

COUNCIL AGENDA

BUDGET COUNCIL MEETING

Wednesday 28 February 2024



The Mayor – Councillor Patricia Quigley
Deputy Mayor – Councillor Daryl Brown

ADDISON

Jacolyn Daly (L)
Ross Melton (L)

AVONMORE

Laura Janes (L)
David Morton (I)

BROOK GREEN

Stala Antoniadis (L)
Adam Peter Lang (L)

COLLEGE PARK & OLD
OAK

Wesley Harcourt (L)
Bora Kwon (L)
Alexandra Sanderson (L)

CONINGHAM

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

FULHAM REACH

Lucy Richardson (L)
Omid Miri (L)
Nikos Souslous (L)

FULHAM TOWN

Victoria Brocklebank-
Fowler (C)
Andrew Dinsmore (C)

GROVE

Stephen Cowan (L)
Helen Rowbottom (L)

HAMMERSMITH
BROADWAY

Emma Apthorp (L)
Patricia Quigley (L)

LILLIE

Ben Coleman (L)
Sharon Holder (L)

MUNSTER

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

PALACE & HURLINGHAM

Aliya Afzal-Khan (C)
Jackie Borland (C)
Amanda Lloyd-Harris (C)

PARSONS GREEN &
SANDFORD

Jose Afonso (C)
Adrian Pascu-Tulbure (C)

RAVENSCOURT

Liz Collins (L)
Patrick Walsh (L)

SANDS END

Paul Alexander (L)
Ashok Patel (L)
Ann Rosenberg (L)

SHEPHERDS BUSH
GREEN

Zarar Qayyum (L)
Mercy Umeh (L)

WALHAM GREEN

Trey Campbell-Simon (L)
Genevieve Nwaogbe (L)

WENDELL PARK

Rebecca Harvey (L)
Asif Siddique (L)

WEST KENSINGTON

Daryl Brown (L)
Florian Chevoppe-Verdier
(L)
Sally Taylor (L)

WHITE CITY

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

WORMHOLT

Max Schmid (L)
Nicole Trehy (L)

SUMMONS

Councillors of the London Borough of
Hammersmith & Fulham
are requested to attend the
Meeting of the Council on
Wednesday 28 February 2024
at the Irish Cultural Centre,
5 Black's Road,
W6 9DT

The Council will meet at 7.00pm

You can watch the meeting live on YouTube:

[youtube.com/hammersmithandfulham](https://www.youtube.com/hammersmithandfulham)

This meeting is open to the public, but spaces are
limited. Please contact David.Abbott@lbhf.gov.uk if
you would like to attend.

20 February 2024

Sharon Lea
Chief Executive

Full Council Agenda

28 February 2024

<u>Item</u>		<u>Pages</u>
1.	APOLOGIES FOR ABSENCE	
2.	DECLARATIONS OF INTERESTS <p>If a Councillor has a disclosable pecuniary interest in a particular item, whether or not it is entered in the Authority's register of interests, or any other significant interest which they consider should be declared in the public interest, they should declare the existence and, unless it is a sensitive interest as defined in the Member Code of Conduct, the nature of the interest at the commencement of the consideration of that item or as soon as it becomes apparent.</p> <p>At meetings where members of the public are allowed to be in attendance and speak, any Councillor with a disclosable pecuniary interest or other significant interest may also make representations, give evidence or answer questions about the matter. The Councillor must then withdraw immediately from the meeting before the matter is discussed and any vote taken.</p> <p>Where Members of the public are not allowed to be in attendance and speak, then the Councillor with a disclosable pecuniary interest should withdraw from the meeting whilst the matter is under consideration. Councillors who have declared other significant interests should also withdraw from the meeting if they consider their continued participation in the matter would not be reasonable in the circumstances and may give rise to a perception of a conflict of interest.</p> <p>Councillors are not obliged to withdraw from the meeting where a dispensation to that effect has been obtained from the Standards Committee.</p>	
3.	MINUTES <p>To approve the minutes of the meeting held on 24 January 2024.</p>	6 - 26
4.	MAYOR'S/CHIEF EXECUTIVE'S ANNOUNCEMENTS	
5.	PUBLIC QUESTIONS (20 MINUTES) <p>The Leader/relevant Cabinet Member to reply to questions submitted by members of the public.</p>	27 - 31
6.	ITEMS FOR DISCUSSION/COMMITTEE REPORTS	
6.1	REVENUE BUDGET AND COUNCIL TAX LEVELS 2024/25 <p>This item presents the Council's 2024/25 Revenue Budget and Council Tax Levels for approval.</p>	32 - 107

6.2	FOUR YEAR CAPITAL PROGRAMME 2024-28 AND CAPITAL STRATEGY 2024/25	108 - 141
	This report presents the Council's Capital Strategy 2024/25 and four-year Capital Programme for the period 2024 to 2028.	
6.3	TREASURY MANAGEMENT STRATEGY STATEMENT 2024/25	142 - 182
	This report sets out the Council's proposed Treasury Management Strategy Statement and Annual Investment Strategy for 2024/25 and seeks authority for the Strategic Director of Finance to deliver the treasury management activities as set out in the report.	
6.4	PAY POLICY STATEMENT 2024/25	183 - 196
	This report presents the Council's 2024/25 pay policy statement for approval.	
6.5	DISPENSATION OF ABSENCE	197 - 198
	This report seeks approval of a special dispensation to be granted to Councillor Ann Rosenberg for non-attendance at meetings of the authority due to ill health.	
6.6	REVIEW OF THE CONSTITUTION	199 - 264
	This report presents updates to the Council's Constitution for approval.	

