3.072m for waste procurement and collection prototype. In addition, transfer of £6.215m to Civic Campus reserve and £5m to development risk. Contribution relates to the modelled reduction in the DSG deficit reserve in 2021/22.
	Drawdowns		-14,549	0	0	0		
Pre-development costs	Contributions	**0**	5,000	0	0	0	**5,000**	New reserve held as mitigation against development risk.
	Drawdowns		0	0	0	0		
Schools' regeneration	Contributions	**19**	0	0	0	0	**19**	
	Drawdowns		0	0	0	0		
Controlled parking	Contributions	**476**	0	0	0	0	**476**	
	Drawdowns		0	0	0	0		
Linford Christie	Contributions	**7**	0	0	0	0	**7**	
	Drawdowns		0	0	0	0		
Parks	Contributions	**538**	0	0	0	0	**538**	
	Drawdowns		0	0	0	0		
Dedicated Schools Grant support	Contributions	**16,679**					**14,852**	Reduction in DSG deficit reserve, as forecast in CRM 6. Modelled as a transfer to the corporate and demands pressure reserve. Future transfers subject to delivery of the DSG deficit reduction plan and will be reviewed annually.
	Drawdowns		-1,827					
Temporary Accommodation	Contributions	**450**	0	0	0	0	**0**	Potential use to fund cost avoidance measures
	Drawdowns		0	-450	0	0		
Learning disabilities - Individual Service contract	Contributions	**391**	0	0	0	0	**0**	Drawdown subject to agreement. Could be 2021/22 or the next financial year. For modelling purposes assumed next year.
	Drawdowns		0	-391	0	0		
Supporting people	Contributions	**600**	0	0	0	0	**0**	Drawdowns anticipated but subject to approval
	Drawdowns		-300	-300	0	0		
Centre for systematic social work	Contributions	**185**	0	0	0	0	**0**	
	Drawdowns		-185	0	0	0		
High Speed 2	Contributions	**59**	0	0	0	0	**59**	
	Drawdowns		0	0	0	0		
Total		**63,686**	**-12,598**	**-4,065**	**1,475**	**12,575**	**61,073**	
Covid								
Covid-19	Contributions	**51,365**	0	1,347	0	0	**0**	Net business rates drawdown of £39.438m. Business grants of £3.900m payable in 2021/22. Council tax deficit of £1.1m spread over 3 years. Balance spent in 2022/23 and 2023/24.
	Drawdowns		-44,100	-6,498	-2,114	0		
Restricted								
Troubled families grant	Contributions	**829**	0	0	0	0	**0**	Draw downs are latest estimate.
	Drawdowns		-371	-458	0	0		
Dedicated Schools Grant - schools and early years block	Contributions	**2,173**					**2,173**	
	Drawdowns							
Partners in practice	Contributions	**957**	0	0	0	0	**0**	£0.465m budgeted to be drawn down in 2021/22
	Drawdowns		-465	-492	0	0		
Barclays sports grant	Contributions	**29**	0	0	0	0	**29**	
	Drawdowns		0	0	0	0		
Sullivan service charges	Contributions	**5**	0	0	0	0	**5**	
	Drawdowns		0	0	0	0		
Fulham Palace	Contributions	**184**	0	0	0	0	**184**	
	Drawdowns		0	0	0	0		
Lead Flood authority	Contributions	**170**	0	0	0	0	**170**	
	Drawdowns		0	0	0	0		
Insurance Fund	Contributions	**5,937**	0	0	0	0	**5,937**	
	Drawdowns		0	0	0	0		
Misc. grants	Contributions	**101**	0	0	0	0	**101**	
	Drawdowns		0	0	0	0		
LAA Waste grant	Contributions	**53**	0	0	0	0	**53**	
	Drawdowns		0	0	0	0		
Total		**10,438**	**-836**	**-950**	**0**	**0**	**8,652**	
2021/22 forecast underspend							**4,698**	
2022/23 budget contribution							**2,890**	
Total All		**144,794**	**-56,434**	**-10,166**	**-639**	**12,575**	**97,718**	

Reserves and balances (excluding developer contributions)

Opening	**144,794**	**93,058**	**85,782**	**85,143**
Movement	- 56,434	- 10,166	- 639	12,575
In-year underspend	4,698			
2022/23 budget		2,890		
Year End	**93,058**	**85,782**	**85,143**	**97,718**
Developer Contributions	**46,050**	**46,050**	**46,050**	**46,050**

London Borough of Hammersmith & Fulham

Report to: Audit Committee

Date: 14 December 2021

Subject: External Audit appointment 2023-28

Responsible Director: Emily Hill, Director of Finance

SUMMARY

Under the Local Audit and Accountability Act 2014 the Council must make arrangements for the appointment of external auditors for the Council's accounts (including pension fund). The Council will soon need to decide as to appointment of auditors for the period 2023-28.

This report, for noting and for comment, provides detailed background to the appointment process and sets out the options for making such an appointment.

Under the legislation, the decision to appoint the external auditor must be taken by Full Council and this is anticipated to take place in February 2022. It is provisionally recommended that the Council opt-in to the sector-led 'appointing person' regime operated by Public Sector Audit Appointments (PSAA).

RECOMMENDATIONS

This report is for noting and for comment.

Wards Affected: All

Our Priorities	Summary of how this report aligns to the H&F Priorities
Being ruthlessly financially efficient	The external audit provides assurance to internal and stakeholders about the financial arrangements of the Council and the value for money achieved.

Financial Impact

The cost of external audit will be met from existing budgets. A breakdown of costs in recent years is as follows:

	2020/21*	2019/20	2018/19
	£'000	**£'000**	**£'000**
Main Audit	195	191	140
Pension Fund	26	36	16

**Currently subject to audit*

Legal Implications

Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires the Council to appoint a local auditor to audit its accounts by 31 December in the preceding year for a maximum period of five years.

The procedure for appointment of a local auditor is set out in Section 8 of the Act and requires the Council to consult and take account of the advice of its auditor panel on the selection and appointment of the auditor.

If the Council fails to appoint a local auditor, under section 12 of the Act, the Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.

Section 17 of the Act gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 and gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person. This report proposes that the Council opts in to the sector-led 'appointing person' regime.

As the Council operates executive arrangements, under section 8 of the Act, the correct decision maker is Full Council.

Contact Officers:

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Background Papers Used in Preparing This Report
None

BACKGROUND

1. From 1983 to 2015 the Audit Commission was responsible for Local Authority external audit arrangements in England. From 1 April 2015, under the Local Audit and Accountability Act 2014 (the Act), local public bodies in England have been required to appoint their own external auditors and, following some transitional arrangements, the current system came into full effect in 2018/19.

2. Under the legislation, authorities can make an appointment via “an appointing person” to act as a joint procurement body for local audit. The government have appointed Public Sector Audit Appointments (PSAA) for this purpose. PSAA is a subsidiary company of the Local Government Association (LGA) and its role as appointing person for opted-in bodies is to:
   - appoint auditors to local public bodies, including councils, police and crime commissioners, chief constables, fire and rescue authorities and other relevant principal local government bodies;
   - set scales of fees, and charging fees, for the audit of the accounts and relevant bodies;
   - oversee of the delivery of audit services to opted-in bodies; and
   - manage contracts with audit firms.

3. In 2017, following a decision by Full Council, the Council opted into the PSAA arrangements for the period 2018-23. The Council’s auditor under these arrangements is Grant Thornton UK LLP, one of the nine accredited local audit firms. In total, 98% of relevant local bodies (all but 10), opted in to the PSAA arrangements for the period 2018-23.

4. Authorities who choose to make their own arrangements (i.e. those who do not opt-in to the appointing person arrangements) must undertake the following:
   - procurement and contract management functions as otherwise provided by the appointing person
   - establishment of an Independent Auditor Panel - this panel must have at least three members, a majority of whom must be independent and one of whom must chair the panel.

5. It has been confirmed that PSAA will continue as the appointing person for the period after 2023. On 22 September 2021 PSAA invited all eligible bodies to become opted-in authorities for the period 2023/24 to 2027/28 (the compulsory appointing period).

6. A decision to become an opted-in authority must be taken by the members of an authority meeting as a whole which in the Council’s case would be a meeting of Full Council. The deadline to opt-in for the period 2023-28 is Friday 11 March 2022.

7. During the present contract period there have been some significant issues affecting local government audit as follows:

- increased scrutiny following a number of high-profile corporate failures and the ongoing financial challenges faced by many local authorities;
- the introduction of additional oversight and monitoring of audits of significant local public bodies by the Financial Reporting Council;
- resources are considered significantly stretched and the recent 'Redmond Review' has pointed to a 'broken market';
- local audit opinions have been delayed in past few years, some significantly so; and
- additional work has now meant additional fees are needed.

OPTIONS AND ANALYSIS OF OPTIONS

8. Below are the options, including a provisional recommended option, to be put forward to Full Council for decision.

9. There are three viable options for appointing auditors pursuant to the Act:
   - Option 1 – Opt-in to PSAA arrangements for the years 2023-28 (recommended)
   - Option 2 – Local procurement and standalone appointment
   - Option 3 – Local consortium arrangements

   A 'do nothing' option is not viable as the Council must, under the Local Audit and Accountability Act 2014, make arrangements for the audit of its accounts annually and existing arrangements expire in 2023.

Option 1 - Opt-in to PSAA arrangements for the years 2023-28 (recommended)

10. As per the engagement for the period 2018-23 the Council would opt-in to PSAA arrangements; the PSAA would then undertake market engagement and procurement and appoint an auditor on the Council's behalf.

11. The proposed contract duration is five years, with an option to extend for a further one or two years with supplier agreement using a single tender, restricted procedure. A dynamic purchasing system will be run in parallel to provide an option for some or all subsequent auditor appointments and there will be between seven and ten contract lots; sizes to be determined but the largest being c20 to 25% of the market to reflect a balance of geography and blend of authority types.

12. The appointment of the PSAA provides the following advantages:
    - the sector-led approach of the PSAA provides the best opportunity to achieve economies of scale and maximum purchasing power;
    - negotiations and contract management are undertaken by a dedicated specialist team; and
    - the approach provides an established route to independent audit appointment whilst avoiding the need for Council to establish an independent audit panel which would mean additional cost. It would also likely necessitate changes to

the Council's existing governance arrangements, requiring the appointment of independent members.

13. The primary drawback of the PSAA approach is that the Council would not be taking advantage of the full flexibility available under the Act. These freedoms, generally, however mean accepting increased risks.

14. It is considered that advantages of this option markedly outweigh the drawbacks and the advantages of the alternatives (below). As such, this is the recommended approach.

Option 2 – Local procurement and standalone appointment

15. In order to make a stand-alone appointment the Council will need to set up an Independent Auditor Panel. This panel of at least three members must be majority independent (including the Chair). Independent members would exclude current and former elected members (or officers) and their close families and friends.

16. The Council would need to consider how the ongoing role of such a panel would complement the role of the existing Audit Committee and review its governance arrangements as necessary (for which further legal advice would be required). The Council would also need to make its own arrangements for procurement and ongoing contract management whilst continually demonstrating independence.

17. The advantage of this approach is that it allows the Council to take maximum advantage of the local appointment regime under the Act.

18. The primary drawbacks are as follows:
    - there would be a cost to recruiting and servicing an Independent Auditor Panel, running the bidding exercise and negotiating the contract;
    - the Council will not be able to take advantage of economies of scales and enhanced purchasing power that may be available through joint or national procurement contracts;
    - there is a risk, that due to the limitations in the local audit market, the Council as a standalone authority may not attract sufficient market interest limiting competition or in extremis may be unable to appoint an auditor;
    - there is a risk that over an extended period independence may wane over time giving rise to conflicts of interests.

19. The number of drawbacks in this option means that it is not recommended.

Option 3 – Set up a Joint Auditor Panel/ local joint procurement arrangements

20. The Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of a majority of independent appointees.

21. Detailed legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act. The Council would need to liaise with other local authorities to assess the appetite for such an arrangement.

22. The advantage of this approach is that the costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across several authorities. There is also greater opportunity for enhanced purchasing power by being able to offer a larger combined contract value to the firms. In addition, knowledge and expertise in operating a local panel could be pooled and shared.

23. The primary drawbacks are as follows:
    - a pooled arrangement would limit the opportunity for local input to the decision
    - the choice of auditor within a limited market could be further limited due to pooling because of conflicts of interest where authorities use the same audit firm for consultancy work – this could limit competition and pricing.

24. This option is not recommended in light of the stated drawbacks. There is also a question as to this option's viability given the lack of support for such arrangements at the present time. No such arrangement has currently been proposed within London.

CONCLUSION AND NEXT STEPS

25. Of the viable options, the 'appointing person' route via the PSAA is considered the most preferable and as such is the recommended approach.

26. Subject to comment from Audit Committee, the proposed approach will be put before Full Council in February 2022.

27. The deadline to notify PSAA of an intention to opt-in (subject to approval by Full Council) is 11 March 2022.

London Borough of Hammersmith & Fulham

Report to: Full Council

Date: 24/02/2022

Subject: Four Year Capital Programme 2022-26 and Capital Strategy 2022/23

Report of: Councillor Max Schmid, Cabinet Member for Finance and Commercial Services

Responsible Director: Emily Hill, Director of Finance

SUMMARY

This report presents the Council's four-year Capital Programme for the period 2022 to 2026.

The Council is required by the CIPFA Prudential Code for Capital Finance (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 2022/23 will also be presented to Cabinet in February 2022 under a separate agenda item.

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 2022/23. The indicator used to reflect the underlying need of an authority to borrow for a capital purpose is the Capital Financing Requirement (CFR) which is set out within this report.

RECOMMENDATIONS

1. To approve the four-year General Fund Capital Programme budget at £187.6m for the period 2022/23-2025/26 (presented in Table 2 and Appendix 1).

2. To approve the continuation of rolling programmes for 2022/23 funded from the Council's mainstream resources. For financial modelling purposes, these programmes are assumed to continue at the same level until 2025/26:

	£m
Corporate Planned Maintenance	2.400
Footways and Carriageways	2.030
Column Replacement	0.346
Controlled Parking Zones	0.275
Total	**5.051**

3. To delegate approval of the detailed programmes for use of the rolling programmes, in recommendation 2, to the relevant SLT Director in consultation with the Director of Finance and relevant Lead Cabinet Member.

4. To approve the four-year Housing (HRA) Capital Programme at £389.6m for the period 2022/23-2025/26 as set out in Table 5 and Appendix 1.

5. To delegate authority to the Director of Finance in consultation with the Cabinet Member for Finance and Commercial Services to approve the potential use of up to £4.3m of capital receipts under the Government's Flexible Use of Capital Receipts provisions for funding of Invest to Save schemes in 2022/23 and 2023/24 (as identified in Appendix 5) and potential match-funding opportunities.

6. To approve the Capital Strategy 2022/23, as set out in Appendix 4.

7. To approve the annual Minimum Revenue Provision policy statement for 2022/23, as set out in Appendix 6.

8. To note the existing mainstream funded schemes previously approved, but now reprofiled to 2022/23 and future years as detailed in Table 3.

Wards Affected: All

The Council's Capital Programme contains a number of schemes and projects which are directly linked to the Council's Business Plan 2018-22 and which will deliver the Council's priorities, as set out in the plan. The Capital Strategy set out in Appendix 4 provides more detailed information on how these projects link to the Council's objectives.

Our Values	Summary of how this report aligns to the H&F Values
Being ruthlessly financially efficient	All capital investment decisions are required to be underpinned by a robust business case that sets out the full costs, funding and risks and any expected financial return alongside the broader outcomes including economic and social benefits. This report provides detailed analysis of the Council's capital programme financial position and highlights potential risks and their impact on the Council's resources.

Financial Impact

This report is of a wholly financial nature.

Legal Implications

There are no direct legal implications in relation to this report. Legal advice will be sought for each Procurement within the programme which will need comply with the Council's Contract Standing Orders and Financial Regulations.

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Background Papers Used in Preparing This Report:

None

CAPITAL PROGRAMME 2022/23-2025/26 - OVERVIEW

1. This report sets out an updated four-year capital expenditure and resource forecast and a capital programme for 2022/23 to 2025/26, as summarised in Table 1 below. A detailed analysis of specific schemes by service is included in Appendix 1.

Table 1 - Capital Programme 2022/23 to 2025/26

		Indicative Future Years Analysis			
	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total Budget (All years) £'000
CAPITAL EXPENDITURE					
Children's Services	3,748	3,579	-	-	**7,327**
Social Care	957	-	-	-	**957**
Environment Department	10,060	2,466	2,376	2,376	**17,278**
Finance & Resources Department	4,585	-	-	-	**4,585**
General Fund Schemes under the Economy Department	94,592	53,027	7,400	2,400	**157,419**
Sub-total (General Fund)	**113,942**	**59,072**	**9,776**	**4,776**	**187,566**
Economy Department-HRA Programme	77,654	104,828	115,979	91,117	**389,578**
Sub-total Economy Department (HRA)	**77,654**	**104,828**	**115,979**	**91,117**	**389,578**
Total Expenditure	**191,596**	**163,900**	**125,755**	**95,893**	**577,144**
CAPITAL FINANCING					
Specific/External Financing:					
Government/Public Body Grants	6,483	3,579	-	-	**10,062**
Grants and Contributions from Private Developers (includes S106/CIL)	7,636	7,841	9,146	3,649	**28,272**
Capital Grants/Contributions from Non-departmental public bodies	45	-	-	-	**45**
Capital Grants and Contributions from GLA Bodies	5,278	5,557	8,473	3,925	**23,233**
Leaseholder Contributions (Housing)	1,598	1,811	1,449	931	**5,789**
Sub-total - Specific Financing	**21,040**	**18,788**	**19,068**	**8,505**	**67,401**
Mainstream Financing (Internal):					
Capital Receipts - General Fund	13,911	-	-	-	**13,911**
Capital Receipts - HRA	3,156	3,331	2,894	13,428	**22,809**
Major Repairs Reserve (MRR)	16,620	17,013	17,415	17,934	**68,982**
Sub-total - Mainstream Funding	**33,687**	**20,344**	**20,309**	**31,362**	**105,702**
Borrowing-General Fund	85,568	54,232	9,776	4,776	**154,352**
Borrowing -HRA	51,301	70,536	76,602	51,250	**249,689**
Total Capital Financing	**191,596**	**163,900**	**125,755**	**95,893**	**577,144**

2. The programme for this period totals £577.1m. The gross programme for 2022/23 totals £191.6m. This comprises the General Fund (GF) Programme of £113.9m and the Housing Revenue Account (HRA) Programme of £77.7m

3. The forecast is based on known funding allocations at December 2021 and will be updated in accordance with relevant government spending announcements. This will include a review of Children's Services and Disabled Facilities Grant (DFG) allocations. At present schools' funding is not confirmed by Government beyond 2021/22. As

additional grants and contributions are confirmed, the General Fund capital programme will increase.

GENERAL FUND CAPITAL PROGRAMME

4. The General Fund programme is summarised in Table 2 below with details for each service at Appendix 1. The programme includes:

- Hammersmith Bridge stabilisation
- the Civic Campus programme/ refurbishment of Hammersmith Town Hall
- the school maintenance programme
- the Council's rolling programmes for column replacement and footways and carriageways
- Social Care capital projects.
- a carry forward of £4.923m for corporate planned maintenance works and the annual rolling programme of £2.4m - this programme includes investment in energy efficient lighting and decarbonisation schemes.

5. The capital programme approves a funding envelope for rolling programmes. It does not approve the detail of how such funding is utilised. It is the responsibility of the lead Strategic Leadership Team Directors to agree a planned programme of works in consultation with the Director of Finance and lead Cabinet Member.

Table 2 – General Fund Capital Programme 2022/23 to 2025/26

		Indicative Future Years Analysis			
	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total Budget (All years) £'000
CAPITAL EXPENDITURE					
Children's Services	3,748	3,579	-	-	**7,327**
Social Care	957	-	-	-	**957**
Environment Department	10,060	2,466	2,376	2,376	**17,278**
Finance & Resources	4,585	-	-	-	**4,585**
General Fund Schemes under the Economy Department	94,592	53,027	7,400	2,400	**157,419**
Total Expenditure	**113,942**	**59,072**	**9,776**	**4,776**	**187,566**
CAPITAL FINANCING					
Specific/External Financing:					
Government/Public Body Grants	6,483	3,579	-	-	**10,062**
Grants and Contributions from Private Developers (includes S106/CIL)	6,795	1,261	-	-	**8,056**
Capital Grants/Contributions from Non-departmental public bodies	45	-	-	-	**45**
Capital Grants and Contributions from GLA Bodies	2,572	-	-	-	**2,572**
Sub-total - Specific Financing	**15,895**	**4,840**	**-**	**-**	**20,735**
Mainstream Financing (Internal):					
Capital Receipts - General Fund	12,479	-	-	-	**12,479**
Sub-total - Mainstream Funding	**12,479**	**-**	**-**	**-**	**12,479**
Borrowing-General Fund	85,568	54,232	9,776	4,776	**154,352**
Total Capital Financing	**113,942**	**59,072**	**9,776**	**4,776**	**187,566**

6. Table 3 below shows the projects funded from mainstream resource (borrowing or capital receipts) and comprises the progression and completion of existing schemes and the continuation of rolling programmes. It incorporates expenditure slippage from the 2021/22 programme as detailed in the 2021/22 quarter 3 capital monitoring report.