COUNCIL MINUTES

ORDINARY COUNCIL MEETING

WEDNESDAY 24 JANUARY 2024



PRESENT

The Mayor – Councillor Patricia Quigley

Deputy Mayor – Councillor Daryl Brown

Councillors:

Jose Afonso	Andrew Dinsmore	Genevieve Nwaogbe
Aliya Afzal-Khan	Wesley Harcourt	Adrian Pascu-Tulbure
Paul Alexander	Rebecca Harvey	Ashok Patel
Adronie Alford	Sharon Holder	Rowan Ree
Emma Apthorp	Lisa Homan	Helen Rowbottom
Jackie Borland	Laura Janes	Alex Sanderson
Victoria Brocklebank-Fowler	Alex Karmel	Max Schmid
Florian Chevoppe-Verdier	Bora Kwon	Nikos Souslous
Ben Coleman	Adam Peter Lang	Nicole Trehay
Liz Collins	Amanda Lloyd-Harris	Frances Umeh
Stephen Cowan	Ross Melton	Mercy Umeh
Jacolyn Daly	Omid Miri	Rory Vaughan

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Stala Antoniades, Andrew Jones, Sally Taylor, Zarar Qayyum, Trey Campbell-Simon, Patrick Walsh, Natalia Perez, Ann Rosenberg, Lucy Richardson, Dominic Stanton, and David Morton.

Councillor Asif Siddique attended the meeting remotely. He did not participate or vote on committee reports.

2. DECLARATIONS OF INTERESTS

There were no declarations of interest.

3. MINUTES

7.05pm - RESOLVED

That the minutes of the meeting held on 1 November 2023 were agreed as an accurate record.

4. **MAYOR'S/CHIEF EXECUTIVE'S ANNOUNCEMENTS**

New Year Honours List 2024

The Mayor extended the Council's congratulations to the following people who were recognised in the New Year Honours List for their outstanding contributions:

- Louisa Mitchell who was awarded an MBE for her work with West London Zone, a charity which targets inequality and helps youngsters from disadvantaged backgrounds find paths to success.
- Vivienne Wood, who was awarded a BEM for her service to one of Hammersmith's most treasured community centres – the Grove Neighbourhood Centre.
- Professor Carol Black who was made a Dame for a lifetime of public service and her role as Independent Adviser on Combatting Drugs.
- Charlie Mackesy, author of the international bestseller The Boy, the Mole, the Fox and the Horse, who was made an OBE for services to Art and Literature.
- Chelsea Women's captain Millie Bright, who was awarded an OBE for services to Association Football.

The Leader of the Council, Councillor Stephen Cowan, and the Leader of the Opposition, Councillor Victoria Brocklebank Fowler, made speeches thanking them for their hard work and service to the community.

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

The Mayor thanked the residents who submitted questions. Questions 1, 2, 4, and 7 were taken in the meeting. The Mayor explained that any questions not addressed in the meeting would receive written responses. All questions and responses can be found at Appendix 1.

Under Standing Order 15(e)12, Councillor Alex Karmel called for an extension of the time limit for public questions. The motion was then put to the vote:

FOR	9
AGAINST	28
NOT VOTING	1

The motion was declared **LOST**.

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

6.1 **Council Tax Support Scheme 2024/25**

7.35pm – The report and recommendations were formally moved for adoption by the Cabinet Member for Finance and Reform, Councillor Rowan Ree.

Speeches on the report were made by Councillors Omid Miri, Jacolyn Daly, Ross Melton, and Rowan Ree (for the Administration) and Councillor Andrew Dinsmore (for the Opposition).

The report and recommendations were put to the vote:

FOR	UNANIMOUS
AGAINST	0
NOT VOTING	0

The recommendations were declared **CARRIED**.

7.48pm – RESOLVED

That Full Council approved the following recommendations:

1. That the Council Tax Support Scheme in operation in 2023/2024 (included at Appendix 1 of the report) shall continue in 2024/2025.
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 2024/2025.
3. That the Council shall re-affirm the discretionary disregards for War Pensions and War Widow(er)'s Pensions in order to safeguard the finances of war pensioners and war widow(er)s in both the Housing Benefit Scheme and the Council Tax Support Scheme.

6.2 **Council Tax Base and Collection Rate 2024/25**

7.48pm – The report and recommendations were formally moved for adoption by the Cabinet Member for Finance and Reform, Councillor Rowan Ree.

Speeches on the report were made by Councillors Rowan Ree, Adam Peter Lang, and Max Schmid (for the Administration) and Councillor Alex Karmel (for the Opposition).

The report and recommendations were put to the vote:

FOR	UNANIMOUS
AGAINST	0
NOT VOTING	0

The recommendations were declared **CARRIED**.

8.01pm – RESOLVED

1. That Full Council approves the following for the financial year 2024/25:
 - a. The estimated numbers of properties for each Valuation Band as set out in this report.
 - b. An estimated collection rate of 97.0%.
 - c. The Council Tax Base of 86,113 Band “D” equivalent properties.
 - d. The delegation of authority to the Strategic Director of Finance to determine the business rates tax base for 2024/25.
 - e. That the Council charge the full relevant council tax premium allowed on dwellings unoccupied and substantially unfurnished for a continuous period of at least one year and properties designated as second homes, as soon as the legislation allows.

6.3 Appointment of the Monitoring Officer

8.01pm – The report and recommendations were formally moved for adoption by the Leader of the Council, Councillor Stephen Cowan.

Councillor Max Schmid made a speech for the Administration. Councillor Alex Karmel made a point of personal explanation.

On behalf of the Council, the Mayor thanked the outgoing Monitoring Officer, David Tatlow, and welcomed the incoming Monitoring Officer, Grant Deg.

The report and recommendations were put to the vote:

FOR	UNANIMOUS
AGAINST	0
NOT VOTING	0

The recommendations were declared **CARRIED**.

8.05pm – RESOLVED

1. That Grant Deg, Principal Legal Adviser to the Council, be confirmed as the Council’s Monitoring Officer.

6.4 Council Calendar of Meetings 2024/25

8.05pm – The report and recommendations were formally moved for adoption by the Leader of the Council, Councillor Stephen Cowan.

The report and recommendations were put to the vote:

FOR	UNANIMOUS
AGAINST	0
NOT VOTING	0

The recommendations were declared **CARRIED**.

8.05pm – RESOLVED

1. That the 2024/25 Council calendar of meetings at Appendix 1 be approved.

7. SPECIAL MOTIONS

7.1 Special Motion 1 - Tackling Violent Crime

8.05pm – Councillor Andrew Dinsmore moved, seconded by Councillor Adrian Pascu-Tulbure, the special motion in their names.

“This Council recognises the significant harm caused by violent crime across the London Borough of Hammersmith and Fulham.