Table 3 – General Fund Mainstream Programme 2022/23 to 2025/26

	Indicative Budget 2022/23 £'000	Indicative Budget 2023/24 £'000	Indicative Budget 2024/25 £'000	Indicative Budget 2025/26 £'000	Total Budget (All years) £'000
Approved Expenditure					
Social Care Capital projects [ASC]	-	-	-	-	**-**
Invest to Save-Flexible Use of Capital Receipts [FIN]	4,285	-	-	-	**4,285**
Investment in Digital Infrastructure [RES]	300	-	-	-	**300**
Capital Investment in Street Lighting [ENV]	800	-	-	-	**800**
Carnwath Road [ECD]	1,870	-	-	-	**1,870**
Hammersmith Bridge Strengthening [ENV]	1,946	-	-	-	**1,946**
North End Road - Good Growth Fund [ECD]	610	-	-	-	**610**
HRA Watermeadow adjustment [ECD]	1,432	-	-	-	**1,432**
Foster carers' extension [CHS]	169	-	-	-	**169**
Planned Maintenance/DDA Programme [ECD]	7,323	2,400	2,400	2,400	**14,523**
Footways and Carriageways [ENV]	2,030	2,030	2,030	2,030	**8,120**
Column Replacement [ENV]	346	346	346	346	**1,384**
Hammersmith Town Hall Refurbishment* [ECD]	21,824	2,725	-	-	**24,549**
Community Schools Programme [ECD]	1,020	60	-	-	**1,080**
Education City regeneration [ECD]	-	3,500	-	-	**3,500**
Farm Lane/Mund Street [ECD]	1,439	-	-	-	**1,439**
Investment in Affordable Housing-Lillie Road Site [ECD]	910	-	-	-	**910**
Total Mainstream Programmes	**46,304**	**11,061**	**4,776**	**4,776**	**66,917**
Financing					
Capital Receipts	13,911	-	-	-	**13,911**
Increase/(Decrease) in Borrrowing	32,393	11,061	4,776	4,776	**53,006**
Total Financing	**46,304**	**11,061**	**4,776**	**4,776**	**66,917**

**Hammersmith Town Hall Refurbishment figure contains only mainstream element of funding (£11.3m), the remaining approved budget is expected to be funded from Community Infrastructure Levy (CIL) which is not included in the mainstream programme.*

7. The mainstream programme presented in Table 3 does not include self-financing schemes (where the net General Fund revenue borrowing costs are nil). Appendix 3 details the self-financing schemes and their borrowing requirement. Such self-financing borrowing is forecast to increase by £101.3m over the next 4 years and mainly relate to the Civic Campus development and the provision of development financing to EdCity Office Ltd. The full financial implications of both schemes have been reported to Full Council with subsequent updates to Cabinet. Detailed programme management and officer and member governance arrangements are in place to ensure that officers and members understand the key financial assumptions and risks associated with the self-financing schemes. These schemes are subject to regular monitoring and scrutiny.

8. The Grade II* Listed 134-year-old Hammersmith Bridge (the Bridge) was closed to motor vehicles in April 2019 and to all users in August 2020 on public safety grounds. Following an 11-month closure and extensive investigations by Hammersmith & Fulham engineers and the introduction of a pioneering temperature control scheme, it re-opened to pedestrians, cyclists and river traffic on 17 July 2021. The re-opening, with strict conditions, was recommended by the Board for the Continued Case for the Safe

Operation (CCSO). One condition was that for the Bridge to remain open, it must be properly and permanently stabilised as soon as possible.

9. Following detailed cost-analysis the Council has approved a stabilisation construction project for the Bridge at an estimated value of £8.9m (including indirect costs, preliminaries and contingencies). This work is to be completed expeditiously (anticipated by September 2022) so that users can continue to use the Bridge safely.

10. In line with government announcements, central government (Department for Transport (DfT)) and Transport for London (TfL) are expected to fund two-thirds of the total project costs and this is expected to be formalised in a proposed Memorandum of Understanding (MoU). The Council will fund its share of the stabilisation project costs through borrowing. This funding split is assumed within the capital programme.

11. The Council is continuing to develop an outline business case for a full strengthening and restoration programme which will see the Bridge re-opened to motor vehicles. This is exploring options to fund the Council's contribution to both stabilisation and strengthening and restoration through a road charge or toll.

12. Covid-19 has had a significant impact on the current and future funding of various transport schemes which are mainly financed by TfL grants. There is uncertainty over the level and timing of future funding and as a result of this, the Council's transport schemes have been scaled down. Schemes will be added to the programme when the funding is confirmed.

13. The Government's Flexible Use of Capital Receipts provisions allow the Council to use available General Fund capital receipts to fund Invest to Save schemes. This comes at an estimated revenue cost of £55,000 per annum per £1m capitalised, as there is a lost opportunity cost of applying these to other capital schemes funded through borrowing. However, this use enables the Council to maintain reserves which would contribute towards future financial resilience. It is also proposed that such funding be made available to support potential match funding opportunities. In order to bid for external funding for capital schemes, the Council is sometimes required to confirm the availability of match-funding. This pot will provide headroom for such bids to be made and maximise the resources available to the Council. The final decision on the use of this flexibility is delegated to the Director of Finance, in consultation with the Cabinet Member for Finance and Commercial Services. The current programme provides for use of £4.285m of capital receipts for these purposes.

14. General Fund debt is measured by the Capital Finance Requirement (CFR). The Council is required to make an annual provision from revenue, known as the Minimum Revenue Provision (MRP), which set-asides resource to repay debt and in so doing reduces the CFR. The CFR and MRP are explained in more detail in Appendix 3 and the Council's 2022/23 MRP policy is set out in Appendix 6.

15. The forecast for the headline General Fund CFR is shown in Table 4 below. The General Fund headline CFR excludes self-financing schemes detailed in Appendix 3.

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

GENERAL FUND CFR ANALYSIS HEADLINE CFR EXCLUDING SELF FINANCING SCHEMES AND LOANS	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Opening Capital Finance Requirement (CFR)	**122.16**	**133.75**	**164.42**	**172.80**	**174.75**
Revenue Repayment of Debt (MRP)	(1.36)	(1.72)	(2.69)	(2.82)	(2.90)
Mainstream Programme (Surplus)/Shortfall	12.95	32.39	11.06	4.78	4.78
Closing Capital Finance Requirement (CFR)	**133.75**	**164.42**	**172.80**	**174.75**	**176.63**

16. The forecast General Fund Headline CFR at the start of 2022/23 is £133.8m and is expected to increase to £176.6m by the end of 2025/26. The increase of £42.8m over the next four years will add a revenue budget pressure, relating to the borrowing costs (MRP plus external interest), of c£2.2m per annum by the end of 2025/26

17. 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 eligible elements of the capital programme to reduce the closing CFR. The current General Fund capital receipts forecast contained in this report assumes no new receipts for financial years 2023/24 to 2025/26. Should capital receipts be identified, they will be added to the programme, as an additional funding source, and will reduce the forecast CFR and MRP.

HOUSING CAPITAL PROGRAMME

18. The Housing Capital Programme expenditure and resource forecast is summarised in Table 5 and detailed in Appendix 1. On 6 September 2022, Cabinet approved a 12-year HRA Asset Management Capital Strategy (the Strategy). This detailed the spending priorities for the twelve-year period between 2022/23 and 2033/34, priorities that represent £728.6m of expenditure. The aim of the Strategy is to direct capital investment to where it will make the biggest impact on residents' quality of life, health and wellbeing with the following key spend areas:

- Fire Safety
- Structural Safety
- Asset Replacement
- Disabled Adaptations
- Stock Condition Survey findings
- Climate Emergency
- Estate Improvements
- White City Estate
- Charecroft Estate Phase 2
- West Kensington Estate

19. The works set out in the Strategy are different to the current HRA four-year capital programme due for completion in 2024/25 covering Major Refurbishments, Fire Safety, Lifts, Boilers, Structural Safety, Electrical, Voids and Miscellaneous schemes. Additional

expenditure of £188.7m is included within the 2022-26 capital programme in respect of the new works within the Strategy. The Strategy will be reviewed annually and will inform every subsequent annual revision of the capital programme budget.

Table 5 – Housing Expenditure and Resource Forecast 2022-26

	Indicative 2022/23 Budget £'000	Indicative 2023/24 Budget £'000	Indicative 2024/25 Budget £'000	Indicative 2025/26 Budget £'000
Approved Expenditure				
HRA Asset Management and Compliance Programme	65,009	84,894	75,226	63,101
Building Homes and Communities Strategy	10,578	9,296	26,496	22,533
Other HRA Capital Schemes	2,067	10,638	14,257	5,483
Total Housing Programme	**77,654**	**104,828**	**115,979**	**91,117**
Available and Approved Resource				
Capital Receipts - Unrestricted	3,156	3,331	2,894	13,428
Capital Receipts - GF	1,432	-	-	-
Major Repairs Reserve (MRR)	16,620	17,013	17,415	17,934
Contributions Developers (S106)	841	6,580	9,146	3,649
Contributions from leaseholders	1,598	1,811	1,449	931
Capital Grants and Contributions from GLA Bodies	746	3,308	6,468	2,457
RtB GLA Ringfence	1,960	2,249	2,005	1,468
Borrowing (HRA)	51,301	70,536	76,602	51,250
Total Funding	**77,654**	**104,828**	**115,979**	**91,117**

Under the 1-4-1 scheme, Right to Buy (RTB) receipts can be retained by the Council 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.

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

Table 6 – Housing CFR Forecast 2021-26

HRA CFR Forecast	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
Closing Forecast HRA CFR	258.14	309.44	379.98	456.58	507.83

21. The HRA CFR is forecast to be £309.4m by the end of 2022/23 and £507.8m by 2025/26. The significant borrowing costs that arise from the increase in the HRA CFR will impact on future HRA revenue budgets. This impact is regularly assessed as part of the HRA Business Plan and is reflected in the proposed 2022/23 HRA revenue budget.

22. As set out in the HRA business plan the increase in borrowing costs will require significant additional HRA revenue savings to be made. There are also multiple interacting assumptions and risks that need to be regularly stress tested and reviewed to ensure the underlying strength and resilience of the plan. Key risks that need to be closely monitored to ensure the delivery and affordability of the Strategy include:

- Interest rate changes. The current base case uses borrowing rates after consultation with the Council's Treasury Advisor. However, there are growing signs that in reaction to inflation increasing above government targets that interest rates may rise sooner than expected.

- Rent Regulation. There is uncertainty over government policy on social rents after 2025.
- New development. Building additional homes not only provides much needed affordable housing for the boroughs' residents but is also a key factor in the HRA's future viability. If new build developments were to cease completely then it is estimated that additional revenue savings of £800,000 above the base model savings requirement would be required.
- Build and works inflation. A mounting concern is inflation with supply constraints and labour shortages, driven by Covid and Brexit, leading to higher prices and pressure on wages.
- Climate change funding. The Strategy includes climate change investment of £213m and it is assumed that this will be funded by 50% borrowing/recharges and 50% government grant. There is risk that lower grant funding will be identified/awarded and this may further impact on the HRA CFR.

23. The Building Homes and Communities Strategy included in the current capital programme includes several schemes that are at an early stage of development. As further phases are brought forward and approved, subject to agreement of the business case and confirmation of viability, significant additional borrowing will be incurred by the Council. The capital programme will be updated as and when further phases and schemes are approved

24. Should these schemes not fully progress there is a risk that some, or all, of the expenditure will need to be written off to revenue. In line with the arrangements agreed in the Building Homes and Communities Strategy, the Development Board is providing a gateway and governance process for these schemes before commitment of funds.

25. Right to Buy (RTB) one-for-one receipts need to be repaid with interest to Central Government where affordable housing schemes do not proceed to programme. These receipts are ringfenced to the provision of affordable housing within three years of receipt and the Council's agreement with the GLA, allows a further three years to use the receipts. At 1 October 2021, the GLA held £23.9m of Hammersmith & Fulham receipts from the last two financial years. This is the equivalent of £79m[1] of capital expenditure delivered by the Council (or Housing Associations if grant funded by Council) over the next two financial years. The existing approved Housing Development schemes and the pipeline of yet to be approved schemes[2] is sufficient to make use of these receipts if delivered on time, however there are risks to meeting these deadlines due to further design work after extensive consultation being undertaken on the schools' regeneration schemes. The Council can request for an extension to the three years where an approved programme is in place.

26. The proposed HRA programme relies on £20.2m of S106 receipts for affordable housing, of which £16.1m has been received to date with the remainder dependent on the associated developments proceeding in a timely manner. The impact of Covid-19 on

[1] The latest MHCLG guidance states that 1-4-1 receipts received in the 2017/18 financial year or later can now fund 40% of the total development expenditure on eligible tenures, with the remaining 60% being funded from a mixture of non-housing receipts, S106 and borrowing. Officers continue to work through the implications of this guidance on the optimal allocation of funding to schemes.

[2] The housing development pipeline was presented to Cabinet on 3 March 2020 in the report "Financial Plan for Council Homes".

the progress of developments and related developer contributions is being monitored jointly with Finance and Planning and mitigating actions will be considered if necessary, such as substituting other funding in the Housing programme.

EQUALITY IMPLICATIONS

27. 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.

VAT IMPLICATIONS

28. 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 total VAT reclaimed in any one year. This threshold is known as the Council's Partial Exemption Limit. 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 per year of breach.

29. 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:

- In all cases of new or reprofiled projects, the Corporate Accountancy, Systems and Tax team should be consulted in advance.
- Projects should be 'opted-to-tax' where this option is available and is of no financial disadvantage to the Council.

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

RISK MANAGEMENT

30. 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. Furthermore, are the impacts of the Covid-19 pandemic on the economy coupled with Brexit impacting on prices in the short and potentially longer term. The report identifies a number of risks which could impact on the delivery of the HRA Business Plan and strategy, and the need for robust monitoring to continue in respect of these risks.

31. Risk 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 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 Council's existing Anti-Fraud and Bribery policies. The service maintains a register of key risks, where there may become significant, they may be escalated to the corporate level.

    Implications completed by: David Hughes, Director of Audit, Risk and Insurance, Tel: 020 7361 2389.

IMPLICATIONS FOR BUSINESS

32. 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.

33. 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.

    Implications completed by: Nicki Burgess, Business and Enterprise Manager, Economic Development, Tel:07796610094

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APPENDIX 1 – Detailed Analysis by Service

Children's Services

Indicative Future Years Analysis

	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary					
SEN sufficiency	650	650	-	-	1,300
Foster carers' extension	169	-	-	-	169
School Maintenance Programme	2,929	2,929	-	-	5,858
Total Expenditure	**3,748**	**3,579**	**-**	**-**	**7,327**
Capital Financing Summary					
Specific/External or Other Financing					
Capital Grants from Central Government	3,579	3,579	-	-	7,158
Sub-total - Specific or Other Financing	**3,579**	**3,579**	**-**	**-**	**7,158**
Mainstream Financing (Internal Council Resource)					
Capital Receipts	27	-	-	-	27
Sub-total - Mainstream Funding	**27**	**-**	**-**	**-**	**27**
Borrowing	142	-	-	-	142
Total Capital Financing	**3,748**	**3,579**	**-**	**-**	**7,327**

Social Care Services

Indicative Future Years Analysis

	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary					
Extra Care New Build project (Adults' Personal Social Services Grant)	957	-	-	-	957
Total Expenditure	**957**	**-**	**-**	**-**	**957**
Capital Financing Summary					
Specific/External or Other Financing					
Capital Grants from Central Government	957	-	-	-	957
Sub-total - Specific or Other Financing	**957**	**-**	**-**	**-**	**957**
Total Capital Financing	**957**	**-**	**-**	**-**	**957**

APPENDIX 1 – Detailed Analysis by Service

Finance & Resources Department

Indicative Future Years Analysis

	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary					
Invest to Save - Flexible Use of Capital Receipts	4,285	-	-	-	4,285
Investment in Digital Infrastructure	300	-	-	-	300
Total Expenditure	**4,585**	**-**	**-**	**-**	**4,585**
Capital Financing Summary					
Mainstream Financing (Internal Council Resource)					
Capital Receipts	4,285	-	-	-	4,285
Sub-total - Mainstream Funding	**4,285**	**-**	**-**	**-**	**4,285**
Borrowing	300	-	-	-	300
Total Capital Financing	**4,585**	**-**	**-**	**-**	**4,585**

APPENDIX 1 – Detailed Analysis by Service

Environment Department

Indicative Future Years Analysis

	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary					
Footways and Carriageways	2,030	2,030	2,030	2,030	8,120
Hammersmith Bridge Stabilisation Works	5,840	-	-	-	5,840
Column Replacement	346	346	346	346	1,384
Other Highways Capital Schemes	994	-	-	-	994
Capital Investment in Street Lighting	800	-	-	-	800
Leisure Centre Capital Investment	50	90	-	-	140
Total Expenditure	**10,060**	**2,466**	**2,376**	**2,376**	**17,278**
Capital Financing Summary					
Specific/External or Other Financing					
Capital Grants from Central Government	1,947	-	-	-	1,947
Grants and Contributions from Private Developers (includes S106/S278)	999	90	-	-	1,089
Capital Grants/Contributions from Non-departmental public bodies	45	-	-	-	45
Capital Grants and Contributions from GLA	1,947	-	-	-	1,947
Sub-total - Specific or Other Financing	**4,938**	**90**	**-**	**-**	**5,028**
Mainstream Financing (Internal Council Resource)					
Capital Receipts	844	-	-	-	844
Sub-total - Mainstream Funding	**844**	**-**	**-**	**-**	**844**
Borrowing	4,278	2,376	2,376	2,376	11,406
Total Capital Financing	**10,060**	**2,466**	**2,376**	**2,376**	**17,278**

APPENDIX 1 – Detailed Analysis by Service

Economy Department General Fund Managed Schemes	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000	Total Budget (All years) £'000
		Indicative Future Years Analysis			
Scheme Expenditure Summary					
Civic Campus					
Hammersmith Town Hall Refurbishment	25,950	2,725	-	-	28,675
Acquisition of commercial units	17,281	31,171	-	-	48,452
Equity Loan (Civic Campus)	13,894	-	-	-	13,894
Subtotal Civic Campus	**57,125**	**33,896**	**-**	**-**	**91,021**
Building Homes and Communities Strategy (GF sites)					
Education City Loan	22,000	12,000	5,000	-	39,000
Education City -Youth Facility	579	4,671	-	-	5,250
Community Schools Programme	1,020	60	-	-	1,080
Mund Street	2,530	-	-	-	2,530
Investment in Affordable Housing-Lillie Road Site	910	-	-	-	910
Subtotal Building Homes and Communities Strategy (GF sites)	**27,039**	**16,731**	**5,000**	**-**	**48,770**
Other GF Capital Schemes managed by the Economy					
Planned Maintenance/DDA Programme	7,323	2,400	2,400	2,400	14,523
Carnwath Road	1,870	-	-	-	1,870
North End Road - Business Low Emissions Neighbourhood	125	-	-	-	125
North End Road - Good Growth Fund	1,110	-	-	-	1,110
Subtotal Other GF Capital Schemes managed by the Economy	**10,428**	**2,400**	**2,400**	**2,400**	**17,628**
Total Expenditure	**94,592**	**53,027**	**7,400**	**2,400**	**157,419**
Capital Financing Summary					
Specific/External or Other Financing					
Grants and Contributions from Private Developers (includes S106)	1,670	1,171	-	-	2,841
Community Infrastructure Levy (CIL)	4,126	-	-	-	4,126
Capital Grants and Contributions from GLA Bodies	625	-	-	-	625
Sub-total - Specific or Other Financing	**6,421**	**1,171**	**-**	**-**	**7,592**
Mainstream Financing (Internal Council Resource)					
Capital Receipts (GF)	7,323	-	-		7,323
Sub-total - Mainstream Funding	**7,323**	**-**	**-**	**-**	**7,323**
GF Borrowing	80,848	51,856	7,400	2,400	142,504
Total Borrowing	**80,848**	**51,856**	**7,400**	**2,400**	**142,504**
Total Capital Financing	**94,592**	**53,027**	**7,400**	**2,400**	**157,419**

APPENDIX 1 – Detailed Analysis by Service /cont.