Whilst this Council champions the excellent work of the Law Enforcement Teams, it recognises that they do not have the necessary powers of arrest and are not properly equipped nor trained to deal with violent crime.

Further, whilst the Council thanks the Gangs Unit, it accepts that more must be done to tackle gangs and violent crime.

This Council therefore calls upon the Administration to review its current policy of funding substantial numbers of Law Enforcement Officers at the expense of additional Police Officers who have the powers, training and equipment to tackle the violent crime that is now widespread in the Borough.”

Councillor Andrew Dinsmore made a speech on the motion for the Opposition.

Under Standing Order 15(e)(6), Councillor Rebecca Harvey moved, seconded by Councillor Nikos Souslous, an amendment:

“Delete all after “This Council” and replace with:

“deeply regrets that Conservative opposition councillors are soft on crime.

The Council notes how the opposition group opposed the creation of the H&F Law Enforcement Team, campaigned to abolish it during the local elections and continues to demand that funding for the Law Enforcement Team is cut, which would be devastating to the safety of local people.

The Council notes that despite crime-fighting being the responsibility of national and regional governments, H&F’s Labour administration has stepped in to provide the biggest investment in fighting crime of any comparative council in the UK and

the largest investment in this Borough's history. The administration's comprehensive approach includes the following:

- H&F has deployed Britain's most comprehensive CCTV network;*
- H&F is investing an extra £5.5 million on CCTV to improve and grow the borough's 24/7 network of CCTV cameras over the next five years;*
- H&F created the country's largest Law Enforcement Team, with 72 Law Enforcement Team officers solely dedicated to making Hammersmith & Fulham's streets safer;*
- H&F pioneered a specialised Gangs Unit dedicated to safeguarding children and young people;*
- H&F has deployed dedicated protection officers to support women and girls; and*
- H&F works closely with the Met to coordinate crime-fighting actions.*

The Council recognises that after 13 years of bad Conservative government, crime is out of control in many parts of England. It notes that this places huge pressure on the Met in London. It recognises that Hammersmith & Fulham's allotted Met police officers continue to be diverted outside of the Borough to other tasks such as protecting public buildings, policing protests, policing football matches and police other public order tasks outside of Hammersmith & Fulham. The Met therefore needs support in Hammersmith & Fulham – something the Administration's crime-reduction strategy does more comprehensively than ever before.

The Council is deeply concerned by the recent attack on a man in Bishop's Park, Fulham and expresses its sympathy to the victim and his family. It notes that H&F council have reacted swiftly and in a targeted way working closely with the police drawing on our excellent CCTV system and Law Enforcement officers. It notes that the Law Enforcement Team has increased patrols in the park and resolves to maintain this with the support of the police.

The Council recognises that the Conservative Government has cut policing, broken the criminal justice system and overseen huge increases in dangerous crimes across the UK.

It also notes that in H&F violent crime is down and recognises how the Council's investment is tough on crime and tough on the causes of crime – and that this plays a crucial role in contributing to these decreases.

The Council regrets the attack on crime-fighting by Conservative councillors and thanks H&F's Law Enforcement Team, the Gangs Unit, the Met and all the other teams who fight to cut crime in the borough day-in, day out."

Speeches on the amendment were made by Councillors Rebecca Harvey, Nikos Souslous, Liz Collins, Adam Peter Lang, Mercy Umeh, Ben Coleman, and Stephen Cowan (for the Administration) and Councillors Andrew Dinsmore and Adrian Pascu-Tulbure (for the Opposition).

The amendment was then put to the vote:

FOR

28

AGAINST	9
NOT VOTING	1

The amendment was declared **CARRIED**.

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

FOR	28
AGAINST	9
NOT VOTING	1

The amended motion was declared **CARRIED**.

8.55pm - RESOLVED

This Council deeply regrets that Conservative opposition councillors are soft on crime.

The Council notes how the opposition group opposed the creation of the H&F Law Enforcement Team, campaigned to abolish it during the local elections and continues to demand that funding for the Law Enforcement Team is cut, which would be devastating to the safety of local people.

The Council notes that despite crime-fighting being the responsibility of national and regional governments, H&F's Labour administration has stepped in to provide the biggest investment in fighting crime of any comparative council in the UK and the largest investment in this Borough's history. The administration's comprehensive approach includes the following:

- H&F has deployed Britain's most comprehensive CCTV network;
- H&F is investing an extra £5.5 million on CCTV to improve and grow the borough's 24/7 network of CCTV cameras over the next five years;
- H&F created the country's largest Law Enforcement Team, with 72 Law Enforcement Team officers solely dedicated to making Hammersmith & Fulham's streets safer;
- H&F pioneered a specialised Gangs Unit dedicated to safeguarding children and young people;
- H&F has deployed dedicated protection officers to support women and girls; and
- H&F works closely with the Met to coordinate crime-fighting actions.

The Council recognises that after 13 years of bad Conservative government, crime is out of control in many parts of England. It notes that this places huge pressure on the Met in London. It recognises that Hammersmith & Fulham's allotted Met police officers continue to be diverted outside of the Borough to other tasks such as protecting public buildings, policing protests, policing football matches and police other public order tasks outside of Hammersmith & Fulham. The Met therefore needs support in Hammersmith & Fulham – something the Administration's crime-reduction strategy does more comprehensively than ever before.

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The Council recognises that the Conservative Government has cut policing, broken the criminal justice system and overseen huge increases in dangerous crimes across the UK.

It also notes that in H&F violent crime is down and recognises how the Council's investment is tough on crime and tough on the causes of crime – and that this plays a crucial role in contributing to these decreases.

The Council regrets the attack on crime-fighting by Conservative councillors and thanks H&F's Law Enforcement Team, the Gangs Unit, the Met and all the other teams who fight to cut crime in the borough day-in, day out.

7.2 **Special Motion 2 - The Housing Department**

8.55pm – Councillor Adronie Alford moved, seconded by Councillor Aliya Afzal-Khan, the special motion in their names:

“The Council calls upon the Administration to urgently deal with the problems in the Housing Department and thereby improve the lives of tenants and leaseholders in the Borough.”

Councillor Adronie Alford made a speech on the motion for the Opposition.