Economy Department- HRA Capital Programme

Indicative Future Years Analysis

	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary					
HRA Asset Management and Compliance Programme					
Pre Agreed Works	7,183	250	6,868	7,368	21,669
Fire Safety Compliance Programme	8,900	3,671	7,689	5,400	25,660
Fire Safety Complex Schemes	19,596	30,940	6,500	-	57,036
Lift Schemes	3,035	750	750	750	5,285
Boiler Schemes	3,100	4,970	6,140	4,370	18,580
Safety Works - Electrical	7,225	5,337	4,390	3,860	20,812
Safety Works	7,093	14,958	12,750	13,150	47,951
Void Works	3,704	1,200	1,200	1,200	7,304
Other Capital Improvements	6,435	2,983	2,266	1,250	12,934
Capitalised salaries	3,200	2,000	1,800	3,300	10,300
Capitalised repairs	4,010	4,040	4,070	3,500	15,620
Climate Emergency and Other future works	3,000	15,280	18,835	17,160	54,275
Allowance for program slippage for financial modeling purposes	(11,472)	(1,485)	1,968	1,793	(9,196)
Subtotal HRA Asset Management and Compliance Programme	**65,009**	**84,894**	**75,226**	**63,101**	**288,230**
Building Homes and Communities Strategy (HRA sites)					
Homes & Communities Strategy	1,315	-	-	-	1,315
White City Estate Regeneration	386	386	386	386	1,544
Old Laundry Yard	1,111	-	-	-	1,111
Education City- HRA element	7,766	8,910	26,110	22,147	64,933
Subtotal Building Homes and Communities Strategy (HRA sites)	**10,578**	**9,296**	**26,496**	**22,533**	**68,903**
Other HRA Capital Schemes					
Housing Development Project	54	-	-	-	54
Stanhope Joint Venture	1,263	9,888	13,745	5,483	30,379
Hartopp & Lannoy	750	750	512	-	2,012
Subtotal Other HRA Capital Schemes	**2,067**	**10,638**	**14,257**	**5,483**	**32,445**
Total Expenditure	**77,654**	**104,828**	**115,979**	**91,117**	**389,578**
Capital Financing Summary					
Specific/External or Other Financing					
Contributions from leaseholders	1,598	1,811	1,449	931	5,789
Grants and Contributions from Private Developers (includes S106)	841	6,580	9,146	3,649	20,216
Capital Grants and Contributions from GLA Bodies	746	3,308	6,468	2,457	12,979
RtB GLA Ringfence	1,960	2,249	2,005	1,468	7,682
Sub-total - Specific or Other Financing	**5,145**	**13,948**	**19,068**	**8,505**	**46,666**
Mainstream Financing (Internal Council Resource)					
Capital Receipts (HRA)	3,156	3,331	2,894	13,428	22,809
Major Repairs Reserve (MRR) / Major Repairs Allowance	16,620	17,013	17,415	17,934	68,982
Capital Receipts (GF)	1,432	-	-		1,432
Sub-total - Mainstream Funding	**21,208**	**20,344**	**20,309**	**31,362**	**93,223**
Borrowing(HRA)	51,301	70,536	76,602	51,250	249,689
Total Capital Financing	**77,654**	**104,828**	**115,979**	**91,117**	**389,578**

APPENDIX 2 – Anticipated General Fund capital receipts

2022/23	£'000
Receipts b/f from 2021/22	682
Forecast capital receipts for the year	13,780
Cost of Sales (4%)	(551)
Total 2022/23	**13,911**

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

1. 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.

2. 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.

3. An important caveat is that the CFR does not necessarily equal the outstanding loans of the authority. An authority may be 'cash rich' and pay for a new asset in full without entering into new loans. However, unless it 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.

4. Table 1 below shows the Council's forecast total General Fund CFR for the period 2022/23-2025/26:

Table 1- Forecast General Fund CFR 2022/23-2025/26

GENERAL FUND CFR ANALYSIS **HEADLINE CFR EXCLUDING SELF FINANCING SCHEMES AND LOANS**	**2021/22** **£m**	**2022/23** **£m**	**2023/24** **£m**	**2024/25** **£m**	**2025/26** **£m**
Opening Capital Finance Requirement (CFR)	**122.16**	**133.75**	**164.42**	**172.80**	**174.75**
Revenue Repayment of Debt (MRP)	(1.36)	(1.72)	(2.69)	(2.82)	(2.90)
Mainstream Programme (Surplus)/Shortfall	12.95	32.39	11.06	4.78	4.78
Closing Capital Finance Requirement (CFR)	**133.75**	**164.42**	**172.80**	**174.75**	**176.63**
SELF FINANCING SCHEMES AND LOANS	**2021/22** **£m**	**2022/23** **£m**	**2023/24** **£m**	**2024/25** **£m**	**2025/26** **£m**
Opening Capital Finance	**21.51**	**36.85**	**89.86**	**132.87**	**135.13**
Revenue Repayment of Debt (MRP)	(0.18)	(0.17)	(0.16)	(2.74)	(2.78)
In Year Borrowing	15.52	53.18	43.17	5.00	-
Closing Capital Finance	**36.85**	**89.86**	**132.87**	**135.13**	**132.35**
Finance leases/PFI/ Deferred costs of disposal	7.79	7.09	6.39	5.69	4.99
Total Closing GF CFR	**178.39**	**261.37**	**312.05**	**315.57**	**313.97**

5. The current forecast for the General Fund Headline CFR (excluding self-financing schemes and loans) is £164.4m at the end of 2022/23 and £176.6m by

the end of 2025/26. The increase in General Fund Headline CFR puts additional pressures on revenue budgets.

6. The headline CFR figures exclude:

   - £4.4m Schools Windows Replacement Programme
   - £32m equity loan to the Civic Campus joint venture
   - £63m investment in acquisition of Civic Campus commercial units
   - £39m development financing to EdCity Office Ltd

   Whilst these will impact on the Council's CFR, it is assumed that all Minimum Revenue Payment (MRP) and interest costs will be fully reimbursed through the charging of a state-aid compliant interest rate, loan repayment and commercial income.

7. CFR movements related to these schemes are presented under "Self- Financing Schemes and Loans" heading in the Table 1. CFR for these schemes is forecast to increase from £36.9m to £89.9m (net movement £53m) in 2022/23 and to £132.4m (gross financing requirement of £101.3m less estimated MRP of £5.9m) estimated by the end of 2025/26. Table 2 details the CFR movements regarding these schemes.

Table 2 - Self -financing schemes and loans CFR movements 2022/23-2025/26

	Indicative Budget 2022/23 £'000	Indicative Budget 2023/24 £'000	Indicative Budget 2024/25 £'000	Indicative Budget 2025/26 £'000	Total Budget (All years) £'000
Approved Expenditure					
Ad Hoc Schemes:					
Education City -ARK loan	22,000	12,000	5,000	-	**39,000**
Acquisition of commercial units (Civic Campus) [ECD]	17,281	31,171	-	-	**48,452**
Equity Loan (Civic Campus) [ECD]	13,894	-	-	-	**13,894**
Total Mainstream Programmes	**53,175**	**43,171**	**5,000**	**-**	**101,346**
Financing					
Increase/(Decrease) in Borrrowing	53,175	43,171	5,000	-	**101,346**
Total Financing	**53,175**	**43,171**	**5,000**	**-**	**101,346**

8. The previously approved budget for Education City is in the Council's General Fund capital programme. However, as per the Cabinet report which reviewed the scheme in November 2020, as the residential part of the scheme is now all affordable housing, the cost of the residential development will be reported in the HRA capital programme. This includes the Adult Education and Nursery which are to be built underneath the residential buildings. The General Fund programme will still contain £5.25m grant for the development of Youth Facility, funded from borrowing (£3.5m) and S106 (£1.75m).

9. The timing of the actual appropriation (which transfers the land from the General Fund to the HRA) is to be confirmed but is expected to be prior to build completion and will be reported through the Council's quarterly capital budget

monitoring process. Such an appropriation would trigger a transfer of debt from the General Fund to the HRA equal to an appropriate valuation of the site. The legal and financial details of this will be set out in a future decision. For monitoring purposes, current capital programme assumes the split between General Fund and HRA, as per the Cabinet recommendation. However, should the scheme be cancelled before the completion of HRA affordable homes, there is a risk that costs associated with the termination could impact General Fund revenue budgets.

10. Minimum Revenue Provision (MRP) is the minimum amount which a Council must charge to its revenue budget each year, to set aside a provision for repaying external borrowing (loans). This is an annual revenue expense in a Council's budget. The MRP will, over time, reduce the CFR.

11. The statutory guidance issued by the Secretary of State (Ministry for Housing, Communities and Local Government) details the ways how MRP should be charged on various items of capital expenditure. MRP charges presented in the Table 1 follow this guidance and assume the following:

    - MRP charges are deferred for development projects until year after their completion. The rate charged is based on the estimated life of an asset (50 years for new developments).
    - MRP on rolling capital programmes and smaller scale ad hoc schemes is charged year after the expenditure incurs. The rate used is based on weighted average life of an assets.

APPENDIX 4 – CAPITAL STRATEGY 2022/23

1. The Prudential Code[3] obliges local authorities to approve a capital strategy.

2. The Hammersmith & 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 and provide regeneration opportunities within the borough.

Strategic Context

5. The Council's Business Plan 2018-22 set out the Council's main priorities. These are underpinned by an underlying target date of 2030 for the whole of the borough of Hammersmith & Fulham to be carbon neutral. From a capital investment perspective, the values 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
- 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 residents
- 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 workspace 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 12-year HRA Asset Management Capital Strategy

Taking pride in Hammersmith & Fulham
- Hammersmith & Fulham is aiming to be the greenest Borough in Britain including investment in green fleet

[3] The CIPFA Prudential Code for Capital Finance in Local Authorities (2017) – by regulation local authorities are required to have regard to the Code when carrying out their duties.

- Continuing to invest in CCTV so that residents feel secure in their homes and on the streets

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.
- There are plans to develop more physical education, sport and youth facilities including at the Education City scheme.
- Reintroduce convalescent homes and develop extra care homes

Being ruthlessly financially efficient

- Hammersmith & Fulham will continue to be the best value council in the country
- The flexible use of capital receipts allows investment in schemes that will deliver service transformation and savings to the Council
- Capital investment is an enabler of more efficient working and can enhance future financial resilience through growing income and other resources.

Rising to the challenge of the climate and ecological emergency

The Council has approved a Climate and Ecology Strategy and action plan to deliver its target of net zero greenhouse gas emissions in the borough by 2030. It has been shaped by the work of the resident-led Climate and Ecological Emergency Commission, who worked closely with the Council's Climate Unit and was devised by ten cross-departmental officer working groups. The capital strategy incorporates a number of measures that support the Climate and Ecology Strategy which include:

- Use of the corporate planned maintenance programme to deliver energy efficient lighting and decarbonisation
- Investment as part of the 12-year HRA Asset Management Capital Strategy of £213m to decarbonise our housing stock; this includes costs of 50% at £106.5m with a view to bidding for government funding and achieving cost and programme synergies of carrying these works out in conjunction with the other works identified.
- Use of cutting-edge green technology including a ground-breaking heat pump as part of the Civic Campus development.

6. The Covid-19 pandemic has resulted in unprecedented risk and uncertainty the wider economy. An economic downturn may affect the expected costs, market and viability of schemes whilst funding from partners, such as Transport for London, will be under pressure. As part of the capital strategy the impact of the pandemic will be kept under review and mitigating actions taken as necessary.

7. Learning the lessons from working from home during the pandemic, and in preparation for the workforce's return to the new Civic Campus in 2022, a review of Council accommodation is being undertaken. This might result in consolidation of office accommodation, the identification of assets for alternative use/ redevelopment or disposal and review of the rolling planned maintenance programme. Any plans will be incorporated into the capital programme as the relevant business cases are prepared and will be the subject of separate decision reports.

8. The capital 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. Where budgets have been approved for these schemes, these are included in the Capital Programme.

MAJOR PROJECTS

Civic Campus Programme

9. In January 2019, Full Council approved plans for major regeneration of the King Street area which included redevelopment of Hammersmith Town Hall, creating a Civic Campus. This involves entering into a joint venture (JV) with not-for-profit housing provider, A2 Dominion, for the delivery of the scheme, conditional land sale agreement from the Council to the JV, and the associated funding for the Civic Campus. The budget for the scheme is included in the Council's Capital Programme and the project is in the construction phase. The development will:
    - create a new civic and community campus, including new fit-for-purpose, inclusively designed office accommodation for the Council and act as a catalyst for change, with the inclusion of open public realm and shared spaces within the Town Hall used by the neighbourhood as well as the greater community;
    - provide urgent intervention in the failing existing Town Hall office buildings, refurbishing and restoring the heritage elements of the Town Hall, whilst creating an opportunity for improved ways of working in order to be ruthlessly financially efficient and address the financial challenges faced by the Council;
    - contribute to the borough's housing ambitions by increasing the supply of good quality, genuinely affordable housing for local residents to meet local housing need;
    - create pride in H&F by transforming King Street into a new civic and cultural destination; improving the public realm and Grade II listed Town Hall, providing new local amenities for residents, including a new four screen cinema, café/restaurant, retail and public event spaces;
    - promote economic growth in line with the H&F Industrial Strategy, Economic Growth for Everyone, through the creation of new retail and commercial space, including affordable space for start-up businesses to combat High Street decline; and
    - contribute to meeting the climate change emergency by the use of cutting edge green technology.

10. A capital budget of £64m has also been approved for the acquisition of commercial units that will be constructed by the JV as part of the Civic Campus Programme. For each of the buildings, the Council will then secure lessees paying rent to the Council, covering the cost of the acquisition over 45 years. Negotiations have already begun with potential occupiers of the commercial space and a managing agent is being procured for the office space. Investment in these units can allow the Council to benefit from the regeneration opportunity that they present.

Education City

11. In the absence of a national programme for capital investment in existing schools, the Council and Absolute Return for Kids (ARK) have successfully collaborated to plan and

co-fund a new Education City, that will create a new mixed used education hub on the site of the ARK Swift Primary School including:

- A high-quality primary school
- New and expanded nursery for 75 children
- New adult education facilities for up to 120 places
- New youth facilities
- An office for educational charities
- 132 new homes, 100% of which will be affordable housing

12. The funding for the school will be provided by ARK. The Council will fund the residential, the nursery and adult education facilities and will provide a capital grant for the provision of the youth facility. The Council budgets for the scheme were updated by Cabinet on 2 November 2020 and have been included in the Capital Programme.

13. On 5 July 2021, Cabinet approved an investment loan of up to £39m to enable ARK to facilitate the construction of their office block. On 19 November 2021, the Council and Ark formally entered into a Master Development Agreement to enable the construction works to be carried out on each party's behalf through a Special Purpose Vehicle (SPV) known as Education City Development Ltd (ECDL). The contractors Bowmer & Kirkland have since begun works on site with practical completion of Phase 1 due in 2023. When Phase 2 starts and completes, this will deliver the majority of the Council's new homes, nursery and adult education centre.

HRA Asset Management Capital Strategy

14. The Council is the responsible landlord for over 17,000 homes across Hammersmith & Fulham. The HRA Asset Management Capital Strategy (the Strategy) details the spending priorities for the twelve-year period between 2022/23 and 2033/34, priorities that represent £728.6m of capital spend. The purpose of the Strategy is to inform the four-year Capital Programme budget that is submitted annually for Full Council approval. The Strategy will inform every subsequent annual revision of the Capital Programme budget for the duration of the 12- year Strategy period, subject to annual reviews of the Strategy.

15. The aim of the Strategy is to direct capital investment to where it will make the biggest impact on residents' quality of life, health and wellbeing. The programme of capital investment will deliver housing assets that residents can be proud of and that will serve as a foundation for healthy, happy lives. We know that poor quality housing has a huge impact on physical and mental health and can impede people from reaching their full potential. Addressing structural damp and mould issues is a key theme of this Strategy. The programme will deliver 21st century assets that are fit for the future. Many of the projects detailed in the Strategy involve new windows, kitchens and bathrooms, things that will make a big difference to residents' quality of life.

16. The main headings of the Strategy are:
    - Fire Safety
    - Structural Safety
    - Asset Replacement
    - Disabled Adaptations
    - Stock Condition Survey findings
    - Climate Emergency

- Estate Improvements
- White City Estate
- Charecroft Estate Phase 2
- West Kensington Estate

17. The number one priority of the Strategy is health and safety and compliance. While safety and compliance come first, every capital project covered in this programme will be designed to maximise the impact on reducing carbon emissions. Wherever possible works will use methods and materials that improve energy efficiency and will be increasingly delivered as part of comprehensive whole-home retrofit schemes. The programme features more than £100m specifically earmarked for decarbonisation projects, to be supplemented by other financial mechanisms as they become available and government funding bids.

Building Homes and Communities Strategy

18. The Building Homes and Communities Strategy sets out a self-funding programme of investment in homes and community assets where the Council will utilise its land and property assets to meet key priorities to deliver affordable housing and support the Council's financial challenge. It aims to:
    - build new, genuinely affordable housing which will help maintain the borough's vibrant social mix
    - support the Council's Business Plan priority of 'Building Shared Prosperity'
    - renew key community assets, including schools and leisure centres
    - generate income to reinvest in frontline services and the Housing Revenue Account.

19. The approach would see the Council directly deliver housing from Council-owned land enabling the Council to deliver a substantial number of private and affordable homes which would not otherwise be delivered by the market. It would also allow the Council to benefit directly from the revenue generated from market and social rent housing as well as accruing long-term assets.

20. Schemes that have been approved within the strategy include sites at White City, Education City, Farm Lane, Mund Street and Lillie Road as well as early design and resident consultation at Old Laundry Yard. Further sites will continue to be brought forward to Cabinet for approval in the forthcoming months.

Hammersmith Bridge

21. The Grade II* Listed 134-year-old Hammersmith Bridge (the Bridge) was closed to motor vehicles in April 2019 and to all users in August 2020 on public safety grounds. Following an 11-month closure and extensive investigations by Hammersmith & Fulham engineers and the introduction of a pioneering temperature control scheme, it re-opened to pedestrians, cyclists and river traffic on 17 July 2021. The re-opening, with strict conditions, was recommended by the Board for the Continued Case for the Safe Operation (CCSO). One condition was that for the Bridge to remain open, it must be properly and permanently stabilised as soon as possible.

22. Following detailed cost-analysis the Council has approved a stabilisation construction project for the Bridge at an estimated value of £8.9m (including indirect costs,

preliminaries and contingencies). This work is to be completed expeditiously (anticipated by September 2022) so that users can continue to use the Bridge safely.

23. In line with government announcements, central government (Department for Transport (DfT)) and Transport for London (TfL) are expected to fund two-thirds of the total project costs and this is expected to be formalised in a proposed Memorandum of Understanding (MoU).

24. Evaluation of engineering options for the stabilisation and strengthening of the Bridge are well advanced. The Council is continuing to develop an outline business case for a full strengthening and restoration programme which will see the Bridge re-opened to motor vehicles and to secure funding from the DfT and TfL. This is exploring options to fund the Council's contribution to the stabilisation, strengthening and restoration through a road charge or toll.

Schools Renewal Programme

25. Included within the Building Homes and Communities Strategy is the Council's commitment to a Schools Renewal programme, agreed by Cabinet in March 2019. The programme is intended to:
    - to re-provide modern, fit for purpose schools to support the borough's ambition to give children the best start in life
    - to support the funding of education in Hammersmith & Fulham including the future repair and planned maintenance requirements across the school community
    - to fund school development through the creation of badly needed affordable housing which will help maintain the borough's vibrant social mix.

26. The work is currently underway to assess viability, produce a detailed business case and proceed to planning application stage as appropriate.

Other Housing projects

27. In addition to the Housing Asset Management Compliance Strategy and Building Homes and Communities Strategy the Council is progressing a number of housing projects in relation to the provision of affordable housing these include the following schemes.

28. The redevelopment of land on Aintree Estate, previously occupied by Hartopp Point and Lannoy Point blocks, for the delivery of new homes including replacement of lost affordable housing.

29. The redevelopment of the Edith Summerskill House site is being taken forward in conjunction with Peabody Housing Trust. It is expected to deliver 133 affordable homes. Demolition is complete and Peabody Housing Trust will develop the new scheme with the Council transferring the land and providing a grant towards construction costs. The planning decision is currently subject to call in by the Secretary of State.

Old Oak and Park Royal Opportunity Area

30. 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.

31. 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.

Community Infrastructure Levy (CIL)

32. 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.

33. At 31 March 2021 the Council holds £13.9m of Borough CIL, currently committed towards financing of Civic Campus. 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.

34. 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.

35. In August 2020 the Government launched Planning for the Future consultation on reforms to modernise and speed up the current planning system. Amongst the proposals is an introduction of new simpler national levy to replace the current system of developer contributions. Section 106 agreements and the Community Infrastructure Levy will be replaced with a new Infrastructure Levy that will be a fixed proportion of the value of the development, above a set threshold. The implications of this change, should it be taken forward, will need to be allowed for within the future capital strategy.

Becoming Carbon Neutral

36. The Council's Climate and Ecology Strategy and action plan set out the Council's approach to delivering its target of net zero greenhouse gas emissions in the borough by 2030.

37. This will require the development of a sustainable financial model that secures the necessary investment in the services the Council provides or commissions. The Council must also influence, convince, incentivise and support government and private

sector investment across local businesses and households to tackle emissions from transport and buildings outside our direct control

38. The Council's housing accounts for 35% of its total emissions and is a priority area that the Council can directly influence through retrofit programmes. Three quarters of CO_2 emissions from homes come from heating and hot water, mostly powered by gas. To achieve net zero, the majority of homes must be retrofitted with energy efficiency measures, and gas boilers replaced with low carbon heating such as air-source heat pumps, by 2030. The Council can influence this through:
    - Investment in retrofitting Council homes which will reduce the borough's emissions and grow the market for retrofit, driving down cost.
    - Energy planning and investment to bring about district heating networks.
    - Information and incentives to homeowners and landlords encourage retrofit.
    - Enforcement of Minimum Energy Efficiency Standards for landlords.

39. £213m has been identified as required to decarbonise our housing stock and this is included within the 12-year Housing Asset Management Capital Strategy. This Strategy assumes costs of 50% at £106.5m with a view to bidding for government funding and in achieving cost and programme synergies of carrying these works out in conjunction with the other works identified.

Invest to Save Projects

40. The Council has a number of Invest to Save projects, both in train and planned, which will deliver future revenue savings. This expenditure can be funded 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 expenditure 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 2021/22 and 2022/23 can be found in Appendix 5 of this report.

Health and Safety

41. Health and Safety works have been included within the Housing Asset Management Compliance Strategy and Capital Programme, which gives priority to fire and other health and safety works in the Council's housing stock. The Council's is committed to the safety and welfare of all residents and other capital projects and budgets including the School's Maintenance and Corporate Planned Maintenance Programme include Health and Safety related works.

Other schemes

42. 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 Maintenance Programme
    - 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.

43. The Council 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. The Council continues work on understanding 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.

44. 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

45. As part of being ruthlessly financially efficient, the Council has arrangements in place to ensure capital and other major projects are managed to achieve greater efficiency and improve delivery, improving the management of capital projects and introducing new reporting systems to tighten up oversight. The reforms include:
    - A monthly Finance Strategic Leadership Team (SLT) is chaired by the Director of Finance. In addition to revenue budgets, S106, commercial income and audit issues, its remit includes major programmes, including large capital schemes such as the affordable housing development programme. Programme highlight reports and gateway reviews, capital and monitoring are routinely discussed.
    - Capital project management – SLT 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).
    - Departments with significant capital spend have their own Capital Boards, attended by Finance.
    - Specific decision making, governance and oversight arrangements are in place for significant projects such as the Civic Campus (Executive and Member Oversight Boards) and the Development Board for the Building Homes and Communities Strategy.

46. Through the gateway and highlight/ exception report process for major programmes, Finance SLT (or a board reporting to Finance SLT) will:
    - consider the funding and feasibility of large new schemes
    - review business cases, approvals, and variations, signing off draft
    - reports to Cabinet
    - monitor process in the procurement and delivery of capital works to programme
    - monitor actual spend and forecast against budgets.

47. The Programme Management Office (PMO) has been set up to help people who deliver programme and projects across the Council. It will also provide the SLT with improved oversight and confidence around our major projects and programmes. The

main objectives of PMO are to ensure the strategic alignment of projects and programmes, provide expert advice and support to directorates and bring all projects and programmes under one umbrella.

Decision making

48. Council capital 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.

49. The capital expenditure and investment decision making process is the governance framework used by the Council when making decisions relating to the capital programme. All expenditure must be formally authorised, 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. Other relevant financial controls are:
    - Any call on reserves will need to be authorised by the Director of Finance in consultation with the Chief Executive and Cabinet Member for Finance and Commercial Services.
    - 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 impact section prepared by finance officers (with final sign off by Director of Finance)
    - Leader's Urgency reports will only be used in exceptional circumstances and these must be cleared in advance by the Chief Executive. The Director of Finance must fully consider the financial impact. A Cabinet Urgency Committee has also been established to ensure decisions can be made quickly where these are urgent.
    - Committee services will ensure that the correct review and sign off requirements have been followed before any papers are dispatched.

50. The Council's annual Capital Programme is approved by the Cabinet and Full Council. The SLT 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.

51. Detailed monitoring is also undertaken of significant projects and reported to Finance SLT and the Cabinet Member for Finance and Commercial Services.

Finance Strategy

52. 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, Medium Term Financial Strategy and annual revenue budget. The revenue consequences of the programme are also allowed for within the revenue budget.

53. The Business Plan has a strong emphasis on growth and affordable housing and the use of capital to generate revenue. The Council's Building Homes and Communities Strategy, above, sets out a self-funding programme of investment in homes and community assets where the Council will utilise its land and property assets to meet key priorities to deliver affordable housing and support the Council's financial challenge. The Council is considering its approach to development, 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. A Development Board is in place to oversee the progress of projects or schemes within the Building Homes and Communities Strategy and manage risk.

54. Alongside the Building Homes and Communities Strategy, work has also begun to develop a more strategic approach to its role as a Corporate Landlord and Corporate Accommodation. 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. The Council is also developing options to support the Council's investment in the borough to enable the borough's economic recovery from Covid-19 which will be self-financing. Options, governance and appraisal arrangements will be developed over the next financial year. 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 (2022/23)

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 to 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:

- Resident Experience and Access Programme (REAP) - expenditure up to £4m (as approved by Cabinet in October 2020) - expected to deliver an estimated cumulative saving of £9.3m by the end of 2024/25

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 as per the requirements of the guidance.

APPENDIX 6 - MINIMUM REVENUE PROVISION (MRP) STATEMENT 2022/23

1. This statement covers the minimum revenue provision (MRP) that Hammersmith & 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 (Ministry for Housing, Communities and Local Government) issued statutory guidance on determining the “prudent” level of MRP, to which this Council is required to have regard, in 2018. This guidance applies for accounting periods starting on or after 1 April 2019. The MRP will, over time, reduce the CFR.

3. 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 & 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 & 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 Director of Finance. 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 and similarly will be charged once assets are operational.

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 Director of Finance 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.

Agenda Item 6.3

London Borough of Hammersmith and Fulham

Report to: Full Council

Date: 24/02/2022

Subject: Treasury Management Strategy Statement 2022/23

Report of: Councillor Max Schmid, Cabinet Member for Finance and Commercial Services

Report author: Phil Triggs, Director of Treasury and Pensions

Responsible Director: Emily Hill, Director of Finance

SUMMARY

This report sets out the Council's proposed Treasury Management Strategy Statement and Annual Investment Strategy for 2022/23 and seeks authority for the Director of Finance to deliver the treasury management activities as set out in the report.

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.

RECOMMENDATIONS

1. That approval is given to the future borrowing and investment strategies as outlined in this report.

2. That the Director of Finance, in consultation with the Cabinet Member for Finance and Commercial Services, be delegated authority to manage the Council's cash flow, borrowing and investments in 2022/23 in line with this report.

3. 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.

Wards Affected: All

Our Values	Summary of how this report aligns to the H&F Values
• Building shared prosperity	Achieve best value for money in investment and borrowing decisions.
• Being ruthlessly financially efficient	Effective management of the Council's cashflow resources.

Financial Impact

This report is wholly of a financial nature.

Legal Implications

The Local Government Act 2003 and the regulations made under that Act require the Council to:

- set out an annual statement of its treasury management strategy for borrowing, having regard to the Prudential Code and setting out the 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 for Levelling Up, Housing and Communities (DLUHC) and must be approved by the Full Council.

All other legal implications are contained within the body of the report.

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Background Papers Used in Preparing This Report

- Treasury Management Strategy Statement 2021/22 (approved by Council February 2021)
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended
- MHCLG guidance on minimum revenue provision (4th Edition, 2018)
- MHCLG guidance on local government investments (3rd Edition, 2018)
- CIPFA Prudential Code for Capital Finance in Local Authorities (2018 Edition)
- CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2018 Edition)

DETAILED ANALYSIS

BACKGROUND

1. The Council is required to set a balanced budget, which means that resources available 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 yield.

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. The management of longer-term cash may involve arranging long or short-term loans, using cash flow surpluses, or restructuring any debts previously transacted to meet Council risk or cost objectives.

3. The Council has formally adopted CIPFA's Code of Practice on Treasury Management (the Code). The Code and Cross Sectoral Guidance Notes issued in 2018 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.

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 published its latest Monetary Policy report in November 2021. CPI inflation forecasts were revised to 4.3% in 2021, 3.4% in 2022 and 2.2% in 2023.

5. The Bank of England made a majority decision on 15 December 2021 to increase rates by 0.15% to 0.25%. The Council's treasury management advisors, Link Asset Services, are currently forecasting the rate to increase to 0.50% in June 2022, 0.75% in March 2023 and 1.00% in March 2024.

6. The importance of external economic factors is also a key driver in external parties setting rates and also the availability of instruments in which to invest and borrow. Appendix D sets out the present views of our treasury consultant, Link Asset Services.

7. The remainder of this reports comprise the Council's Treasury Management Strategy Statement which covers three main areas as summarised below:

Borrowing

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

Capital spending plans

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

Managing cash balances and investments

- 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

8. 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.

9. The Annual Investment Strategy in Appendix E provides more detail on how the Council’s surplus cash investments are to be managed in 2022/23 including approved schedules of specified and non-specified investments.

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

BORROWING

Overall borrowing strategy

11. 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.

12. Given the significant historic cuts to public expenditure and, in particular, 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 2022/23 strategy are:

- forecast capital funding;
- the current economic and market environment; and
- interest rate forecasts.

13. 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.

14. However, officers are constantly reviewing the situation to see if this remains the appropriate solution, or whether the Council should undertake more long-term borrowing to match the anticipated Capital Financing Requirement (CFR) over the next few years. Given that 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 approved Prudential Indicators.

15. All new Public Works Loan Board (PWLB) loans are subject to relevant gilt yields +0.80% (certainty rate).

Alternatives to PWLB

16. The Council's treasury management strategy permits borrowing from various sources, but it has not been previously anticipated that any alternatives to PWLB would need to be utilised, given the current low cost of PWLB funding.

17. In addition to the low interest rate payable, the key advantage of PWLB is the speed and ease of transaction processing and the low fee and administration cost associated with the loans. Alternative types of funding could result in lengthy due diligence, consultancy costs, legal advice and fees, and will be far more costly administratively.

Range of options

18. Alternative options for funding to PWLB include:
    - Banks
    - Pension fund institutional investors
    - Bond issuance
    - The Municipal Bonds Agency

Banks

19. Discussions with the Council's treasury consultant suggest that the Council could access borrowing from banks. However, current PWLB certainty rate

pricing has resulted in banks being placed in an overly competitive environment.

Pension fund institutional investors

20. Initial indications have suggested that the Council may be able to borrow from institutional investors at rates of around gilt yield plus 1.00% for periods of over 30-40 years, via a private placement agreement (PPA). Such an arrangement will be subject to extensive negotiations with the lenders, who will need to carry out due diligence on a Council's finances, budgets and balance sheet. Again, the recent decision by the PWLB has resulted in a lower PWLB rate than expected from private placements.

Bond investors

21. A bond issuance would first require the Council to become credit rated by one (or more) of the major ratings agencies: Fitch, S&P or Moody's. This is a complex, lengthy, repetitive and costly process.

22. The precise rate offered will be market led and dependent on the financial resilience of the authority and the market's perception of its creditworthiness.

23. Councils with significant reserves and a record of not overspending on budget will be able to secure the most advantageous rates. Bond releases typically require a minimum size of at least £200m.

Municipal Bonds Agency

24. This has been in existence since 2013 but has only recently transacted its first bond issuance and local authority borrower, at a rate of 1.73%.

Future prospects

25. Alternative opportunities for the Council may well present themselves, and the borrowing strategy will be designed to allow for this. The 'benchmark' for a borrowing opportunity is regarded at around gilts +0.8%. It is unclear at this stage whether feasible PWLB competition will materialise, and it is likely to take some time to do so.

26. Officers will continue to explore alternatives to the PWLB, working with the Council's treasury advisor, Link Asset Services. PWLB rates will also be kept under regular and active review.

Investing Primarily for Yield

27. Under the new Public Work Loans Board (PWLB) framework, the Council will need to submit its three-year capital plan to the PWLB and classify under different areas of spend, listed below, with classification the responsibility of the S151 officer. Any monies lent by the PWLB would also need to be classified under the following areas of spend:

- Service spending
- Housing
- Regeneration
- Preventative action
- Treasury Management: refinancing and externalisation of internal borrowing

28. Under the PWLB criteria, it is stipulated: “Local authorities must not pursue a deliberate strategy of using private borrowing or internal borrowing to support investment in an asset that the PWLB would not support and then refinancing or externalising this with a PWLB loan.”

29. On transacting a PWLB loan, the S151 officer is required to confirm that the local authority is not borrowing in advance of need and does not intend to buy investment assets primarily for yield. When applying for a new PWLB loan, the Council will be asked to confirm that the latest plans submitted remain current and the assurance that they do not intend to buy investment assets primarily for yield remains valid.

30. The PWLB guidance defines investment assets bought primarily for yield as:

    - buying land or existing buildings to let out at market rate;
    - buying land or buildings which were previously operated on a commercial basis which is then continued by the local authority without any additional investment or modification;
    - buying land or existing buildings, other than housing, which generate income and are intended to be held indefinitely, rather than until the achievement of some meaningful trigger, such as the completion of land assembly;
    - buying a speculative investment asset (including both financial and non-financial assets) that generates yield without a direct policy purpose.

Limits on external borrowing

31. The Prudential Code requires the Council to set two limits on its total external debt, as set out in Table 1 below. The limits for 2022/23 have remained at the same level compared with the 2021/22 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

	2021/22	2022/23	2023/24	2024/25
	Approved	Estimate	Estimate	Estimate
	£m	£m	£m	£m
Authorised Limit for External:				
Borrowing and other long-term liabilities	550	650	700	700
Operational Boundary for:				
Borrowing	390	440	560	630
Other long-term liabilities	15	15	15	15
TOTAL	**405**	**455**	**575**	**645**

Maturity structure of borrowing

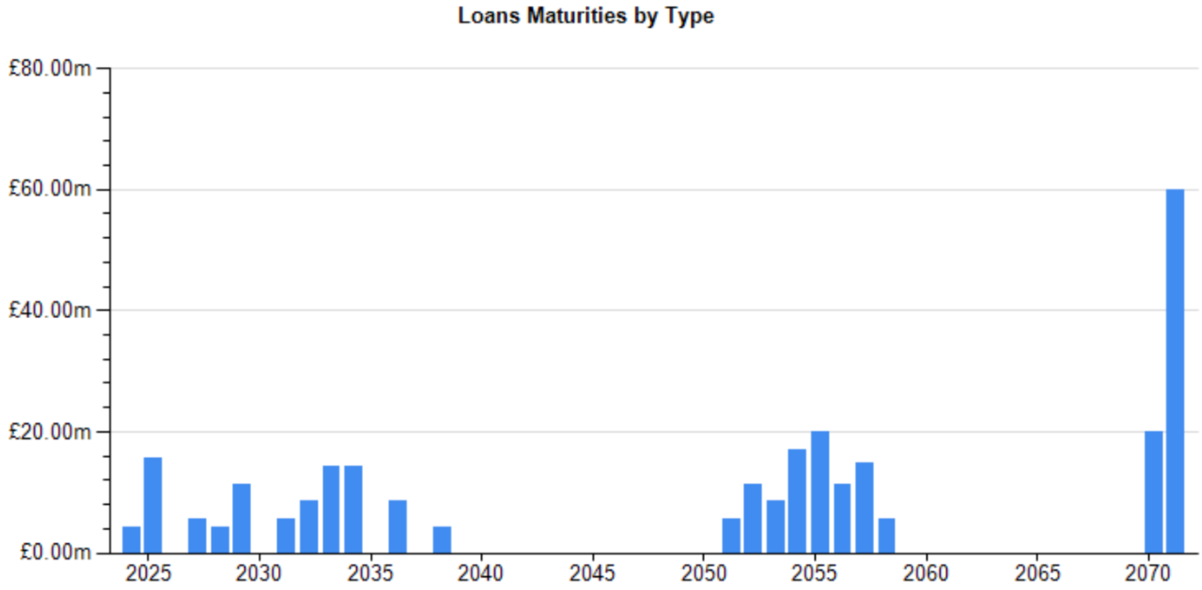
32. Managing the profile of when debt matures is essential for ensuring that the Council is not exposed to large, fixed rate sums falling due for refinancing within a short time period, and thus potentially exposing the Council to additional risk and cost. Table 2 below sets out current upper and lower limits for debt maturity which are unchanged from 2021/22.

Table 2: Debt maturity profile limits

Actual Maturity at 30 Sep 2021		Lower Limit	Upper Limit
%		%	%
0	Under 12 months	0	15
0	12 Months and within 24 Months	0	15
10	24 Months and within 5 years	0	60
8	5 Years and Within 10 Years	0	75
82	10 Years and Above	0	100

Maturity profile of long-term borrowing

33. The chart below shows that the principal repayment profile for current borrowing (as at 30 September 2021) remains within these limits.



Capital Financing Requirement (CFR)

34. The CFR measures the extent to which capital expenditure has not yet been financed from either revenue or other 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.

35. Table 3a 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

2020/21 Actuals £m		2021/22 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
	CFR as at 30 September				
153	General Fund Closing CFR (detail in Table 3b)	178	261	312	316
233	Closing Forecast HRA CFR (including deferred costs of disposal)	258	296	317	332
386	**TOTAL**	**436**	**557**	**629**	**648**
	Annual Change				
18	General Fund	26	83	51	4
17	HRA	25	38	21	15
35	**TOTAL**	**51**	**121**	**72**	**19**

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

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

2020/21 Actuals £m		2021/22 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
122	General Fund CFR excluding self-financing schemes and loans	134	164	173	175
22	Self-financing schemes and loans	37	90	133	135
9	PFI and Finance lease liabilities	8	7	6	6
153	**TOTAL**	**178**	**261**	**312**	**316**

37. 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

2020/21 Actual £m		2021/22 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
272	Gross Projected Debt	272	462	534	553
386	Capital Financing Requirement	436	557	629	648
114	**Under / (over) borrowing**	**165**	**95**	**95**	**95**

Affordability

38. 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

2020/21 Actual %		2021/22 Forecast %	2022/23 Estimate %	2023/24 Estimate %	2024/25 Estimate %
(2.09)	General Fund	(0.62)	(0.13)	0.62	0.86
6.52	HRA	6.04	6.18	7.35	8.20

39. From 2022/23 onwards, gross capital financing charges (loan interest, MRP and finance and PFI payments) for the General Fund capital programme will start to increase as a proportion of the income from investments and the commercial property portfolio, as new debts are raised to close the gap between funding and the CFR.

40. 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

41. 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.

42. 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.

Borrowing in advance of need

43. 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.

44. 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

45. 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), which are very costly.

46. 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.

47. 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.

48. Any rescheduling must be authorised by the Director of Finance in consultation with the lead Cabinet Member.

CAPITAL

Capital spending plans

49. 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 2021/22 to 2024/25 reported elsewhere on the Committee's agenda, both in terms of those agreed previously, and those forming part of the current budget cycle.

50. Any slippage against the capital programme, or new capital approvals, will impact on the figures reported throughout this report.

Housing Revenue Account (HRA) borrowing

51. From October 2018 onwards, local authorities with an HRA are no longer constrained by government controls over borrowing for house building and are able to borrow against their expected rental income, in line with the Prudential Code.

52. For the period 2021/22 to 2024/25, based on the planned four-year capital programme and due to reduced cash balances from the latter half of 2021/22 onwards, the HRA may need to actively consider new external borrowing.

53. Where the HRA is borrowing below its level of CFR and is under borrowed, the General Fund will make an accounting charge to the HRA based on the average one-year LIBOR rate applied to the under borrowed position.

Other investment opportunities

54. 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.

55. 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 Annual Investment Strategy.

MANAGING CASH BALANCES

Current position and cash flow forecast

56. Table 6 below shows that cash balances have increased by £43m in the past six months which is due to Government grants for COVID-19 support received during this period. The cash largely comprises the Council's usable reserves, capital receipts and unspent grants.

Table 6: Cash position at 30 September 2021

As at 31 March 2021			As at 30 September 2021	
Principal	Average Rate		Principal	Average Rate
£m	%		£m	%
		Investments		
297	0.1	Specified	340	0.0
0	0.0	Non-Specified	0	0.0
297		**Total**	**340**	
		Borrowing		
272	3.8	Public Works Loan Board	272	3.8
272		**Total**	**272**	

57. The Council aims to manage daily cash flow peaks and troughs to achieve a nil current account balance daily throughout the year. As such the average yearly surplus cash balances should be fully invested throughout.

Prospects for investment returns

58. The Bank Rate was increased in December 2021 to 0.25%. The rate is predicted to remain at the same level until June 2022 where the forecasted rate is set at 0.75%. The Council should therefore see an increase in investment returns for 2022/23.

59. Money Market Funds (MMFs) yields have increased in recent months but still remain exceptionally low and the Debt Management Account Deposit Facility (DMADF) offer nil or negative rates for very short-term maturities.

60. The Table in Appendix C, provided by our treasury consultants, sets out the forecasted rates.

Council policy on investing and managing risk

61. 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

62. During the first half of 2021/22, there have been no new investments of surplus funds for more than 364 days. The 2022/23 Annual Investment Strategy permits investing for more than 364 days. Using longer term maturity investments would improve yields; however, this needs to be balanced with liquidity needs.

Table 7: Investment limits

2020/21 Actual £m		2021/22 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
0	Upper Limit for principal sums invested for more the 364 days	120	120	120	120

Annual Investment Strategy

63. The Council holds significant invested funds, representing income received in advance of expenditure, balances and reserves.

64. 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.

65. 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 of capital first, liquidity second, then investment yield.

SUMMARY OF PRUDENTIAL INDICATORS (PIs)

66. 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.

67. As the Council's S151 officer, the Director of Finance has responsibility to ensure that appropriate Prudential Indicators are set and monitored and that any breaches are reported to members. The Director of Finance has confirmed that the PIs set out below are all expected to be complied with in 2021/22 and it is not envisaged at this stage that there will be any difficulty in achieving compliance with the suggested indicators for 2022/23.