Under Standing Order 15(e)(6), Councillor Frances Umeh moved, seconded by Councillor Jacolyn Daly, an amendment:

“Delete all after “The Council” and replace with:

“recognises the difficulties that have been experienced in the housing repairs service, the detrimental impacts this has had on residents and reasserts its pledge to deliver a service they will be proud of.

The Council believes in the critical importance of council housing, and social housing more widely, to residents and the local economy. It is committed to investing in council homes and is working at pace to make improvements to the repairs service, customer service and complaint handling. It will continue to listen and co-produce with residents to deliver the best possible service.”

Speeches on the amendment were made by Councillors Francis Umeh, Jacolyn Daly, Liz Collins, Omid Miri, Ashok Patel, Stephen Cowan, and Ben Coleman (for the Administration) and Councillor Aliya Afzal-Khan (for the Opposition).

The amendment was put to the vote:

FOR	UNANIMOUS
AGAINST	0
NOT VOTING	0

The amendment was declared **CARRIED**.

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

FOR	Unanimous
AGAINST	0
NOT VOTING	0

The amended motion was declared **CARRIED**.

9.34pm – RESOLVED

The Council recognises the difficulties that have been experienced in the housing repairs service, the detrimental impacts this has had on residents and reasserts its pledge to deliver a service they will be proud of.

The Council believes in the critical importance of council housing, and social housing more widely, to residents and the local economy. It is committed to investing in council homes and is working at pace to make improvements to the repairs service, customer service and complaint handling. It will continue to listen and co-produce with residents to deliver the best possible service.

7.3 Special Motion 3 - The Ethical Implementation and Use of Artificial Intelligence in Hammersmith and Fulham

The motion was withdrawn.

7.4 Special Motion 4 - Calling on the Government to Tackle Sewage Discharges

9.35pm – Councillor Helen Rowbottom moved, seconded by Councillor Lisa Homan, the special motion in their names:

“The Council notes that:

- Thames Water is regularly using sewage overflows as the standard reaction to increased rainfall. There are four local discharge sites in Hammersmith and Fulham, with more than 100 dumping sites across London.*
- These discharges pose a significant threat to public health and to the ecosystem and biodiversity of the Thames. Four local boat clubs and those living on houseboats near Hammersmith Bridge, near one of the local discharge sites, are particularly exposed. Over 125 species of fish, a large range of resident and migratory birdlife, and other animals depend on the river, including endangered species.*

- *This problem was both predictable and preventable. London's sewage system has remained largely unchanged since the Victorian era, but population growth and climate change – leading to increased instances of high-volume rainfall – have led to a foreseeably overloaded sewage system.*
- *More widely, raw sewage being pumped into our rivers and the ocean is a huge national problem, with urgent action needed to overhaul our outdated sewage systems.*

The council is disappointed that Greg Hands, MP for Chelsea and Fulham, voted against the national Labour Party's plan to address the sewage problem. The Labour party is calling for:

- *Mandatory monitoring of all sewage outlets*
- *The introduction of automatic fines for discharges*
- *Water bosses who routinely and systematically break the rules to be held professionally and personally accountable*

The council regrets that Mr. Hands has failed to acknowledge the urgency of the issue and has undermined efforts to safeguard the Thames, local residents and wildlife.

The council believes there is a need for significant investment to upgrade and modernise London and national sewage infrastructure. This should include sustainable infrastructure schemes, which help lower the risk of flooding by diverting rainwater to the ground instead of roadside gullies that push it directly into the sewer network."

Speeches on the motion were made by Councillors Helen Rowbottom, Lisa Homan, Nicole Trehy, and Emma Apthorp (for the Administration) and Councillors Victoria Brocklebank-Fowler and Jose Afonso (for the Opposition).

The guillotine fell at 10.00pm.

The motion was put to the vote:

FOR	28
AGAINST	8
NOT VOTING	0

The motion was declared **CARRIED**.

10.01pm - RESOLVED

The Council notes that:

- Thames Water is regularly using sewage overflows as the standard reaction to increased rainfall. There are four local discharge sites in Hammersmith and Fulham, with more than 100 dumping sites across London.
- These discharges pose a significant threat to public health and to the ecosystem and biodiversity of the Thames. Four local boat clubs and those living on houseboats near Hammersmith Bridge, near one of the local discharge sites, are particularly exposed. Over 125 species of fish, a large

range of resident and migratory birdlife, and other animals depend on the river, including endangered species.

- This problem was both predictable and preventable. London's sewage system has remained largely unchanged since the Victorian era, but population growth and climate change – leading to increased instances of high-volume rainfall – have led to a foreseeably overloaded sewage system.
- More widely, raw sewage being pumped into our rivers and the ocean is a huge national problem, with urgent action needed to overhaul our outdated sewage systems.

The council is disappointed that Greg Hands, MP for Chelsea and Fulham, voted against the national Labour Party's plan to address the sewage problem. The Labour party is calling for:

- Mandatory monitoring of all sewage outlets
- The introduction of automatic fines for discharges
- Water bosses who routinely and systematically break the rules to be held professionally and personally accountable

The council regrets that Mr. Hands has failed to acknowledge the urgency of the issue and has undermined efforts to safeguard the Thames, local residents and wildlife.

The council believes there is a need for significant investment to upgrade and modernise London and national sewage infrastructure. This should include sustainable infrastructure schemes, which help lower the risk of flooding by diverting rainwater to the ground instead of roadside gullies that push it directly into the sewer network.

7.5 Special Motion 5 - Climate Change

The motion was withdrawn.

7.6 Special Motion 6 - H&F Law Enforcement Team

The motion was withdrawn.

7.7 Special Motion 7 - Local Government Finance

The motion was withdrawn.

Meeting started: 7.00 pm
Meeting ended: 10.02 pm

Mayor

Appendix 1 – Public Questions and Responses

Questions 1, 2, 4, and 7 were taken in the meeting. The remaining questions received written responses.

Question 1

From: Philip Jones, Resident

Question: In previous correspondence the Council said that it does not categorise residential units under the category “Luxury”. I would like to find out how the Council measures local demand for affordable social housing and what safeguards has it put in place to ensure a suitable balance of types of homes have been built between 2010-2023, if it doesn't categorise the developments that it authorises to be built through its local planning and housing development plan to ensure local demand for affordable social housing has been met, which I believe ought to be its principle duty and responsibility?