Indicator	2021/22 indicator	2021/22 forecast	2022/23 proposed
Capital expenditure	£162m	£116m	£191m
Capital Financing Requirement (CFR)	£481m	£436m	£557m
Net debt vs CFR	£95m underborrowed	£182m underborrowed	£95m underborrowed
Ratio of financing costs to revenue stream	GF (0.61%) HRA 6.34%	GF (0.62%) HRA 6.04%	GF (0.13%) HRA 6.18%
Authorised limit for external debt	£550m	£272m	£650m
Operational debt boundary	£495m	£272m	£570m
Working capital balance	£0m	£0m	£0m
Limit on surplus funds invested for more than 364 days (non-specified investments)	£120m	£0m	£120m
Maturity structure of borrowing	Upper limit under 12 months - 15% Lower limit 10 years and above - 100%	Upper limit under 12 months - 0% Lower limit 10 years and above - 100%	Upper limit under 12 months - 15% Lower limit 10 years and above - 100%

Reasons for Decision

68. This report represents the Council's Treasury Management Strategy Statement for 2022/2023. It is a regulatory requirement for this report to be reported to the Council. It is recommended that approval is given to the future borrowing and investment strategies as outlined in this report.

Equality Implications

69. There are no equality implications for groups with protected characteristics (under the Equality Act 2010) as a result of this report. EIAs have been completed for each service area to which the underlying financing in this report relates to. Additionally, there is a general EIA which assesses the impacts on equality of the main items in the budget proposed to Full Council.

Risk Management Implications

70. Treasury Management contributes to all the Council values and objectives. Management of treasury risks are commensurate to the risk appetite of the Council. The effective understanding, control and management of the many aspects of risk associated with treasury management are essential to achieving and Council's objectives. Risk management is therefore embedded throughout treasury guidance, policies and practices.

71. Treasury risks present themselves in many forms, from failure to optimise performance by not taking advantage of opportunities, to managing exposure to changing economic circumstances, most recently the situation is somewhat uncertain due to the impact of the pandemic. In adopting a policy of managing risk, an authority is determining its level of risk acceptance.

72. The key challenge is to understand, identify, monitor and manage risks in a planned and effective way. Local authorities are required to report annually to Full Council on their treasury management strategy statement (TMSS) before the start of the year, which sets the objectives and boundaries for the approach to treasury activity.

73. The authority supplements this with treasury management practice schedules (TMPs), which set out the practical arrangement to achieve those objectives. The TMPs inform the day-to-day practices applied to manage and control treasury activities. Local authorities are typically financially risk averse and greatly value stability in order to form council tax and housing rent levels, through to general fund and HRA budgets.

    Implications verified by: David Hughes, Director of Audit, Risk and Fraud, tel. 020 7361 2389.

Climate and Ecological Emergency Implications

74. The Council will not intentionally place cash investment deposits which are inconsistent with its environmental and social policy objectives. This would

include avoiding direct investment in institutions where there is verifiable material links to harmful practices, such as human rights abuse or environmentally climate damaging activities.

75. The Council will consider investments that deliver environmental and social benefits, provided that security and liquidity criteria have already been met.

76. CIPFA has indicated that it may update the Prudential Code to include environmental, social and governance (ESG) factors in investment considerations. This will be integrated as part of counterparty credit risk, whereby the Council will be required to set out the organisation's policies and practices relating to ESG factors when making investment decisions.

77. Any changes in the Prudential Code will be reflected in the next year's Treasury Management Strategy Statement (TMSS). However, the Council will begin to further consider ESG implications during this financial year in preparation.

Local Economy and Social Value

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

    Implications verified by: Nicki, Burgess, Economic Development Team, tel. 0208 753 5695

Consultation

79. Consultation took place with the Council's investment advisor, Link Asset Services, in respect of the economic and interest rate update.

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: Risk Register

APPENDIX A

THE TREASURY MANAGEMENT POLICY STATEMENT

The CIPFA recommendations contained in the Code of Practice and Cross Sectoral Guidance Notes issued as a revised version in 2009, 2011 and 2018 for Treasury Management in the Public Services require that each Local Authority has a Treasury Management Policy Statement that is approved by the Full Council.

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

This Council defines its Treasury Management activities as:

- The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

- This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of Treasury Management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

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

APPENDIX B

MEETING CIPFA REQUIREMENTS

The Council has formally adopted CIPFA's Code of Practice on Treasury Management (updated 2018) 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 (this report) and Minimum Revenue Provision policy for the year ahead (separate report on the agenda), 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 & Fulham, this role is undertaken by the Audit Committee.

Treasury Management Delegations and Responsibilities

The respective roles of the Council, Cabinet, Audit 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.

<u>Council</u>

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.

<u>Cabinet</u>

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.

<u>Audit Committee</u>

This committee is responsible for ensuring effective scrutiny of treasury strategy and policies.

Section 151 Officer

The role of the Section 151 is vested in the Director of Finance post (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 Pensions

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 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 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 Committee	Annually
Treasury Management Strategy: Mid-year report	1. Audit Committee 2. Cabinet	Annually after the first half of the financial year
Treasury Management Strategy: Updates / revisions at other times	1. Audit Committee 2. Full Council	As and when required
Treasury Outturn Report	1. Audit Committee 2. Full Council	Annually after year-end
Treasury Management Monitoring Reports	Director of Finance and Cabinet Member for Finance and Commercial Services	Weekly/Monthly

APPENDIX C

PROSPECTS FOR INTEREST RATES

1. The Council has appointed Link Asset Services as its treasury advisor and part of its service is to assist the Council to formulate a view on interest rates. The following table gives their central view:

Link Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Bank Rate														
Link	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.25	0.25	0.50	0.75	0.75	0.75	0.75	1.00	1.00	-	-	-	-	-
5yr PWLB Rate														
Link	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
Capital Economics	1.40	1.40	1.50	1.50	1.60	1.70	1.70	1.80	1.90	-	-	-	-	-
10yr PWLB Rate														
Link	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
Capital Economics	1.60	1.60	1.70	1.70	1.80	1.80	1.90	2.00	2.00	-	-	-	-	-
25yr PWLB Rate														
Link	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
Capital Economics	1.80	1.80	1.90	1.90	2.00	2.10	2.10	2.20	2.30	-	-	-	-	-
50yr PWLB Rate														
Link	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Capital Economics	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.20	2.30	-	-	-	-	-

Source: Link Asset Services

2. The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until December 2021 when the rate was increased to 0.25%.

   - As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in June 2022 to 0.50%, then March 2023 to 0.75%, March 2024 to 1.00% and, finally, March 2025 to 1.25%.

Significant risks to the forecasts

3. Labour and supply shortages prove more enduring and disruptive and depress economic activity.

4. Mutations of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, resulting in further national lockdowns or severe regional restrictions.

5. The Monetary Policy Committee acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than currently anticipated.

6. The Monetary Policy Committee tightens monetary policy too late to ward off building inflationary pressures.

7. The Government acts too quickly to cut expenditure to balance the national budget.

8. UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

9. German general election in September 2021. Germany faces months of uncertainty while a new coalition government is cobbled together after the indecisive result of the election. Once that coalition is formed, Angela Merkel's tenure as Chancellor will end and will leave a hole in overall EU leadership.

10. Longer term US treasury yields rise strongly and pull gilt yields up higher than forecast.

11. Major stock markets e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the "moral hazard" risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.

12. Geopolitical risks, for example in Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

13. The balance of risks to the UK economy: -

14. The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

Forecasts for Bank Rate

15. It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes five increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons: -

- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.

- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?

- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.

- On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?

- It is estimated that there were around 1 million people who came off furlough at the end of September; how many of those would not have had jobs on 1st October and would therefore be available to fill labour shortages which are creating a major headache in many sectors of the economy? So, supply shortages which have been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate one of the MPC's key current concerns.

- It's also recognised that there could be further nasty surprises on the Covid front, on top of the flu season this winter, and even the possibility of another lockdown, which could all depress economic activity.

- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no deal Brexit.

16. In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will be revised again over the next few months - in line with what the new news is.

17. It should also be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away that final emergency cut from 0.25% to 0.10% on no other grounds than it being no longer being warranted and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

APPENDIX D

ECONOMIC UPDATE

1. COVID-19 vaccines. These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the Omicron mutation discovered at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022.

2. The mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues.

3. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home.

4. Growth will also be lower due to people being ill and not working. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A summary overview of the future path of Bank Rate

5. In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.

6. The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.

7. If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.

8. With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.

9. The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.

10. Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.

11. However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.

12. Link have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.

13. Covid remains a major potential downside threat in all three years as there are likely to be further mutations. How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?

14. Purchases of gilts under QE ended in December. When Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

MPC meeting 16th December 2021

15. The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.

16. The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.

17. In October, GDP rose 0.1% m/m which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government’s “Plan B” COVID-19 restrictions could cause the economy to contract in December.

18. On 14th December, the labour market statistics for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

19. These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.

20. On 15th December Link had the CPI inflation figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

21. Other elements of inflation are also transitory e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.

22. Although it is possible that the Government could step in with some fiscal support for the economy, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!

23. This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a surprise increase in Bank Rate from 0.10% to 0.25%. What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote

to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".

24. On the other hand, it did also comment that "the Omicron variant is likely to weigh on near-term activity". But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation form Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)

25. On top of that, there were no references this month to inflation being expected to be below the 2% target in two years' time, which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.

26. These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only a "modest tightening" in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.

27. In as much as a considerable part of the inflationary pressures at the current time are indeed transitory, and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.

28. As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).

29. The MPC's forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -

- Raising Bank Rate as "the active instrument in most circumstances".

- Raising Bank Rate to 0.50% before starting on reducing its holdings.
- Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
- Once Bank Rate had risen to at least 1%, it would start selling its holdings.

30. US. Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, CPI inflation hit a near 40-year record level of 6.8% but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.

31. Shortages of labour have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.

32. Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the Fed's meeting of 15th December would take aggressive action against inflation. Accordingly, the rate of tapering of monthly $120bn QE purchases announced at its November 3rd meeting. was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – "maximum employment". The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being "transitory" and instead referred to "elevated levels" of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent "for some time". It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.

33. EU. The slow role out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected

downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.

34. November's inflation figures breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to persistently higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.

35. ECB tapering. The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.

36. The ECB will now also need to consider the impact of Omicron on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.

37. The EU has entered into a period of political uncertainty where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

38. China. After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of 2020; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.

39. However, the pace of economic growth has now fallen back in 2021 after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The People's Bank of China made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.

40. Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

41. Japan. 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.

42. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.

43. World Growth. World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not

fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

44. Supply shortages. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

Source: Link Asset Services

APPENDIX E

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 £263m. 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 DLUHC'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 return expectations

4. The Bank Rate is forecasted to gradually increase from 0.25% over the next three years, with the rate reaching 2.00% in the long term.

5. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows (the long-term forecast is for periods over ten years in the future):

Average earnings in each year	
2022/23	0.50%
2023/24	0.75%
2024/25	1.00%
2025/26	1.25%
Long term later years	2.00%

Source: Link Asset Services

6. The overall balance of risk to economic growth in the UK is probably relatively even but is subject to major uncertainty due to the COVID-19 virus. There is relatively little UK domestic risk of substantial increases or decreases in the Bank Rate and shorter term PWLB rates until 2023/24 at the earliest.

Investment time limits

7. 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 2022/23, the proposed limit of investments for over 364 days is £120m as set out in the TMSS.

Investment Policy

8. 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.

9. 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

10. 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.

11. The Director of Finance 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.

12. 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 swaps[1] for the institution;
    - any implicit or explicit Government support for the institution;
    - Standard & Poor, Moody's and Fitch short- and long-term credit ratings;
    - Sovereign ratings to select counterparties from only the most creditworthy countries; and

[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.

- Core Tier 1 capital ratios [2].

13. 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, 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

14. The DLUHC 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.

15. 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;
    - 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;

[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 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.

16. All investments with local authorities will be subject to due diligence review of their accounts and financial health by the Tri-Borough Director of Treasury and Pensions and agreed with the Director of Finance.

17. 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 below, 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.

18. For any such investments, specific proposals will be considered by the Director of Treasury and Pensions, and the Director of Finance in consultation with the Cabinet Member for Finance and Commercial Services 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.

Country of Domicile

19. The current TMSS allows deposits / investments with financial entities domiciled in the countries listed at the foot of the schedule of investments table.

Schedule of investments

20. 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.

21. The counterparties and specific limits have been reviewed and updated.

All investments listed below must be sterling denominated

Investments	Minimum Credit Rating Required (Fitch/Moody's/S&P)	Maximum Individual Counterparty Investment Limit £m	Maximum tenor	Changes from the 2021/22 TMSS
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
Collective Investment Scheme Investment Grade Bond Fund	Due diligence	£30m	Daily pricing	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 UK and European Corporates	LT: AA-/Aa3/AA- ST: F1+/P-1/A-1+	£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	£45m per Fund Manager £300m in aggregate	3-day notice	No change
Enhanced Money Funds (EMF)	LT: AAA by at least one of the main credit agencies	£25m per fund manager, £100m in aggregate	Up to 7 day notice	No change

Investments	Minimum Credit Rating Required Fitch/Moody's/S&P	Maximum Individual Counterparty Investment Limit £m	Maximum tenor	Changes from the 2021/22 TMSS
UK Bank (Deposit/ Certificates of Deposit/ Short Dated Bonds)	LT: AA-/Aa3/AA- **or** UK Government Ownership greater than 25%	£70m	3-5 years	No change
	LT: A-/A3/A-	£50m	1-3 years	No change
	ST: F2/P-2/A-2	£50m	0-1 year	No change
Non-UK Bank (Deposit/Certificates of Deposit/Short Dated Bonds)	LT: AA-/Aa2/AA-	£50m	1-3 years	No change
	ST: F2/P-2/A-2	£30m	0-1 year	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: A3/A- ST: F2/P-2/A-2	£30m	3 years	No change
Sovereign approved list (AA- rated and above):	Abu Dhabi (UAE), Australia, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Luxembourg, Netherlands, Norway, Qatar, Singapore, Sweden, Switzerland, UK and USA			

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.

UK Gilts: UK Government Gilts provide a greater yield than cash deposits with the DMO.

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.

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 TMSS limit to £200m and set the maximum maturity to Oct 2052.

APPENDIX F

CREDIT RATINGS

<table>
<tr><th colspan="2">Moodys</th><th colspan="2">S&P</th><th colspan="2">Fitch</th><th colspan="2" rowspan="2">Description</th></tr>
<tr><th>LT</th><th>ST</th><th>LT</th><th>ST</th><th>LT</th><th>ST</th></tr>
<tr><td>Aaa</td><td rowspan="6">P-1</td><td>AAA</td><td rowspan="4">A-1+</td><td>AAA</td><td rowspan="4">F1+</td><td>Prime</td><td rowspan="10">Investment Grade</td></tr>
<tr><td>Aa1</td><td>AA+</td><td>AA+</td><td rowspan="3">High Grade</td></tr>
<tr><td>Aa2</td><td>AA</td><td>AA</td></tr>
<tr><td>Aa3</td><td>AA-</td><td>AA-</td></tr>
<tr><td>A1</td><td>A+</td><td rowspan="2">A-1</td><td>A+</td><td rowspan="2">F1</td><td rowspan="3">Upper Medium Grade</td></tr>
<tr><td>A2</td><td>A</td><td>A</td></tr>
<tr><td>A3</td><td rowspan="2">P-2</td><td>A-</td><td rowspan="2">A-2</td><td>A-</td><td rowspan="2">F2</td></tr>
<tr><td>Baa1</td><td>BBB+</td><td>BBB+</td><td rowspan="3">Lower medium grade</td></tr>
<tr><td>Baa2</td><td rowspan="2">P-3</td><td>BBB</td><td rowspan="2">A-3</td><td>BBB</td><td rowspan="2">F3</td></tr>
<tr><td>Baa3</td><td>BBB-</td><td>BBB-</td></tr>
<tr><td>Ba1</td><td rowspan="14">Not Prime</td><td>BB+</td><td rowspan="6">B</td><td>BB+</td><td rowspan="6">B</td><td rowspan="3">Speculative</td><td rowspan="14">Non Investment Grade</td></tr>
<tr><td>Ba2</td><td>BB</td><td>BB</td></tr>
<tr><td>Ba3</td><td>BB-</td><td>BB-</td></tr>
<tr><td>B1</td><td>B+</td><td>B+</td><td rowspan="3">Highly Speculative</td></tr>
<tr><td>B2</td><td>B</td><td>B</td></tr>
<tr><td>B3</td><td>B-</td><td>B-</td></tr>
<tr><td>Caa1</td><td>CCC+</td><td rowspan="5">C</td><td>CCC</td><td rowspan="5">C</td><td>Substantial Risks</td></tr>
<tr><td>Caa2</td><td>CCC</td><td></td><td>Extremely Speculative</td></tr>
<tr><td>Caa3</td><td>CCC-</td><td></td><td rowspan="3">Default imminent with little prospect for recovery</td></tr>
<tr><td rowspan="2">Ca</td><td>CC</td><td></td></tr>
<tr><td>C</td><td></td></tr>
<tr><td rowspan="3">C</td><td rowspan="3">D</td><td rowspan="3"></td><td>DDD</td><td rowspan="3"></td><td rowspan="3">In Default</td></tr>
<tr><td>DD</td></tr>
<tr><td>D</td></tr>
</table>

RISK REGISTER

Risk Group	Risk Ref.	Risk Description	Impact			Likelihood	Current risk score	Mitigation actions
			Financial	Reputation	Total			
Financial	1	Interest Rate Risk: the risk that rises in interest rates create an unexpected burden on the organisation's finances, against which the organisation has failed to protect itself adequately.	2	1	3	4	**12**	The Council will continue to invest an borrow in accordance with the TMSS. Borrowing conversations will be set by "trigger points", enacted when gilt yields reach a certain long term levels, where discussions with the Council's S151 officer, T&P Director and the Cabinet Member will take place to discuss potential actions.
Financial	2	Prudent Investment Strategy: the overall treasury management strategy is too prudent and unnecessarily stringent, resulting in investment returns being lower than might have been achieved with a more risky, but ultimately safe, approach.	3	2	5	2	**10**	The TMSS, outturn reports and mid-year reports are scrutinised on a regular basis by the Audit Committee with actions minuted and implemented.
Financial	3	Credit and counterparty risk: the risk of failure by a counterparty to meet its contractual investment or borrowing obligations to the organisation, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or revenue resources.	3	4	7	1	**7**	As part of the TMSS, counterparty criteria have been set at a level to allow only the most financially secure banks and counterparties a place within the lending list, which is regularly monitored against consultant updates and advice provided by the Council's Treasury advisor.
Financial	4	Further Covid-19 variants: the risk of further investment market uncertainty and investor panic, leading to unexpected volatility in gilt yields and interest rates.	2	3	5	3	**15**	Recent forecasts from the Council's Treasury consultant predict at least one further rise in the bank base rate for 2022. In respect of borrowing, gilt prices are expected to rise, albeit steadily, throughout the financial year 2022/23.
Financial	5	Liquidity Risk: the risk that cash will not be available when it is needed, leading to additional costs, with the organisation's business/service objectives ultimately compromised.	4	2	6	1	**6**	A significant part of the Council's cash is now kept fully liquid in Money Market Funds, which offer same day accessibility for both deposits and withdrawals.
Operational	6	Fraud, error and corruption: the risk that an organisation fails to identify the circumstances in which it may be exposed to loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and internal controls to maintain effective management arrangements to these ends.	3	4	7	1	**7**	Internal controls within the treasury function are extremely robust in terms of internal check, accounting, authorisation and segregation of duties. The recent internal audit report (November 2021) concluded with a assurance opinion rated as "substantial".
Operational	7	Financial failure of the Council's main bank: the collapse of the council's main banker, leading to a total shutdown of services.	4	4	8	1	**8**	The suitability of Nat West is assessed regularly along with other institutions. It is regarded as highly unlikely that the UK Government would permit a clearing bank to fail.
Operational	8	Online banking platform failure: the partial or complete failure of the Council's online banking system, resulting in termination of online payments and provision of banking data.	2	4	6	1	**6**	Nat West is regarded as having considerable resilience, both in preventing such failures and having recovery programmes in place if such an event happened. In the event that payments cannot be made online, the Council can make a manual payment by faxing a payment request to the CHAPS team at NatWest.

Appendix 1 - Risk Management Scoring Matrix		
Scoring (Impact)		
Impact Description	Category	Description
1 Very Low	Cost/Budgetary Impact	£0 to £25,000
	Impact on life	Temporary disability or slight injury or illness less than 4 weeks (internal) or affecting 0-10 people (external)
	Environment	Minor short term damage to local area of work.
	Reputation	Decrease in perception of service internally only – no local media attention
	Service Delivery	Failure to meet individual operational target – Integrity of data is corrupt no significant effect
2 Low	Cost/Budgetary Impact	£25,001 to £100,000
	Impact on life	Temporary disability or slight injury or illness greater than 4 weeks recovery (internal) or greater than 10 people (external)
	Environment	Damage contained to immediate area of operation, road, area of park single building, short term harm to the immediate ecology or community
	Reputation	Localised decrease in perception within service area – limited local media attention, short term recovery
	Service Delivery	Failure to meet a series of operational targets – adverse local appraisals – Integrity of data is corrupt, negligible effect on indicator
3 Medium	Cost/Budgetary Impact	£100,001 to £400,000
	Impact on life	Permanent disability or injury or illness
	Environment	Damage contained to Ward or area inside the borough with medium term effect to immediate ecology or community
	Reputation	Decrease in perception of public standing at Local Level – media attention highlights failure and is front page news, short to medium term recovery
	Service Delivery	Failure to meet a critical target – impact on an individual performance indicator – adverse internal audit report prompting timed improvement/action plan - Integrity of data is corrupt, data falsely inflates or reduces outturn of indicator
4 High	Cost/Budgetary Impact	£400,001 to £800,000
	Impact on life	Individual Fatality
	Environment	Borough wide damage with medium or long term effect to local ecology or community
	Reputation	Decrease in perception of public standing at Regional level – regional media coverage, medium term recovery
	Service Delivery	Failure to meet a series of critical targets – impact on a number of performance indicators – adverse external audit report prompting immediate action - Integrity of data is corrupt, data falsely inflates or reduces outturn on a range of indicators
5 Very High	Cost/Budgetary Impact	£800,001 and over
	Impact on life	Mass Fatalities
	Environment	Major harm with long term effect to regional ecology or community
	Reputation	Decrease in perception of public standing nationally and at Central Government – national media coverage, long term recovery
	Service Delivery	Failure to meet a majority of local and national performance indicators – possibility of intervention/special measures – Integrity of data is corrupt over a long period, data falsely inflates or reduces outturn on a range of indicators

Scoring (Likelihood)	
Descriptor	Likelihood Guide
1. Improbable, extremely unlikely	Virtually impossible to occur 0 to 5% chance of occurrence.
2. Remote possibility	Very unlikely to occur 6 to 20% chance of occurrence
3. Occasional	Likely to occur 21 to 50% chance of occurrence
4. Probable	More likely to occur than not 51% to 80% chance of occurrence
5. Likely	Almost certain to occur 81% to 100% chance of occurrence

Control		Details required
Terminate	Stop what is being done.	A clear description of the specific actions to be taken to control the risk or opportunity
Treat	Reduce the likelihood of the risk occurring.	
Take	Circumstances that offer positive opportunities	
Transfer	Pass to another service best placed to deal with mitigations but ownership of the risk still lies with the original service.	The name of the service that the risk is being transferred to and the reasons for the transfer.
Tolerate	Do nothing because the cost outweighs the benefits and/or an element of the risk is outside our control.	A clear description of the specific reasons for tolerating the risk.

London Borough of Hammersmith & Fulham

Report to: Full Council

Date: 24/02/2022

Subject: Pay Policy Statement 2022/23

Report of: Councillor Adam Connell, Cabinet Member for Public Services Reform

Report author: Mark Keeble, Strategic Lead Pay and Reward

Responsible Director: Rhian Davies, Director of Resources

Summary

The Council is required to prepare a pay policy statement for each financial year that sets out the Council's approach to recognising and rewarding its employees in a fair, consistent, and equitable manner.

Recommendations

1. That Council approve the pay policy statement for 2022/23 as set out in Appendix 1.

2. That Council note the benchmarking of the Council's median pay multiple against the average of other Inner London Boroughs contained in section 2.5 below.

Wards Affected: None

H&F Values	Summary of how this report aligns to the H&F Values
Creating a compassionate council	An important feature of the pay policy is the monitoring of the pay multiple and adopting approaches that protect the interests of the lowest paid employees.
Being ruthlessly financially efficient	The pay policy statement sets out how rates of pay are controlled by application of job evaluation schemes to ensure an appropriate salary is paid. It also establishes principles that contribute to achieving value for money through payroll expenditure.

Financial Impact

This report sets out the policy and position on pay within the Council. There are no direct financial implications arising from the recommendations as any resultant costs will need to be contained within existing employee budgets.

Comments verified by Emily Hill, Director of Finance on 10 January 2022.

Legal Implications

The statutory requirements set out in Chapter 8 of Part 1 of the Localism Act 2011 (Sections 38-43) are summarised in the report and the pay policy statement. The pay policy statement complies with the statutory requirements.

Comments approved by Adesuwa Omoregie, Assistant Director, Law on 10 January 2022.

Background Papers Used in Preparing This Report

- Localism Act 2011
- Openness and Accountability in Local Pay – Guidance under section 40 of the Localism Act from Department for Communities and Local Government (DCLG)
- The Local Government Transparency Code 2015 (DCLG June 2015)
- The Restriction of Public Sector Exit Payments Regulations 2020
- Council Pension Policy
- GLPC Salary Scales
- Benchmarking of Inner London Boroughs median pay multiples (published in 2020/21 pay policy statements)

DETAILED ANALYSIS

The Statutory Requirement to Produce Pay Policy Statements

1. Section 38(1) of the Localism Act 2011(the Act) requires the Council to prepare a pay policy statement for each financial year. This pay policy statement must be approved by Council. The provisions of the Act do not apply to local authority schools.

2. Approved pay policy statements must be published on the Council's website as soon as reasonably practicable after being approved. The Act also requires that the Council includes in its pay policy statement the approach to the publication of and access to information relating to the remuneration of chief officers. Remuneration includes salary or payment for a contract for services, expenses, bonuses, and performance related pay as well as severance payments. The definition of Chief Officers is set out in section 2 of the Local Government and Housing Act 1989.

3. Section 38(2) of the Act also requires the Council to set out its policy on remuneration for its highest paid employees alongside its policies towards its lowest paid employees. In particular, it requires the Council to explain what it thinks the relationship should be between the remuneration of its chief officers and other employees and to set out policy on the lowest paid. The Council must include its current policy towards maintaining or reaching a specific pay multiple, within its broader policy on how pay and reward should be fairly dispersed across its workforce.

4. So far as other elements of senior remuneration are concerned, including the use of any bonuses, performance related pay (PRP), severance payments and the payment of fees for election duties, the Council must also make it clear what approach it takes to the setting and publishing of these.

5. The pay policy statement must also deal with a number of aspects of re-employment of employees. The Council must explain its policy in relation to the payment of salary and pension to the same individual. It must also set out its policy in relation to the re-employment of chief officers who have retired and may be re-employed on a contract for services.

6. The Council must in setting pay policy statements, have regard to the guidance issued by the Secretary of State for Levelling Up, Housing and Communities. This includes the Local Government Transparency Code 2015 issued pursuant to section 2 of the Local Government, Planning and Land Act 1980 and guidance under section 40 of the Localism Act of February 2012 and February 2013 which requires relevant authorities to prepare pay policy statements. Due regard has been had to the guidance in the preparation of this policy.

7. Once in force, it must be complied with although it may be amended by Council during the financial year.

Key Issues

8. The Government guidance for local authorities on the preparation of a pay policy statement recommends the calculation and publication of an authority's pay multiple. That is the relationship between the median earnings figure in the organisation and the remuneration of its highest paid officer.

9. The median is defined as that earnings figure at which there are an equal number of officers' earnings figures above and below it. The highest paid officer in Hammersmith & Fulham is the Chief Executive.

10. The remuneration of the highest paid officer is divided by the median earnings figure to arrive at the pay multiple. At November 2021 this ratio was 5.1:1. This has increased slightly from the previous figure of 5:1 reported for March 2020. The Council uses the same method used for the statutory Gender Pay Gap calculations to arrive at this figure because it is a reliable method of measuring the normal pay employees receive.

11. The Council is required to keep its position on the pay multiple under review. To help decide whether this position is appropriate, the Council's average pay median pay multiple of 5.1:1 has been compared to the position of other Inner London Boroughs. Their average, as reported in their 2020/21 pay policies, was 5.7:1. This suggests the Council's own position is reasonable.

12. When the Government decided on 12 February 2021 to revoke the Restriction of Public Sector Exit Payments Regulations 2020, it also stated an intention to bring forward alternative proposals to ensure that exit payments deliver value for the taxpayer. This led to the Ministry of Housing, Communities and Local Government issuing a consultation on 8 July 2021 on draft "Statutory guidance on the making and disclosure of Special Severance Payments by local authorities".

13. The guidance is intended to form part of the best value regime under section 3 of the Local Government Act 1999. In summary, the guidance seeks to clarify situations in which payments will be made to employee that they are not entitled to under their contract of employment, including settlement of potential claims and settlement of Employment Tribunal proceedings, and the level at which they must be authorised to ensure the requirements of the best value duty are fully considered.

14. The Local Government Association provided a response based on feedback from regional workforce leads that reflected the view that authorities already have processes in place to ensure the best value duty is reflected in decision-making to ensure value for money was achieved for the taxpayer. In Hammersmith & Fulham, exit payments require approval by an appropriate Chief Officer following legal and financial advice. The draft statutory guidance has not yet come into force.

Reasons for Decision

15. The Council is required by the Act to approve a pay policy statement and for the policy to be published on the Council's website.

Equality Implications

16. It is not anticipated that the Council's pay policy statement will have any negative impact on any groups with protected characteristics, under the terms of the Equality Act 2010. The pay policy incorporates the Council's statutory requirement to publish details of its gender pay gap.

List of Appendices:

Appendix 1 – Pay Policy Statement 2022/23

APPENDIX 1: PAY POLICY STATEMENT 2022/23

London Borough of Hammersmith & Fulham (H&F)

1. Fairness and Transparency.

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

1.2 The Council's Chief Executive, as Head of Paid Service, is responsible for ensuring the Council meets its duties for appointment on merit, the terms and conditions of employment, compliance with the Council's Standing Orders for the appointment and remuneration of employees and the requirements set out in the Local Government and Housing Act 1989.

2. Vision and Our People

2.1 The Council's vision is to be the best, and it has six clear values:

- Building shared prosperity
- Doing things with residents not to them
- Taking Pride in Hammersmith & Fulham
- Creating a compassionate Council
- Being ruthlessly financially efficient
- Rising to the challenge of the climate and ecological emergency

2.2 Our People Strategy complements Our Vision by setting out who we are and our focus on the employee experience, employee development, coaching, leadership and culture within the organisation.

2.3 The vision, desired behaviours and guide to good management are used in recruitment, discussions on learning and development needs, performance appraisal, including the determination of salary uplifts for senior managers and other forms of recognition.

3. Pay Design

3.1 The pay ranges for Council employees reflect the need to recruit and retain good employees.

3.2 Employees salaries are set through national pay bargaining. Progression through each individual salary range is by increments and is related to satisfactory service. All employees have an annual performance appraisal.

3.3 The Council's senior executives are paid on the locally determined salary ranges for grades A to F. Employees on these grades include all those officers who meet the Local Government and Housing Act 1989 definition of either the Head of Paid Service, Monitoring Officer, Statutory and Non-Statutory Chief Officers or Deputy Chief Officers. Other senior employees are also paid on these grades. Pay uplifts in excess of the annual cost of living awards are considered on an annual basis subject to their on-going assessment through the Council's Performance Appraisal Scheme. This allows for consolidated uplifts to base salary up to the maximum of the grade. The Council does not pay performance related bonuses to senior executives.

3.4 Increases to pay scales and ranges will occur through national pay awards. Individual salaries will also be increased annually in line with national pay awards. Grades B to F will rise in line with any JNC for Chief Officers national pay award. Grade A will be increased in line with the national pay award of the JNC for Local Authority Chief Executives.

3.5 The pay ranges for all employees are set out in the attached Appendices A and B.

3.7 The pay ranges for all posts in the Council are determined through job evaluation to ensure fairness and equality. In respect of nationally negotiated ranges (Scales 1B to PO10), this is done through the Greater London Provincial Council Job Evaluation Scheme.

3.8 Each senior executive role will be graded by matching into one of 6 pay grades between A and F. All posts paid on pay grades A to F are evaluated using the Hay job evaluation scheme.

3.9 The Act requires the Council to define its lowest paid employees.

3.10 The Council's lowest paid workers are defined as those on the lowest spinal column point of the NJC salary scales, which is Scale 1B spine point 1. This gives an annual salary of £21,816 based on the April 2020 rates for a standard working week of 36 hours. At the time of writing, the cost of living pay awards for April 2021 has not been agreed between National Employers and Trade Unions.

3.11 The Council became an accredited Living Wage Employer in February 2016. Under the terms of the Council's accreditation, this means that no directly employed Council employees will earn less than the London Living Wage. This includes any directly employed interns or apprentices.

3.12 Each employee will receive a basic salary as defined by the Council's pay and grading structures commensurate with the level of their duties and responsibilities.

3.13 Starting salaries within the evaluated grade for the role are determined by reference to market rates and an individual's existing salary.

3.14 In addition to these annual salaries, the Council can choose to pay extra sums to employees to recognise market pressures or additional work undertaken.

These may be time limited pay supplements, acting-up allowances or honoraria.

3.15 Where market supplements and additional payments for the Head of Paid Service or Statutory and Non-Statutory Chief Officers are considered necessary, they will be time limited to a maximum of two years from their commencement. The terms of additional payments (not including relocation expenses) will be agreed by the Assistant Director for Transformation, Talent and Inclusion, including the application of any Market Factor Supplements.

3.16 Extensions beyond two years will require the approval from the Chief Officer Appointments Committee and will be reported as an exception to the Council's published Pay Policy Statement.

3.17 As required by the Local Government and Housing Act 1989, the appointment and remuneration of Statutory and Non-Statutory Chief Officers who report directly to the Head of Paid Service (save for interim appointments), is determined by the Council's Members through the Chief Officer Appointments Committee.

3.18 Arrangements for shared appointments are addressed through Section 113 Agreements of the Local Government Act 1972.

4. Other Rewards and Benefits

4.1 The Council tries to adopt best practice and allow for market forces when determining additional benefits for its employees. In addition, it acknowledges that benefits are an important part of a recruitment package.

4.2 All employees are therefore entitled to receive a range of benefits which the Council either provides or has negotiated. These include interest free travel loan, childcare vouchers, cycle to work salary sacrifice schemes, training support and outplacement support including career counselling for employees who are made redundant.

4.3 Professional fees and charges will be paid on behalf of employees who are required to be registered to undertake their role.

4.4 An officer has a statutory position in each election i.e. the Returning Officer/ Acting Returning Officer, etc. and receives a fee in recognition of this role. This fee reflects the advisory fee set for each election by the Ministry of Justice. There are also fees paid to employees who carry out the annual canvass of the electoral register and who undertake additional work at the time of the election – poll staff, inspectors, count staff, etc.

4.5 Any benefits, gifts or hospitality must be properly authorised and recorded in accordance with the Officer's Code of Conduct.

5. Pension and Severance Payments

5.1 Senior executives will receive their contractual entitlement for termination payments. These entitlements are the same for NJC employees (Green Book). Where the Council is terminating the contract of employment, pay in-lieu of notice (PILON) or paid leave may be granted by the Assistant Director for Transformation, Talent and Inclusion.

5.2 Redundancy pay for all employees is calculated based on actual weekly earnings multiplied by the numbers of weeks' pay using the statutory formula that considers length of service and age. The Council has authority under the provisions of the Local Government (Early Termination of Employment) Discretionary Compensation (England and Wales) Regulations 2006, to use the actual amount of a week's pay and not apply the statutory cap. Calculation of a full-time week's pay is subject to a locally agreed minimum equal to 1.5 x London Living Wage.

5.3 The number of weeks redundancy is based on age and length of service at leaving and is subject to a statutory limit of 30 weeks' pay. Any discretion permitted within redundancy and pension policies are agreed by the Assistant Director for Transformation, Talent and Inclusion.

5.6 Employees are entitled to join the Local Government Pension Scheme (LGPS) and will receive their pension at their normal retirement age, with an additional entitlement to leave with a reduced pension at age 55. Pension payments will be released early in certain circumstances including redundancy and ill health retirements provided that the appropriate criteria of the local pension policy are met. There is a separate published policy on pension payments. This is updated from time to time in line with any changes to pension regulations.

5.7 Under the LGPS, certain employees may request flexible retirement whereby they can retire early and continue to work on a part-time basis or on a reduced salary. The Council retains the discretion to agree such arrangements as they are not a right.

5.8 The fact that an individual is already receiving a pension under the LGPS regulations does not prevent the Council from appointing them. However, if an employee is in receipt of a pension from a previous employer that is a member of the LGPS and they are recruited by the Council, they must notify their pension provider of re-employment, even if they elect not to join the pension scheme here. It is the pension provider's responsibility to review their pension and if necessary, make any reduction due to the level of earnings. This ruling is part of the pensions discretions policy that is currently under review.

5.9 The Council will not reemploy any previous employee who received a redundancy or severance payment for a period of 3 years, without a business case justifying why it is necessary. Business cases are approved by the Chief Executive Officer and Assistant Director of Transformation, Talent and Inclusion.

6. Publication and Access to Remuneration of Chief Officers and Other Senior Employees.

6.1 The Council's Chief Officer Structure is set out in the Constitution, the Constitution is updated with any changes to statutory posts. The Council defines Chief Officers within the Constitution as the Strategic Leadership Team Members. The statutory definition of Chief Officers, set out in section 2 of the Local Government and Housing Act 1989, is used for the purpose of the Pay Policy Statement.

6.2 The Council publishes details of remuneration of senior employees in the Annual Statement of Accounts and on the Council's website. The Council also publishes information about the level of remuneration of other senior employees on its website. This information is published for all senior employees on annual pro rata earnings of £50,000 or more. The information is published here.

6.3 In addition, the Council is required to publish the pay multiple between the highest paid employee and the median salary of the workforce. The current multiple is 5.1:1 (at November 2021).

6.4 Another important indicator is the pay multiple between the highest and lowest paid employees. The current multiple is 9.2:1 (at November 2021).

6.5 At present, the Council deems these multiples to be appropriate and within the acceptable benchmarked ratio of 10.0:1. The policy regarding pay multiples will be kept under review.

6.6 The Council calculates these pay multiples with reference to the most recent available data used for measuring the Gender Pay Gap because it provides a reliable and consistent methodology.

7 Gender and Ethnicity Pay Gaps

7.1 The Council's pay policy is an important tool that will help deliver on a commitment to creating a great place to work for all of our employees.

7.2 Setting out how the Council recognises and rewards employees in a transparent manner will help to ensure that the Council's approach and its rates of pay are fair.

7.3 The Council is required to publish information to show their Gender Pay Gap. Specifically, the Council must publish:

- average gender pay gap figures (mean and median).
- the proportion of men and women in each quartile of the pay structure.
- the gender pay gaps for any bonuses paid out during the year.

7.4 In addition, the Council has voluntarily published an Ethnicity Pay Gap since 2019 and Disability Pay Gap since 2021.

7.4 The Council's Gender Pay Gap is calculated using a method set by the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 and is reported on the Council's website here. The Council's Ethnicity Pay Gap is calculated using the same method.

7.5 Reporting Gender and Ethnicity Pay Gaps helps to demonstrate compliance under the Public Sector Equality Duty. The reported information will assist the Council in addressing how inclusive and diverse the Council is as an employer and will inform decisions around several actions delivered though the Council's People Strategy and aligned plans that will drive positive change.

8. Employee Resources

8.1 The Council uses the following different employee resources:

- Permanent employees on the establishment.
- Temporary employees on fixed term contracts to fill posts on the establishment.
- Interims employed through service contracts to fill posts on the establishment.
- Interims where there is no established post. For example, where temporary specialist skills are needed to undertake a time limited complex project.

9. Remuneration of Interim and Temporary Employees

9.1 Where interim resources are determined to be required for a specific role within the Council, a process is followed. Typically, sourcing is carried out through the Managed Supplier via an approved framework. When interim resources are required, the costs of these are subject to competitive marketplace processes through the Council's approved framework.

9.2 For other posts where the Council requires an interim resource, which is not a Chief Officer, which may or may not be on the establishment, the Council will aim to pay for these services at a rate of pay as close as possible to total employment costs of directly employed employees performing a comparable role, given prevailing market conditions. However, the appointing person will have discretion to settle salary or fees in line with current market factors. Any such arrangements require authorisation from the Resource Management Board (Chief Executive Officer, Director of Resources and Assistant Director for Transformation, Talent and Inclusion).

9.3 Where an interim appointment or temporary contract is deemed appropriate no appointment will be made without first having considered the actual employment relationship and working practices and the individual's status as defined within IR35 Legislation.

10. Contract for Services

10.1 On occasion it will be more appropriate to engage interim employees using a contract for services. Unlike employees employed under contracts of employment, the relevant guidance from the Department for Levelling Up, Housing and Communities does not require such appointments to be approved by Council. However, where such posts are classified as Statutory or Non-Statutory Chief Officers for pay policy purposes, those posts should appear in the Statement of Accounts.

11 Appendices

Appendix A – Greater London Provincial Council (GLPC) Grades and Salaries
Appendix B – Hammersmith & Fulham Chief Officer Grades and Salaries
Appendix C – Discretionary Decisions Policy Statement

Appendix A

Greater London Provincial Council (GLPC) Grades and Salaries

Cost of living award from 1 April 2021 for National Joint Council for Local Government Service not yet agreed.