Response from Councillor Frances Umeh, Cabinet Member for Housing and Homelessness: To understand the local demand for housing the Council produces a Strategic Housing Market Assessment. This assessment then analyses local demand and identifies critical needs, particularly for affordable housing where demand consistently outstrips supply. The assessment is then used to develop policies in the Local Plan which will deliver the different types of housing.

The housing mix policy for example includes percentages for affordable housing categories within developments. This means that the Council can determine the best mix of housing on individual schemes across the borough based on the size of the scheme, its location, and current priorities (such as housing register needs, decant requirements, specialist housing, larger family size and affordable homes). This dynamic approach means the Council can respond to the changing housing needs over the local plan's lifespan.

There are different categories of housing - Market Housing, rented or owned at market rates, and Affordable Housing, which covers a range of elements. These include:

- Social rents which is owned and managed by Local Authorities and registered social landlords, and this rent is set nationally.
- Affordable rents, similar to social rents, capped at 80% of local market rents.
- And intermediate housing which includes shared ownership, Intermediate Rents and other options priced above social rent but below market rent.

The planning permission specifies the form, type and tenure of approved housing, with an accompanying Section 106 Planning Obligation to ensure its delivery. Deviations do require permission to be varied.

There are safeguards including the Local Plan, the H&F Housing Strategy, which helps to ensure a balanced housing mix across the borough.

There is also continuous monitoring through annual reports which allows us to adapt policies and meet housing and affordable targets. The results of the monitoring is published every year in our Annual Monitoring Reports, which are available on the website.

More broadly the Administration is committed to delivering affordable homes in the borough, as evidenced in the manifesto and the Council's latest business plan, ensuring that we build more than 3,000 new energy efficient affordable homes, making sure they are built or underway over the next 4/5 years.

And there are some examples of this – where the Council is leading the way. For example, Hartopp and Lannoy where we have 134 energy efficient homes, 84% of which will be affordable. Farm Lane and Lillie Road, 73 energy efficient homes, 50% of which will be affordable. Ed City where we will deliver 24 affordable homes this month and 108 more affordable homes by autumn next year. And we're working in partnerships to deliver more affordable housing.

This diversified approach really demonstrates the Council's dedication to providing much more affordable homes and helping to build a brighter future for everyone.

Question 2

From: Richard Cazenove, Resident

Question: In relation to the CAN, when will the Council release the data from the traffic monitoring camera at the junction of the New Kings Road and Grimston Road? It has been conspicuous by its absence from all Council communication in relation to the scheme including the CAN flyer sent to residents in May 2022. Much has been made of the 1,000+ drop in vehicles using the western end of Hurlingham Road, but a large portion of this reduction is due to traffic having been shifted to Grimston Road (and across to Ranelagh Avenue). This is because vehicles continue to access the Hurlingham Club and the 400 adjacent flats – they just use a different route get there. As such the overall decline in the immediate neighbourhood is much smaller than publicly advertised. I have been told the camera has been vandalised on a number of occasions, but it cannot have been out of action for the entire time since the trial began and there must therefore be some indication of how traffic flows have changed. With proper statistics we can work constructively on potential solutions.

Response from Councillor Sharon Holder, Cabinet Member for Public Realm:

Thank you for your question and can I say I always appreciate the genuine concerns you raise on behalf of your street and neighbouring streets.

The trial was designed by residents and it is important that where residents raise suggestions about how we can improve the scheme, we should do so.

You are right that the monitoring camera has been damaged on several occasions. However, we are able to share some data and I have asked the Director for Climate Change and Transport to send this to you.

The Grimston Road camera counts vehicles going northbound and southbound for a typical day. The data I can share with you compares the number of cars before the trial and the number of cars during the trial.

The data indicates that the number of cars is broadly similar before and during the trial. Also, the busiest and slowest times of day are much the same now as previously.

Two things have increased though. One is pedestrian activity – people are walking more in the area throughout the whole day. The other is light goods vehicles – around five more an hour between 8am and 9pm. We believe this is the result of local deliveries from online shopping accessing your area.

I have asked officers to continue to monitor this. We are looking towards releasing more detailed data in a Cabinet report before any decision is made on the trial.

Question 3

From: Natale Giostra, Resident

Question: Lots of cars illegally turn right into WBR from NKR blocking the traffic flow. Would it be possible to extend and connect the two existing traffic islands to stop this illegal turn?

Response from Councillor Sharon Holder, Cabinet Member for Public Realm:

We are in the process of installing camera enforcement for the illegal right turn from New Kings Road into Wandsworth Bridge Road. With regard to the two existing traffic islands, as it may be necessary for emergency vehicles to make the illegal turn we would be unable to join the islands up.

Question 4

From: David Henderson, Resident

Question: As a resident in Fulham for more than 35 years we have never complained about requested developments. We have however submitted complaints to the Council for breaches of granted planning permission, for example use of roofs as roof terraces, noise from unapproved plant at commercial premises, and local residential building works. It is our view that action is rarely taken in response to apparent breaches and on occasions incomplete or no feedback was provided. Do planning officers routinely carry out post work checks and if not why not? Or is it left to local residents to inform the Council of these breaches and if so when residents do report them why are we left wondering about any enforcement action taken?

Response from Councillor Stephen Cowan, Leader of the Council:

I'm giving a response because the Cabinet Members is not here. Thank you Mr Henderson for your question.

It's a very relevant point because what you have is a variety of different types of planning permission coming before a depleted Council planning team, year in year out.

And here we might have three football clubs, the third highest land prices in Britain, so we have some very big schemes from Olympia and Earls Court to, as you quite rightly say, someone's front Loft extension. And so there is certainly an awful lot of strain on the Planning Department. They do take regular proactive assessments of the work that's been done, but not on every single scheme because we simply don't have the people or resources to do that. So it is often the case that there're relying on some residents to say 'that's being built and it shouldn't have been built' to precipitate an investigation. And that's not just relevant to us here in how it's how all councils operate across the United Kingdom.

It's very hard to institute enforcement actions but we do it and we start a series of discussions where we voluntarily try and get the builder or developer to alter the scheme themselves. Often those resources are negotiated, and in a few occasions they'll take legal action but that is, as you quite rightly say, quite rare.

If you have anything in mind then I will make sure I look at that case for you and find out what buildings it is you're talking about and get you an answer. If you're saying that you have asked questions and not had answers all I can do is apologise and say I'll look into it. But I would just stress, to give an idea, back in 2010, a long time ago now, the total revenue budget of H&F Council was £184 million, now it's 132 million. We've had huge inflation in that period and yet we've had to manage services and try and not let anything slip. And on the whole, if you look, it hasn't. But Planning is one of those areas where it's hard to recruit people – the last questioner about housing – recruiting planners, a lot of our planners are from different countries where they come and work temporarily here for us. And when we do have them we have to focus them on priority schemes. So things can get through and if they do I can apologise. If you go to your Ward Councillor we'll pick it up for you and we will endeavour to get it right.

Question 5

From: Liam Downer-Sanderson, Resident

Question: The South Fulham camera trial ends in May. When is the council going to conduct a poll of residents views across the borough as it indicated that it would do? And what details can you provide of how the polling will be conducted?

Response from Councillor Sharon Holder, Cabinet Member for Public Realm:

We promised to deliver a full and proper consultation. And we are doing just that. Indeed, what we are doing goes beyond the government's own guidance.

This week, as you are no doubt aware, we have launched one of the most comprehensive ever surveys undertaken in this country into a neighbourhood scheme.

The survey is open to all residents, not just those within the direct Clean Air Neighbourhood area.

We have commissioned Opinium, one of the country's most-respected polling and market research agencies, to carry out the survey.

Alongside this, we have commissioned Opinium to carry out opinion polling both within the Clean Air Neighbourhood area and, again, across the borough.

The council is not doing the polling; one of Britain's leading pollsters is doing the polling - operating to British Polling Council standards as the government requires.

They will collate the data. They will write the report.

This is Premier League consultation from an administration that believes in listening to and working with residents.

Question 6

From: Vivienne Goldstein, Resident

Question: The South Fulham camera trial ends in May. When is the council going to conduct a poll of residents views across the borough as it indicated that it would do?

Response from Councillor Sharon Holder, Cabinet Member for Public Realm:

This week Opinium, a member of the British Polling Council, launched one of the most comprehensive ever surveys undertaken in this country into a neighbourhood scheme. It is open to all residents, not just those within the Clean Air Neighbourhood area. Opinium have also been commissioned to carry out opinion polling both within the Clean Air Neighbourhood area and, again, across the borough.

The council is not doing the polling - one of Britain's leading pollsters is, operating to British Polling Council standards as the government requires.

Question 7

From: Lauren Clark, Resident

Question: At a recent meeting that was brokered by a 'lead resident' who is in favour of the South Fulham CAN scheme, the council traffic official John Galsworthy told residents and businesses that some votes will count more than others, indicating that, in the extensive poll to be carried out borough wide, votes from residents living inside the South Fulham CAN trial would be favoured. This was also reported in The Sunday Telegraph. Do you think that this approach will meet approval standards from Mark Harper, Minister for Transport, as he conducts his review into Low Traffic Neighbourhoods across London?

Response from Councillor Sharon Holder, Cabinet Member for Public Realm: We promised a full and proper consultation, and Opinium's survey and opinion polling goes beyond the guidance set out by the Secretary of State for Transport.

This states: "In assessing how and in what form to make schemes permanent, authorities should collect appropriate data to build a robust evidence base on which to make decisions. This should include traffic counts, pedestrian and cyclist counts, traffic speed, air quality data, public opinion surveys and consultation responses.

Consultation and community engagement should always be undertaken whenever authorities propose to remove, modify or reduce existing schemes and whenever they propose to introduce new ones.

Engagement, especially on schemes where there is public controversy, should use objective methods, such as professional polling to British Polling Council standards, to establish a truly representative picture of local views and to ensure that minority views do not dominate the discourse. Consultations are not referendums.

Polling results should be one part of the suite of robust, empirical evidence on which decisions are made."

The results of the survey and polling, along with traffic and air quality data, and hundreds of emails and letters the council has received from residents, businesses and street groups

across South Fulham, will inform the decision at the end of the Clean Air Neighbourhood trial.

This will be one of the most comprehensive consultations ever carried out by a local authority in this country. Given that it both meets and exceeds the government's guidance, we would expect this approach to meet government approval.

Question 8

From: David Tarsh, Resident

Question: Since last July, I have tried via Freedom of Information Act questions to find out from the council how much money it is making from the traffic scheme around Wandsworth Bridge Road and how pollution levels have changed on Wandsworth Bridge Road and New Kings Road, as a consequence of the scheme. To date, I have been rebuffed with evasion and then admission that the council holds the data but refuses to release it before June 2024, which is after the deadline to decide whether to scrap or retain the scheme has passed.

Residents suspect that the scheme has not improved air quality on Wandsworth Bridge Road or New Kings Road, and it has either raised an obscene level of fines or not enough money to cover the cost of the infrastructure. Will the Leader of the Council allay those legitimate suspicions by revealing the answers to those specific questions now or will he leave residents concluding that the scheme is indeed a failure; and the council is trying to cover it up?"

Response from Councillor Sharon Holder, Cabinet Member for Public Realm:

Data demonstrating how toxic air pollution in South Fulham is being reduced and how many out-of-borough drivers have received fines for repeatedly cutting through local residential side streets will be published in a report which will be presented to Cabinet before any decision is made on the trial.

Question 9

From: Caroline Shuffrey, Resident

Question: The Council has recently downgraded the key decision 'Investment in the borough wide Clean Air Neighbourhoods Programme' to no longer a key decision. Does that mean that the Council now recognise that the LTNs in South Fulham are not producing clean air for the borough and therefore will now abandon the Clean Air Neighbourhood trial?

Response from Councillor Sharon Holder, Cabinet Member for Public Realm:

No. The Clean Air Neighbourhoods programme has not been downgraded. As its objectives are incorporated in existing financed projects there has been no further need at this stage to request further funds through a Key Decision.

Question 10

From: Caroline Brooman-White, Resident

Question: Two years ago Councillor Harcourt wrote to me saying that initial pollution data for Wandsworth Bridge Road has shown it is not significantly different to the side streets. Please could you kindly tell me whether this is still true and how we can see the pollution data on a regular basis.