Grade	01-Apr-20			Grade	01-Apr-20		
	SCP	Annual Salary	Hourly Rate		SCP	Annual Salary	Hourly Rate
Scale 1B	1	£21,816	£11.62	PO4	36	£42,609	£22.70
Scale 1C	2	£22,209	£11.83		37	£43,599	£23.23
	3	£22,608	£12.04		38	£44,598	£23.76
Scale 2	3	£22,608	£12.04		39	£45,594	£24.29
	4	£23,016	£12.26	PO5	39	£45,594	£24.29
Scale 3	5	£23,427	£12.48		40	£46,536	£24.79
	6	£23,850	£12.71		41	£47,568	£25.34
Scale 4	7	£24,279	£12.93		42	£48,576	£25.88
	8	£24,717	£13.17	PO6	41	£47,568	£25.34
	9	£25,161	£13.40		42	£48,576	£25.88
	10	£25,614	£13.65		43	£49,581	£26.41
Scale 5	12	£26,544	£14.14		44	£50,559	£26.93
	13	£27,024	£14.40	PO7	44	£50,559	£26.93
	14	£27,510	£14.66		45	£51,567	£27.47
	15	£28,005	£14.92		46	£52,569	£28.00
Scale 6	18	£29,544	£15.74		47	£53,574	£28.54
	19	£30,078	£16.02	PO8	46	£52,569	£28.00
	20	£30,618	£16.31		47	£53,574	£28.54
SO1	23	£32,301	£17.21		48	£54,597	£29.09
	24	£32,883	£17.52		49	£55,665	£29.65
	25	£33,474	£17.83	PO9	49	£55,665	£29.65
SO2	27	£34,689	£18.48		50	£56,754	£30.23
	28	£35,067	£18.68		51	£57,837	£30.81
	29	£35,949	£19.15		52	£58,911	£31.38
PO1	28	£35,067	£18.68	PO10	51	£57,837	£30.81
	29	£35,949	£19.15		52	£58,911	£31.38
	30	£36,618	£19.51		53	£59,988	£31.96
	31	£37,491	£19.97		54	£61,056	£32.53
PO2	30	£36,618	£19.51				
	31	£37,491	£19.97				
	32	£38,442	£20.48				
	33	£39,462	£21.02				
PO3	33	£39,462	£21.02				
	34	£40,632	£21.65				
	35	£41,607	£22.17				
	36	£42,609	£22.70				

Appendix B

Chief Officer Grades and Salary Ranges

Cost of living award from 1 April 2021 for Joint National Councils for Local Authority Chief Executives and Chief Officers not yet agreed.

Grade	Minimum Salary 1-Apr-20	Maximum Salary 1-Apr-20
F	£62,678	£84,255
E	£84,257	£98,640
D	£98,642	£119,190
C	£119,192	£139,740
B	£139,742	£174,675
A	£179,813	£200,363

Appendix C

London Borough of Hammersmith & Fulham

Local Government Pension Scheme Discretionary Decisions Policy Statement Revised May 2018

Please note the Hammersmith & Fulham Pension Fund document is currently under review and will be updated separately to this paper. The revised policy document will be published once approved by the Pension Committee in 2022. For the most up to date discretions please contact pensions@lbhf.gov.uk

1. Background.

1.1 All employers who participate in the Local Government Pension Scheme (LGPS) are required to draw up a Discretionary Decisions Policy Statement in accordance with Regulation 66 of the Local Government Pension Scheme (Administration) Regulations 2008, and Regulation 60 of the Local Government Pension Scheme Regulations 2013.

1.2 Every employer must send a copy of its Discretionary Decisions Policy Statement to its Administering Authority (the London Borough of Hammersmith & Fulham (LBHF)).

1.3 Every employer must:

- keep its statement under review,
- make such revisions as are appropriate, and
- ensure that all discretionary decisions made are in accordance with the governing LGPS regulations.

1.4 In preparing, reviewing and revising its statement, employers must be satisfied that the policy is workable, affordable and reasonable, having regard to foreseeable costs.

1.5 The responsibility is on the employer to fund, (or where appropriate arrange for the scheme member in their current or former employment to fund), the resulting costs from the discretionary decision(s) that the employer makes where they exceed the costs that would have been incurred had the scheme member retired at their normal pension age. All such payments must be made in accordance with the LBHF Pensions Administration Strategy.

1.6 Existing employer discretions required to be in place under the 2008 and 1995 Regulations remain in force for those employees who left the scheme prior to 1st April 2014 and they are included in this document.

1.7 This document also summarises the discretionary policy decisions made by the LBHF Administering Authority.

2. The LBHF Policy Statement.

2.1 This policy statement applies to all LBHF employees who are current or deferred members of the Council's LGPS or have eligibility to join the scheme.

2.2 This policy document details the discretionary policy decisions applicable to:

- active scheme members from 1st April 2014 and members with ceased active membership from 1st April 2014, and
- active scheme members from 1st April 2008 and who ceased active scheme membership on or after 1st April 2008 and before 1 April 2014, and
- active scheme members from 1st April 1998 and who ceased active membership on or after 1st April 1998 and before 1st April 2008.

3. Discretions relating to active scheme members from 1st April 2014 and members with ceased active membership from 1st April 2014.

3.1 Flexible Retirement

Context

Regulation 30(6) and 30(8) Local Government Pension Scheme Regulations 2013 enables an employer to let a scheme member in their employment aged 55 years or over to reduce his/her hours or grade and receive immediate payment of all or part of their pension benefits to which that scheme member is entitled.

Where applicable this payment is adjusted by the amount shown as appropriate in actuarial guidance.

In the event that the scheme member would suffer such an actuarial reduction in their pension and lump sum due to the early payment of the pension benefits, the regulations allow a further discretion for the employer, at its own cost, to waive that reduction in any particular case.

LBHF policy

The Council will consider allowing flexible retirement to a scheme member aged 55 years or over but only where the pension fund incurs no additional costs other than if the member had retired at their normal retirement age.

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

This discretion may only be used where the employing department can demonstrate that there is no adverse impact to service users.

The Council wishes to support employees who wish to have a gradual transition to full retirement via a reduction in working hours or a reduction in responsibility, so will be minded supporting applications from employees who have attained age 60 years. In all cases, support will be required from the employing department which will need to submit a business case detailing how the service will be maintained.

Decisions will be made on each case by the LBHF Adjudication Panel.

3.2 The 85-year rule

Context

The employer has discretion whether to apply the 85-year rule protections to scheme members who have left their employment and choose to voluntarily draw their benefits between the ages of 55 years and 60 years, under paragraph 1(1)(c) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014.

The 85-year rule does not automatically apply if the scheme member decides to voluntarily draw (non-flexible retirement) benefits between age 55 years and 60 years. In this situation employers have discretion whether to agree to apply the 85-year rule protections.

Employers who agree to apply the 85-year rule protections to scheme members not entitled to it under the pension regulations have to meet all the pension strain costs (as under the 2008 Scheme).

Employers have the discretion to waive actuarial reductions applied to a scheme member's benefits and to accept all the pension strain costs.

In circumstances where employers do not agree to apply the 85-year rule protections, the scheme member would be required to meet all the pension strain costs via the actuarial reduction applied to their pension.

LBHF policy

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

3.3 Additional pension contributions

Context

Under Regulations 16(2) (e) and 16(4) (d) the employer has discretion, where an active scheme member wishes to purchase extra annual pension via Additional Pension Contributions (APCs), to voluntarily contribute towards the cost of that extra pension via a Shared Cost Additional Pension Contribution (SCAPC). This employer contribution can be either by regular ongoing contribution or one-off lump sum.

Should the employer exercise its discretion to fund in whole or in part a SCAPC the Regulations also permit the Administering Authority to require a medical report from the applicant, to show that he/she is in reasonably good health.

LBHF policy

Under Regulations 16(2) (e) and 16(4) (d) the Council will not consider making voluntarily contributions towards the cost of purchasing extra pension via a SCAPC.

Context

Regulation 16 also gives the employer discretion to fund in whole or in part the scheme member's lump sum contribution to pay existing Additional Pension Contributions (APCs) to cover a period of absence from work on child-related leave, reserve forces leave or because of illness or injury.

LBHF policy

The Council will only in exceptional circumstances fund in whole or in part existing scheme member paid APCs to cover a period of scheme member's absence. Consideration will be given to the circumstances of each individual case, and the reasons for the scheme member's absence.

The Council will always require a medical report from an applicant (obtained at the applicant's expense) before agreeing to make APC contributions to cover any such period of absence.

The decision will be made by the Assistant Director, Transformation, Talent and Inclusion.

3.4 Discretion of employer to award additional pension

Context

Regulation 31 (2) LGPS 2013 provides employer discretion to award up to £6,500 per year additional pension (reviewed in April each year by the Pensions Increase Act) to an active member or a member who is dismissed by reason of redundancy, business efficiency or retirement.

LBHF policy

The Council will consider any requests to exercise its discretion under Regulation 31 (2).

However, an increase to total pension to an active member who is dismissed by reason of redundancy, business efficiency or retirement will only be made in exceptional circumstances given the details of each individual case and the cost implications.

This is a decision made by the Assistant Director, Transformation, Talent and Inclusion.

All decisions to award additional pension will simultaneously identify the source of funding to reimburse the pension fund in full for the additional costs.

4. Discretions in relation to ceased active scheme members on or after 1st April 2008 and before 1 April 2014

4.1 Early Payment of deferred benefits

Context

Whether to grant application for early payment of deferred pension benefits between the ages of 55 years and 60 years and whether to waive, on compassionate grounds, the actuarial reduction applied to these benefits.

LBHF policy

Applications for early payment of pension benefits will be considered on an individual basis in view of all relevant considerations including the likely costs and benefits and considering any protection rights that may be held by individuals regarding 85-year protections.

A waiver of the actuarial reduction on compassionate grounds will be considered only in very exceptional circumstances.

This will be a decision made by the Assistant Director, , Transformation, Talent and Inclusion.

4.2 Payment of ill health retirement and whether to waive the actuarial reduction

Context

Whether to grant an application for early payment of pension benefits to a deferred scheme member of a suspended tier 3 ill health pension between the ages of 55 years and 60 years and whether to waive, on compassionate grounds, the actuarial reduction applied to these benefits.

LBHF policy

A waiver of the actuarial reduction on compassionate grounds will be considered only in very exceptional circumstances.

This will be a decision made by the Assistant Director, Transformation, Talent and Inclusion.

5. Discretions in relation to scheme members who ceased active membership on or after 1st April 1998 and before 1st April 2008.

5.1 Early Payment of Deferred Benefits

Context

The LGPS Regulations 1997 - Regulation 31 (1)
The 1997 Scheme introduced, for those scheme members leaving employment after the 1st April 1998, the right of the former scheme member to elect to receive payment of their pension benefits between ages 50 to 59 years, but only with the consent of their former employer. The benefits received will be subject to an actuarial reduction permitted and subject to any protections under the 85-year rule.

LBHF Policy

The LGPS Regulations 1997 - Regulation 31 (1)
Applications for early payment of benefits will be considered on an individual basis in view of all relevant considerations including the likely costs and benefits and

considering any protection rights that may be held by individuals regarding the 85-year rule. Early payment is unlikely to be agreed where there is a cost to the former employer.

This will be a decision made by the Assistant Director, Transformation, Talent and Inclusion.

The LGPS Regulations 1997 - Regulation 31 (5)
A member's appropriate employing authority may determine on compassionate grounds that the pension benefits should be paid unreduced.

This will be a decision made by the Assistant Director, Transformation, Talent and Inclusion.

5.2 Buy back of lost membership benefits (excluding sickness absence cases) arising from periods where no pay is received e.g. unpaid maternity leave, unpaid leave of absence, and industrial disputes

Context

The Local Government Pension Scheme Regulations 1997 Regulation 18.

An election to pay back contributions must be made within 30 days or such longer period as the employer may allow.

LBHF Policy

Time limits for elections to pay back contributions will be set in relation to each individual case and as and when each situation arises.

This will be a decision made by the Assistant Director, Transformation, Talent and Inclusion.

6. Administering Authority discretions

Within the LGPS there are discretions that rest with the Administering Authority. The decisions made in each instance by the Administering Authority are detailed below.

6.1 Awarding Death Grant payments

Context

Regulation 40 of the LGPS Regulations 2013 (replacing Regulation 23 Admin Regulation 2008) allows an Administering Authority absolute discretion as to the person to whom a death grant payment should be made.

Administering Authority policy

The Administering Authority will decide to whom death grants should be paid, considering, but not limited to, the scheme members “expression of wish” form.

Letters of administration grant of probate, and any other documents may be requested by the Assistant Director, Transformation, Talent and Inclusion prior to making a decision regarding the death grant.

This will be a decision made by the Assistant Director, Transformation, Talent and Inclusion.

6.2 Paying Child Pensions

Context

Under Schedule 1 LGPS Regulations 2013 (replacing Regulation 26 Admin Regulations 2008) the Administering Authority has the discretion to ignore any break in education and treat a child's full-time education or vocational training as continuous.

Administering Authority policy

The Administering Authority will consider the circumstances of each individual case which will include consideration of the reasons for the break, e.g. unplanned change in circumstances, bereavement, etc.

This will be a decision made by the Assistant Director, Transformation, Talent and Inclusion.

6.3 Continuation of spouse's pension on co-habitation or re-marriage where the member left before 1st April 1998

Context

The Local Government Pension Scheme (Transitional Provisions) Regulations 1997, The Local Government (Early termination of employment) Discretionary (compensation) Regulations 2000.

The 1997 Transitional Provisions give the Administering Authority the power (on behalf of the Fund as a whole) to resolve that all spouses' pensions paid from the Fund and any annual compensation payment will continue in respect of co-habitation or re-marriage commencing on or after 1st April 1998.

Administering Authority policy

That all spouse's pensions and annual compensation will continue to be paid on co-habitation or remarriage on or after 1st April 1998.

6.4 Re-employed Pensioners (Abatement)

Context

The Local Government Pension Scheme Regulations 1997 Regulation 109.

The 1997 Scheme requires the Administering Authority to formulate a policy on the extent to which a pension should be abated. The policy formed applies to all pensioners who commence re-employment after 31st March 1998.

Administering Authority policy

The policy of the Administering Authority is to apply abatement to all pensioners who commence re-employment after 31st March 1998.

London Borough of Hammersmith & Fulham

Report to: Full Council

Date: 24/02/2022

Subject: Members' Allowances Scheme Annual Review 2022/23

Report of: The Leader of the Council - Councillor Stephen Cowan

Report Author: Kayode Adewumi – Assistant Director - Democratic, Registration and Coroner's Services

Responsible Director: Rhian Davies – Director of Resources

Summary

This report performs the statutory annual review of Members' allowances for the 2022/23 financial year. The annual review takes into account the recommendations made in the Independent Panel report on the renumeration of councillors (January 2022).

Recommendations

1. That the recommendations of the Independent Panel on the remuneration of Councillors in London (January 2022) be noted.

2. That the Members' Allowances Scheme 2022/23 as set out in Appendix 1 be adopted.

Wards Affected: All

H&F Values	**Summary of how this report aligns to the H&F Values**
Creating a compassionate council	Freezing the basic and special care responsibility allowance will ensure that scarce resources are spent on other key priorities such as meeting the needs of the most vulnerable in society.
Being ruthlessly financially efficient	In line with administration's priorities, the Council agreed in June 2014 to reduce the Special Responsibility Allowance by 10% and freeze the basic allowance at the 2014/15 level, both allowances will continue to be frozen in 2022/23.
Taking pride in H&F	H&F is one of the few London authorities to continuously freeze its allowances.

Financial Impact

Every councillor is entitled to a basic allowance of £8,940. Due to the responsibilities undertaken by some Councillors, they are also entitled to a Special Responsibility Allowance (SRA) ranging from £2,700 to £32,186.70. No councillor can claim two SRAs even if they hold two SRA posts. Expected costs for 2022/23 are set out below.

The forecast cost of Member allowances in 2022/23 is listed below.

	Total
Basic Allowance	£447,000.00
Special Responsibility Allowance	£373,013.10
TOTAL	£820,013.10

There is sufficient provision in the existing budget to fund the costs of Member allowances as contained in this report.

Andre Mark, Finance Business Partner, Andre.mark@lbhf.gov.uk dated 17 January 2022.
Verified by Emily Hill, Director of Finance, Emily.Hill@lbhf.gov.uk dated 25 January 2022.

Legal Implications

Under Regulation 4 of the Local Authorities (Members' Allowances) (England) Regulations 2003 (the Regulations), the Council has the powers to make a scheme to provide for the payment of a basic allowance and any other allowance permitted by the Regulations. The proposals contained within the report are in line with the Regulations, Local Government Act 2000 and appropriate regulations.

Adesuwa Omoregie, Assistant Director Legal Services, adesuwa.omoregie@lbhf.gov.uk , 18 January 2022

Background Papers Used in Preparing This Report

The Remuneration of Councillors in London 2022 - Report of the Independent Panel

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DETAILED ANALYSIS

1. In June 2014, the Administration agreed to reduce the Special Responsibility Allowance (SRA) paid to Members by 10%. Under the scheme only one SRA will be paid to a Councillor in respect of duties undertaken. In line with Administration's priorities, it is recommended that the basic and special responsibility allowances are frozen for the 2022/23 financial year and remain

the same as the 2014/15 scheme. The dependent carers allowance would be adjusted in line with the London living wage. The new scheme will take effect from 1 April 2022.

Independent Remuneration Panel's Report – January 2022

2. The Council is formally required to undertake a review of its members' allowances scheme each financial year. Any changes in allowances are required to take into account the recommendations of a local independent panel on remuneration for Councillors. Where a scheme includes a provision for an automatic uplift, the operation of this provision may only be relied on for a period of four years before reference must again be made to a local independent remunerator's report and recommendations.

3. The Local Authorities (Members' Allowances) (England) Regulations 2003 ('the Regulations') authorise the establishment by the Association of London Government (now London Councils) of an independent remuneration panel to make recommendations in respect of the members' allowances payable by London boroughs. Such a panel ('the Panel') was established and reported in 2001, 2003, 2006, 2010, 2014 and 2018. It now comprises Mike Cooke (Chair), Sir Rodney Brooke CBE DL and Anne Watts CBE. The Regulations require a review of the scheme every four years as a minimum. The current Panel has therefore completed a review of remuneration for councillors in London. A summary of their recommendations is attached at Appendix 2.

4. The Council is asked to formally take into account the recommendations of the Panel issued in January 2022. Previously, the Council had decided to continue to set its own Special Responsibility Allowance (SRA) in line with local conditions and retain its own basic allowance rate. In 2014, the administration reduced SRA allowances by 10% and has frozen both the Basic and Special Responsibility Allowances each year since.

5. Having considered the Panel's report, the Council agrees with the following recommendations:

   - only one SRA is paid to a councillor in respect of duties with the same authority. Where a Councillor is entitled to two SRAs, he or she will be paid the highest allowance.
   - the need for Dependent Carers payments to have regard to local circumstances and the nature of specialist care. The carer should be remunerated at not less than the London living wage hourly rate and payment should be made at a higher rate when specialist skills or care is required in order for the Member to attend and take part in meetings.
   - That the allowances schemes should allow the continuance of Special Responsibility Allowances in the case of sickness, maternity and paternity leave in the same terms that the council's employees enjoy such benefits (that is to say, they follow the same policies).
   - The Council has an ongoing programme of member training and development and members are expected to participate.

6. The Council does not agree with the following recommendations:

- that the Basic Allowance be set at £12,014 pending the outcome of the 2021-22 award.
- the special responsibility allowance for a Leader should be in accordance with their former recommendation (£57,085), plus the subsequent local government staff pay awards (including an indicative uplift of 1.75% for 2021-22 which is still the subject of negotiation), i.e. £62,092.
- members' allowances increase should be updated annually in line with the local government pay settlement.

7. It is noted that the Panel no longer recommends that no more than 50% of councillors should receive a special responsibility allowance.

Review of Other Allowances

8. The current scheme has provision for a wide range of other allowances (see paragraphs 9 to 12 below).

Dependent Carer Allowance

9. Dependent carer allowance is payable in respect of expenses incurred for the care of a Councillor's children or dependants in attending meetings of the authority, its Executive, Committees and Sub-Committees and in discharging the duties set out in paragraph 7 of the Regulations. The Panel had recommended payment to be set at the London living wage, and (on presentation of proof of expense) payment should be made at a higher rate when specialist nursing skills are required.

10. In line with the Panel's recommendation, the Council recognises the need for dependent carers payments to have regard to local circumstances and the nature of specialist care. The carer should be remunerated at not less than the London living wage of £10.85 per hour and payment should be made at a higher rate when specialist skills or care is required to attend meetings.

Travel & Subsistence

11. Travel allowances are payable (at the same rates as employees) for duties undertaken away from the Town Hall when discharging duties under paragraph 8 of the Regulations. There will be no payment for intra-borough travel under this scheme, for example the use of public transport, car mileage or payment of a cycle allowance, unless a member requires assistance to discharge his or her duties due to ill health, disability or any other circumstances approved, in advance, by the Monitoring Officer. Taxis can be taken by Members who attend approved outside bodies and committee meetings out of the borough.

Sickness, Maternity and Paternity Allowance

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

Reasons for Decision

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

List of Appendices:

Appendix 1 – Members' Allowances Scheme 2022-23

Appendix 2 – Summary of the Recommendations of the Remuneration of Councillors in London 2022 (Report of the Independent Panel)

Appendix 1

Members' Allowances Scheme 2022-23
Effective from 1 April 2022

This scheme is made in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003 ("the Regulations") for 2022/2023 and subsequent years. The allowances scheme has been prepared having regard to the report of the Independent Panel on the Remuneration of Councillors in London established by London Councils on behalf of all London Councils, co-authored by Mike Cooke (Chair), Sir Rodney Brooke CBE DL and Anne Watts CBE and published in January 2022.

1. Basic Allowance

1.1 The Independent Remunerator's report suggests a flat-rate basic allowance be paid to each member of the authority of £12,014 per annum to be paid in 12 monthly instalments on the 15th of each month.

1.2 The Council has considered the independent remunerator's recommendation but has decided to retain its own basic rate allowance frozen at the 2014/15 level.