Response from Councillor Sharon Holder, Cabinet Member for Public Realm:

Data showing how toxic air pollution in South Fulham is reducing will be published in a report which will be presented to Cabinet before any decision is made on the trial.

Question 11

From: Donald Grant, Resident

Question: The Council reports a reduction in vehicles and pollution in the area now restricted by the traffic camera schemes, but it does not report where the traffic goes to instead, nor the increases in pollution and journey times in those areas. The principles of public life mean you should tell the whole truth, not selected figures to suit your narrative, if in fact the figures promoted are accurate.

Please would you report the before-and-after vehicle and pollution figures in the areas the traffic and pollution has been displaced to, especially in the constituency of Chelsea and Fulham?

Response from Councillor Sharon Holder, Cabinet Member for Public Realm:

There is no displacement of traffic. There are 15,000 fewer vehicles a day coming over the Wandsworth Bridge and into Fulham. There is less traffic across the entire area. Data on pollution and vehicle numbers will be published in a Cabinet report.

Question 12

From: David Morris, Resident

Question: The Council's Green Investment Scheme launched in November 2023 with a target to raise £1 million by mid-February. Has it met its target, and can it tell us what projects will be undertaken with the funds raised?

Response from Councillor Wesley Harcourt, Cabinet Member for Climate Change and Ecology: The Council's Green Investment has currently raised just over £846k as of 24th January 2024. This round of investment will close on 13th February at which point we will know how much of the £1m target has been raised. This funding is restricted in use and can only be applied to projects with green aims and outcomes. This includes projects to generate renewable energy, such as installing solar panels, projects to improve active travel, such as new bike hangars or improve cycle paths, and projects to mitigate the impact of climate change, like new flood defences.

The Council has ambitious targets to decarbonise its operations and wider borough and our H&F 2030: Climate and Ecology Strategy sets out a comprehensive Action Plan with many projects and initiatives. A range of funding sources will be required to achieve the targets, including government grants and investments like these. The Green Investment will fund a number of projects including initiatives that improve air quality around schools, green some of our grey spaces, and improve the borough's ecological environment.

Specific details of projects funded by the Green Investment will be communicated once the investment round has closed.

Question 13

From: Nick Smith, Resident

Question: Could Council explain why the quality of pavement on the north and south sides of Harwood Terrace still – after more than 10 years of complaining – presents a danger to all pedestrians? It is unlike any other paved area in the area as it is made of a combination of mixed gravel textured concrete and substandard paving slabs. As a result it is rough, uneven, razor sharp and unsightly.

Response from Councillor Sharon Holder, Cabinet Member for Public Realm: We are grateful to you for raising the issue and have carried out a highway inspection on receipt of your question. We found the footways are in reasonable condition and with no safety defects.

The back of the footway is constructed from paving slabs which although old are still in a safe, functional and level condition. Along the edge of the footway is a concrete verge, and whilst safe, it has begun to wear away creating a rough surface. Two areas of the concrete verge had already been marked up for repair by the Highway Inspector for the area and repair orders have been raised. That work is due to be completed this month.

However we can confirm that Harwood Terrace will be part of the first phase of public realm improvement works for the South Fulham East Clean Air Neighbourhood and it is anticipated this will include new paving.

Question 14

From: Siobhan Cummins, Resident

Question: There is already evidence in the public domain from other surveys that residents and businesses strongly support the removal of the LTN's in South Fulham. When the Council conducts its own poll will it make the results public and undertake to remove the LTNs in the event that the poll shows a majority in favour of doing so?

Response from Councillor Sharon Holder, Cabinet Member for Public Realm: The council has commissioned Opinium, a member of the British Polling Council, to undertake one of the most comprehensive surveys ever seen in this country into a neighbourhood scheme. This is open to all residents, not just those within the Clean Air Neighbourhood area. Opinium have also been commissioned to carry out opinion polling both within the Clean Air Neighbourhood area and, again, across the borough.

In deciding whether to make the trial permanent, the council will be following the guidance issued by the Secretary of State for Transport. This states:

“In assessing how and in what form to make schemes permanent, authorities should collect appropriate data to build a robust evidence base on which to make decisions. This should include traffic counts, pedestrian and cyclist counts, traffic speed, air quality data, public opinion surveys and consultation responses.

Minutes are subject to confirmation at the next meeting as a correct record of the proceedings and any amendments arising will be recorded in the minutes of that subsequent meeting.

Consultation and community engagement should always be undertaken whenever authorities propose to remove, modify or reduce existing schemes and whenever they propose to introduce new ones.

Engagement, especially on schemes where there is public controversy, should use objective methods, such as professional polling to British Polling Council standards, to establish a truly representative picture of local views and to ensure that minority views do not dominate the discourse. Consultations are not referendums.

Polling results should be one part of the suite of robust, empirical evidence on which decisions are made.”

The results of this survey and polling, along with traffic and air quality data, and the hundreds of emails and letters from residents, businesses and street groups across South Fulham, will inform the decision at the end of the Clean Air Neighbourhood trial.

Full Council Public Questions – 28 February 2024

Question 1

From: Nicola Dryden, Resident

To: The Cabinet Member for Social Inclusion and Community Safety

There seems to be an increasing problem with dog poo bags being dropped and littering the pavements. Therefore, I would like to understand what is the council is doing to enforce fines on those who are litter dropping? Is the council planning to have more dog poo bins across the borough in order to try to address the problem?

Question 2

From: Casey Abaraonye, Resident

To: The Cabinet Member for Finance and Reform

Decisions taken by adults in the room affect the futures of our young and we should be doing more to involve them in that process. Can the council commit to writing to 16 year olds and schools, to ensure that they are reminded when they become eligible to vote, to participate in the process? For schools this would form an active part of their Citizenship.

Question 3

From: Nick Smith, Resident

To: The Cabinet Member for Public Realm

Many streets in SW6 are suffering from a lack of investment in new infrastructure, paving, lighting and street furniture. Could the council please consider a programme of street improvements in the SW6 area using funds raised from the fines gained from non-residents cutting through our residential streets?