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

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

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

	No.	Basic Allowance	Total
All Councillors	50	£8,940	£447,000

2. Special Responsibility Allowances

2.1 Regard has been had to the recommendations in the independent remunerator's report for differential banding in relation to the payment of special responsibility allowances (SRAs), but in line with the Administration's priorities, it has been decided to freeze the Council's own scheme of SRAs at the same level approved for 2014/15 and not to follow the independent remunerator's recommendations which would have proved considerably more costly to local council taxpayers.

2.2 The following Special Responsibility Allowances shall therefore be paid to Councillors holding the specified offices indicated:

Position	No	SRA Entitlement	Total SRA
The Leader	1	£32,186.70	£32,186.70
Deputy Leader	1	£26,816.40	£26,816.40
Other Cabinet members	8	£21,454.20	£171,633.60
Chief Whip (where not a member of Cabinet)	1	£21,454.20	£21,454.20
Deputy Chief Whip (2)	2	£5,564.70	£11,129.40
Chair of Policy & Accountability Committees	6	£5,564.70	£33,388.20
Leader of the Opposition	1	£16,086.60	£16,086.60
Deputy Leader of the Opposition	1	£5,564.70	£5,564.70
Opposition Whip	1	£5,564.70	£5,564.70
Chair of Planning and Development Control Committees, Audit Committee, *Pensions Fund Committee, Licensing Committee, and *Councillor Member on Adoption and Fostering Panel (4)	3*	£5,564.70	£16,694.10
The Mayor	1	£10,729.80	£10,729.80
Deputy Mayor	1	£5,564.70	£5,564.70
Assistant to the Cabinet	6	£2,700.00	£16,200.00
Total	**33**		**£373,013.10**

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

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

3. Other Allowances

Dependent Carer Allowance

3.1 Dependant carer allowance is payable in respect of expenses incurred for the care of a Councillor's children or dependants in attending meetings of the authority, its Executive, Committees and Sub-Committees and in discharging the duties set out in paragraph 7 of the Regulations.

a) £5.45 per half hour before 10 pm; £5.85 per half hour after 10 pm (not payable in respect of a member of the Councillor's household).

Travel and Subsistence

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

Public Transport

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

Car mileage

b) 45 pence per mile.

Subsistence

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

Sickness, maternity and paternity allowance

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

4. Annual increase

4.1 The allowances in this scheme apply to the financial year 2022/23. All allowances have been frozen at the 2014/15 level.

5. Election to forego allowances

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

6. Time limit for claims

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

7. Membership of more than one authority

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

8. Non-entitlement to more than one SRA

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

9. Pensions

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

10. Allowances for co-opted members and independent members of The Pensions Sub Committee

Co-optees

10.1 Co-opted members shall be paid £504 per annum by equal monthly instalments of £42 on the 15th of each month.

10.2 Co-opted members shall be entitled to the same travel and dependent carer allowances as Councillors but shall not be entitled to subsistence payments.

Independent Members

10.3 The London Borough of Hammersmith and Fulham shall pay an allowance to the appointed Independent Members at a flat rate allowance of £504 per annum payable by equal monthly instalments of £42 on the 15th of each month.

Appendix 2

Report of the Independent Panel - Recommendations of the Remuneration of Councillors in London 2022

Level of Basic Allowance

Now is not the right moment to recommend major changes to the current allowances (beyond the annual updating). Linking the alliances to an annual increase to staff pay awards will ensure that councillors can receive annual increases which are in line with those received by staff. We therefore recommend that the Basic Allowance be set at £12,014 pending the outcome of the 2021-22 award. We believe that it remains sensible to frame recommendations which are common across London

Special Responsibility Allowances

For the same reasons which prompt us to maintain the current Basic Allowance, (namely a significant uncertainty over the long term implications of the changes we have been witnessing in the last 18 months, combined with the financial challenges faced at this time) we recommend that the special responsibility allowance for a Leader should be in accordance with our former recommendation (£57,085), plus the subsequent local government staff pay awards (including an indicative uplift of 1.75% for 2021-22 which is still the subject of negotiation), i.e. £62,092.

We also recommend the maintenance of its relation to other special responsibility allowances, as set out in the Appendix to this report which can be found at: https://www.londoncouncils.gov.uk/node/39359

Training and Support

The responsibilities of councillors are substantial, extensive and complex.

The Pandemic has also resulted in an acceleration of more flexible ways of working including greater use of digital technology. While this has provided a range of benefits including less travelling for work it has required councillors to have the necessary digital skills. Additionally, the move to audio visual conferencing has resulted in a growth in meetings for many contributing to an overall increase in 'screen time'.

We believe that every borough should:

- have an ongoing programme of member training and development
- provide members with the logistical and clerical support and the appropriate IT equipment to help them deal with their workload.

Barriers to being a councillor

- **Allowance for care of dependents.**

It is important that obstacles to becoming a councillor should be removed wherever possible. Care costs can be a significant deterrent to service as a councillor. Our strong view is that in appropriate cases when they undertake their council duties, councillors should be entitled to claim an allowance for care of dependents.

- **Dependents' carers' allowance**

The dependents' carers' allowance should be set at the London living wage but (on presentation of proof of expense) payment should be made at a higher rate when specialist nursing skills are required.

- **Special Responsibility Allowances in the case of sickness, maternity and paternity leave**

Our view is that members' allowances schemes should allow the continuance of Special Responsibility Allowances in the case of sickness, maternity and paternity leave in the same terms that the council's employees enjoy such benefits (that is to say, they follow the same policies).

Travel and Subsistence allowances

The Basic Allowance should cover basic out-of-pocket expenses incurred by councillors, including intra-borough travel costs and expenses. The members' allowances scheme should, however, provide for special circumstances, such as travel after late meetings or travel by councillors with disabilities. The scheme should enable councillors to claim travel expenses when their duties take them out of their home borough, including a bicycle allowance.

Allowances for Mayor or Civic Head

Many councils include the allowances for the mayor (or civic head) and deputy in their members' allowance scheme. However, these allowances do serve a rather different purpose from the 'ordinary' members' allowances, since they are intended to enable the civic heads to perform a ceremonial role. There are separate statutory provisions (ss 3 and 5 of the Local Government Act 1972) for such allowances and councils may find it convenient to use those provisions rather than to include the allowances in the members' allowance scheme.

Update for inflation

We continue to recommend that all allowances should be updated annually in accordance with the headline figure in the annual local government pay settlement.

The Regulations make it obligatory for the annual updating of the Scheme to be formally authorised by the council each year.

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Full Council

Date: 24/02/2022

Subject: Review of the Constitution

Report of: The Leader of the Council

Report author: David Abbott, Head of Governance

Responsible Director: Rhian Davies, Director of Resources / Monitoring Officer

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SUMMARY

This report asks Council to approve updates to the Scheme of Delegation to Officers.

RECOMMENDATIONS

1. That Full Council approve the updates to the Scheme of Delegation to Officers, detailed in Appendix 1 of the report.

Wards Affected: None

Our Values	**Summary of how this report aligns to the H&F Values**
Taking pride in H&F	Ensuring a high standard of governance across the Council.

Financial Impact

The recommendations in this report have no direct financial implications.

Andre Mark, Finance business partner, signed on 14 February 2022
Verified by Emily Hill, Director of Finance

Legal Implications

The Local Government Act 2000 requires the Council to have and maintain a Constitution. The Monitoring Officer is satisfied that the Council's Constitution continues to fulfil its stated purposes, as set out in Article 1 of the Constitution.

Adesuwa Omoregie, Assistant Director, Legal Services, signed on 15 February 2022

Background Papers Used in Preparing This Report

The Council's Constitution: www.lbhf.gov.uk/constitution

DETAILED ANALYSIS

Proposals and Analysis of Options

1. The Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure business is conducted in an efficient, transparent, and accountable manner.

2. The Monitoring Officer has a duty to keep the Constitution under review and has delegated authority to amend the Constitution where there has been a change in law, job title, structure, rearrangement of job responsibilities or for general administrative convenience. All extensive changes to the Constitution, however, must be approved by Full Council.

Reasons for Decision

3. The Council's Monitoring Officer is required to review the Council's Constitution each year to ensure that its aims and principles are given full effect in accordance with Article 15 of the Constitution.

Updates to the Scheme of Delegation to Officers

4. The proposed updates to the Scheme of Delegation to Officers reflect recent changes in organisational structure and changes to the responsibilities of Chief Officers. The updates are detailed in Appendix 1.

LIST OF APPENDICES

Appendix 1 – Updates to the Scheme of Delegation to Officers

Appendix 1 – Scheme of Delegation to Officers

Responsibilities of the Chief Executive and Chief Officers

1. The Chief Executive

1.1 The Chief Executive shall:

(a) be the Head of the Paid Service in accordance with the Local Government and Housing Act 1989.

(b) have authority over all other officers so far as is necessary for the efficient management and execution of the Council's affairs, functions or services except:

(i) where officers are exercising specific responsibilities imposed on them under statute;

(ii) that where the professional judgment or expertise of a Chief Officer is involved the officer shall have full opportunity to explain their views.

(c) Exercise overall corporate management and operational responsibility, including overall management responsibility for all officers.

(d) Provide professional advice to all parties in the decision-making process.

(e) Have responsibility, together with the Monitoring Officer, for a system of record keeping for all the Council's decisions.

(f) Represent the Council on partnership and external bodies (as required by statute or the Council).

(g) Manage the Chief Executive's Office.

(h) Discharge the functions of Electoral Registration Officer and be responsible for elections.

(i) make decisions on employee terms and conditions, (including procedures for dismissal).

(j) discharge those functions under Section 138 (1) of the Local Government Act 1972, (powers of principal Councils with respect to emergencies or disasters) as Head of Paid Service (Gold Command) appointed by the London Borough Councils from time to time to respond to an incident requiring a "Level 2" response (single site or wide-area disruptive challenge requiring a co-ordinated response by relevant agencies on behalf of the Councils).

(h) be responsible for the Council's responsibilities as an employer under Health and Safety legislation.

1.2 The areas of responsibility of the Chief Executive shall include the following departments and functions (in which day-to-day responsibility shall normally be delegated to the appropriate Chief Officer):

(a) Finance department

(b) Social Care department
(c) Children’s Services department
(d) Resources department
(e) The Environment department
(f) The Economy department

2. The Director of Finance

2.1 The Director of Finance shall:

(a) act as the statutory Chief Financial Officer, under section 151 of the Local Government Act 1972.

(b) be responsible for effective financial administration throughout the Council.

(c) be responsible for all arrangements concerning financial planning, financial control, banking, accounts, income, insurances, investments, bonds, loans, leasing, borrowing (including methods of borrowing), trust and pension funds (within the scope of the Council’s pension fund investment policies that are approved by the Superannuation Committee), the payment of creditors and the payment of salaries, wages, pension scheme benefits and gratuities.

(d) Provide leadership, advice and support to Members, SLT Directors, Assistant Directors, and managers across the authority on all procurement, contract management and other commercial matters.

(e) be responsible for the provisions of the Accounts and Audit Regulations 2003 (as amended) in respect of the need to maintain an adequate and effective system of internal audit of the Council’s accounting records and of its system of internal control in accordance with proper internal audit practices.

(f) to be responsible for the calculation of Council tax levels as part of Budget setting.

(g) be the Proper Officer of the Council in relation to the following statutory provisions:

Local Government Act 1972

(1) Section 115(2) - the officer to whom all money due from every officer employed by the Council shall be paid.

(2) Section 146 - the officer to make any statutory declaration in connection with the transfer of securities.

Local Government (Miscellaneous Provisions) Act 1976

(3) Section 30 - the officer to write off overpayment of salary, allowances or pensions which occur as a result of the death of an employee or pensioner.

Local Government Finance Act 1988

(4) Section 114-115 - the officer responsible for reporting on unlawful expenditure decisions or where expenditure exceeds the resources available.

2.2 The services and the areas of responsibility of the Director of Finance shall include: Finance, Contract Management and Procurement, Audit, Fraud, Risk management, Insurance, Treasury management, Pensions, Finance systems, BI and PMO, Facilities Management and Zero-Based Budgets.

5. Strategic Director of Social Care

5.1 The Strategic Director of Social Care shall:

(a) exercise the functions of the Council and act as the statutory officer for adult social services as set out in section 6(A1) of the Local Authority Social Services Act 1970 as amended by section 18(1) of the Children Act 2004.

(b) exercise the functions of the Council with regard to, powers and duties of an Adult Services Authority under all relevant legislation including, but not limited to social services, safeguarding adults, Mental Health services including the deprivation of liberty and Health functions in particular building and leading the arrangements for inter-agency co-operation.

(c) arrange for the effective operation of the Council's responsibilities for the assessment, purchase and provision of social care services for adults including people with disabilities, older people, people with mental health needs, people with substance misuse problems, adults with learning disabilities (including people with autistic spectrum disorder and a dual diagnosis incorporating mental health needs and learning disability) and people with HIV/AIDS.

(d) Be the lead commissioner responsible for relationships with health and social care across the Council with the aim of transforming the current model.

(e) Provide leadership, advice and support to Members, Executive Directors, Directors and managers across the authority on all commissioning matters.

(f) Produce Joint Strategic Needs Assessments in conjunction with the Director of Children's Services and the Director of Public Health.

(g) Promote health improvement in the borough and participate as a member of the Health and Wellbeing Board for the Borough.

(h) To lead and oversee Public Health and support the Director of Public Health.

5.2 The services and the areas of responsibility of the Strategic Director of Social Care shall include: Adult Social Care Operations, Commissioning for adults and children, Public Health, Provider Services and Mental Health Partnership, Finance and Resources

6. Director of Children's Services

6.1 The Director of Children's Services shall:

(a) act as the statutory officer under section 18(1) of the Children's Act 2004.

(b) be responsible for the Council's functions as set out in the Children Act 2004, in particular building and leading the arrangements for inter-agency co-operation.

(c) be responsible for children in need, child protection, adoption, fostering, education and special educational needs.

(d) exercise powers of intervention for those schools which are subject to a formal warning, which have serious weaknesses, or require special measures.

(e) administer the arrangements for admission and exclusion appeals.

(f) promote the educational achievement of looked after children.

(g) be responsible together with the Strategic Director of Social Care transition service for disabled children.

6.2 The services and the areas of responsibility of the Director of Children's Services shall include: Family Services, Schools, Schools' Funding and Capital Programme, Safeguarding Children, Local Safeguarding Children's Board, Care Leavers and Finance and Resources.

7. The Strategic Director of Economy

7.1 The Strategic Director of Economy shall:

(a) Deliver the Council's vision and strategic objectives and have overall responsibility for all matters relating to the delivery of housing in the borough.

(b) Arrange for the effective operation of the Council's responsibilities for housing, including the recommending of strategies for all aspects of housing related activity, relationships with other public sector organisations, social landlords and with the private sector.

(c) Approve applications for housing and allocate properties in accordance with the Council's established allocations policy.

(d) Be responsible for commissioning services relating to the management and maintenance of the Council's housing stock and administer the HomeBuy Scheme as defined under Housing Act 1985 (as amended).

(e) Be responsible for the delivery of compliance against health and safety in relation to the council's role as a landlord to its housing stock.

(f) Make arrangements to provide housing advice and support to prevent homelessness and process statutory homelessness applications.

(g) Approve the allocation of funds to individual projects to be supported through regeneration programmes.

(h) Be responsible for new affordable housing, through direct delivery, in partnership and through the creation and management of Council housing companies and other delivery vehicles.

(i) exercise Planning and conservation powers in accordance with the relevant legislation. Delegation includes powers to determine applications for planning permission, advertisement consent, Conservation Area Consent, Listed Building Consent, Certificates of Lawfulness and Prior Approval, application for the Council's own development and Hazardous Substances consent, to take planning enforcement action, and respond to appeals, except where otherwise directed by the relevant legislation.

(j) Preparation and review of Planning policy documents, meeting our Duty to Cooperate and Neighbourhood Planning responsibilities, responding to National and Regional planning policy, and maintaining statutory registers.

(k) Preparation and review of the H&F Community Infrastructure Levy (CIL) charging schedule.

(l) Entering into or varying S106 Legal Agreements and ongoing monitoring of s.106 agreement.

(m) Deliver the Council's vision and strategic objectives and have overall responsibility for all matters relating to the delivery of regeneration in the borough.

(n) Be responsible for Council initiatives relating to the economic development and skills and adult and community learning.

(o) Deliver economic growth projects and programmes.

(p) Deliver the arts and culture strategy, and associated projects and programmes.

(q) Be responsible for Building and Property Management.

(r) Be responsible for the Council's Building control and regulation, control over demolition functions and also its roles for dangerous structures.

(s) Take action and operate all legislative and administrative procedures in relation to the regulation of street trading.

7.2 The services and the areas of responsibility of the Strategic Director of Economy shall include:

(a) Housing Services (includes resident involvement; tenancy management; estate caretaking).

(b) Housing Options, (includes policy development in relation to housing allocations) homelessness assessment.

(c) Asset Management and Property Services (includes repairs and maintenance; health and safety; physical regeneration).

(d) Finance planning and strategy in relation to the Housing Revenue Account (including income collection, reserves and debt management) and supporting functions such as IT.

(e) Regeneration.

(f) Economic Development and skills.

(g) Planning Policy and implementation through Regeneration and Development Management.

(h) Building and Property Management including its role to undertake asset valuations for the Council under CIPFA guidelines and also to ensure decisions on assets are in accordance with the Local Government Act 1972 (s123) and its general consents.

(i) Building control.

(j) Adult and Community Learning.

(k) New housing and commercial development and Council housing companies and other delivery vehicles.

8. The Strategic Director of Environment

8.1 The Strategic Director of Environment shall:

(a) arrange for the effective operation of the Council's responsibilities for the regulation of waste management and cleansing of streets.

(b) be responsible for the borough's parks and cemeteries.

(c) be responsible for all matters relating to the Council's functions relating to crime and disorder.

(d) exercise the functions of the Council under the Crime and Disorder Act 1998, save for the secondment of officers to the Youth Offending Team as required by section 39(5).

(e) be responsible for emergency planning and business continuity and undertake executive powers where necessary in the event of a civil emergency.

(f) take action and operate all legislative and administrative procedures in relation to highways, transportation, road traffic, town and country planning and building control. This includes exercising the functions of the Council as highways, transportation and road traffic authority and the taking of all enforcement action in relation to transportation and highways.

(g) operate the Council's on street and parking enforcement services.

(h) exercise all licensing functions and other matters an officer is empowered to discharge under the Licensing Act 2003, the Gambling Act 2005 or any Regulations issued in relation to those Acts and any regulations amending, consolidating or replacing them.

(i) exercise the functions of the Council relating to environmental health. This includes powers relating to: food safety, health and safety, noise and other nuisances, air quality, contaminated land and private water supplies, and housing and private land where enforcement is the responsibility of the Council. Manage the contact services – revenues, benefits, corporate and out of hours contact centres, reception, complaints (dealing with stage 1, 2 and Ombudsman complaints, ASC and CHS statutory complaints, councillor and MP enquiries, FOI, SARs and GDPR), pay & park and accessible transport (dealing with blue badges, taxi cards, parking permits and cash payments)

(j) manage the revenue service - administration and collection of Council Tax and National Non- Domestic Rates (Business Rates) and collection of corporate debt

(k) manage the benefits service - administration and payment of Housing Benefit and Council Tax Support including free school meals and clothing grants

(l) develop and implement a Council customer services strategy including business transformation and channel shift (contact channel improvement programme)

(m) procure a corporate solution to enable customers to self-serve (Integrated Management Systems – Self Service)

(n) be responsible for the Prevent Channel Panel – In compliance with the statutory requirements set out under sections 36 – 41 of the Counter Terrorism and Security Act 2015, H&F has a Channel panel in place for its area, and has regard to the Channel duty guidance 2020. The designated Channel chair/deputy chair functions are fulfilled by Assistant Director, Adult Safeguarding. The Channel panel function in H&F is discharged through a joint panel with RBKC.

8.2 The services and the areas of responsibility of the Strategic Director of Environment shall include:

(a) Community Safety and Emergency Planning

(b) Commercial Management and Operations

(c) Cleaner, Greener and Cultural Services

(d) Customer and Business Development

(e) Finance and Resources

(f) Environmental Health (including but not limited to food safety and standards, health & safety, health protection and infectious disease, animal health and public health)

(g) Transportation and Highways

(h) Licensing

(i) Trading Standards

(j) Contact Services

(k) Revenue and Benefits Services

(l) Council Customer Services Strategy

9. The Director of Resources

9.1 The Director of Resources shall:

(a) act as the authority's Monitoring Officer under the Local Government and Housing Act 1989.

(b) make appointments to outside bodies in accordance with the nominations made by the Party Whips.

(c) be the proper officer in respect of matters relating to the Council's Constitution where not otherwise stated.

(d) Manage the democratic services functions in order to ensure the efficient management of the Council's decision–making processes including arrangements for all meetings of the Council and its committees, and electoral registration and elections.

9.2 The services and the areas of responsibility of the Director of Resources shall include:

(a) Digital Services

(b) Elections

(c) Governance and Scrutiny

(d) Leader's Office

(e) Legal Services

(f) Mortuary Services

(g) Opposition Office

(h) Policy and Communications

(i) Registration and Mayor's Office

(j) West London Coroner's Court

(k) Transformation, Talent and Inclusion