Question 4

From: Sarah, Resident

To: The Cabinet Member for Social Inclusion and Community Safety

Given the recent attacks on Bishops Park and the warnings about a sexual predator around Townmead Road, please can you let us know what the Council is doing to protect residents in the borough, both in terms of personal safety and also on matters such as car and bike theft.

Question 5

From: Andy Knowles, Resident

To: The Cabinet Member for Public Realm

Could the council please confirm if they have had any approach from the Department for Transport as part of the "LTN Review" and what good news does the council have for them on the popularity and effectiveness of the local schemes?

Question 6

From: David Tarsh, Resident

To: The Cabinet Member for Public Realm

At the last full council meeting, it was made clear that the survey commissioned from Opinium would be used to decide whether to keep the CAN traffic scheme, which has caused huge social division, harm to local businesses and which Greg Hands' survey has found to be deeply unpopular.

The law requires LBHF to conduct a consultation if it is to retain the traffic scheme. And the law provides that a consultation is only legitimate when the Gunning Principles are met. However, the Opinium survey breaks the Market Research Society's Code of Conduct in several ways (its purpose was not transparent; its design and content were biased; and questions were leading); and the council has also breached the second provision of the Gunning Principles, ie: that there is sufficient information for the consultees to give 'intelligent consideration'.

"Intelligent consideration" is impossible when LBHF deliberately conceals the pivotal role of the survey in keeping the traffic scheme and, when LBHF refuses to answer repeated Fol questions asking how much money it has collected in fines and how air quality has changed on the Wandsworth Bridge Road and the New Kings Road.

So, will the council now provide full and frank answers to those questions; or will it continue refusing to do so, in which case, intelligent consideration is impossible; and its consultation is not legitimate?

Question 7

From: Caroline Shuffrey, Resident

To: The Cabinet Member for Public Realm

In response to a resident's question at last month's council meeting the Council stated 'The council has commissioned Opinium, a member of the British Polling Council, to undertake one of the most comprehensive surveys ever seen in this country into a neighbourhood scheme. This is open to all residents, not just those within the Clean Air Neighbourhood area. Opinium have also been commissioned to carry out opinion polling both within the Clean Air Neighbourhood area and, again, across the borough'.

A leaflet directing residents to answer the poll Opinium.com/hfsurvey/ was only delivered by Royal Mail to random households in a small area in Fulham, many addresses appeared to be missed out. The poll was not advertised in the Council's weekly newsletters or on Next Door. The poll could not be answered by those residents who were not online. The poll was only open for a short period, much shorter than for other surveys.

Given that such a comprehensive survey was undertaken why did the Council make so little effort to advertise the poll to the 80,000 plus households across the borough?

Question 8

From: Donald Grant, Resident

To: The Cabinet Member for Public Realm

The Traffic Camera Consulting Group is the largest residents' group in South Fulham, with several hundred members from over 100 Fulham streets. We advised your "Strategic Director of Environment" several times that due to this we wished to be involved in traffic and public realm issues being influenced by residents. That has not happened outside two staged meetings, and instead minority resident groups and individual residents routinely influence the punitive trial LTN details, and initiatives on Wandsworth Bridge Road. In the absence of any replies from your Director, when will we start to be involved in traffic and public realm discussions between the Council and other residents?

Question 9

From: Natalie Lindsay, Resident

To: The Cabinet Member for Public Realm

In light of your Air Quality Assessment paper it is clear that urgent action needs to be taken to tackle the filthy air each and every resident of the borough is subjected to. We also know that to meet our Climate obligations by 2030 we must reduce car use by a minimum of 27%. Can the council lay out their proposed timetable to act on excessive volumes of vehicles in the borough (via CANS, LTNS, main road mitigations/de-prioritisations etc) and in parallel how quickly they plan to create safe segregated cycle lanes to help the families/residents that still drive to switch to active travel.

Question 10

From: Hillary Cannon, Resident

To: The Cabinet Member for Public Realm

Uber and other ride sharing apps - the more affordable options for private taxi service and therefore among the most frequently used by young people - do not have access through the LTN in south Fulham (or the CAN scheme, to use its common name), and because of this are regularly dropping young women at the top of Parson's Green and other points along Wandsworth Bridge Rd, forcing them to walk home alone at all hours of the night. Additionally, there has been at least one report of a known sexual predator operating in the exact area where these women are being forced to walk, and presumably other predators are already noticing that the neighbourhood is now rife with opportunities to harm young women, thanks to these cameras. This issue has been raised countless times in emails sent by myself and other women in the borough - all of which have been ignored.

Does the Council plan to turn off the cameras until a viable, solution can be found that ensures the safety of women and girls, or does it plan to continue knowingly risking their lives in favour of this divisive and now demonstrably dangerous scheme?

Question 11

From: Philip Jones, Resident

To: The Cabinet Member for the Economy

At the end of the Council's response to my question at the last Full Council meeting I said that I wanted to drill down into the Council's figures of the 1,780 affordable residential units that it has permitted to be built over the last ten years to determine how many were residential units with rental prices capped at 80% of local market rents and how many were low-cost social rent properties?

Question 12

From: Jacqueline Rivadeneira, Resident

To: The Cabinet Member for the Economy

Would Fulham & Hammersmith support that Builders and Construction Companies become licensed and formally Regulated to improve standards to reduce the number of rogue builders and companies and have an accountable and responsible industry?

Question 13

From: Richard Cazenove, Resident

To: The Cabinet Member for Public Realm

Re the CAN, thank you to Councillor Holder for providing traffic data from the Grimston Road monitoring camera. It shows vehicles using the street since the start of the CAN trial have increased by just under 9% to approximately 1,850/day. This compares to large reductions on other north-south routes – e.g. minus 58.8% on Broomhouse Lane. A demonstrable fall in “cut-through” traffic has been offset by a larger increase in “access” volumes. This is primarily due to out-of-borough cars/vans seeking a new route to the Hurlingham Club and 400 adjacent flats to avoid the Hurlingham Road CAN fine camera. The change in mix has had a much more detrimental impact in terms of traffic volumes on Ranelagh Avenue for reasons well understood by the Council.

As discussed previously there are a number of ways this could be mitigated and following communication with the Director for Climate Change and Transport, we seem to have had breakthrough. He has confirmed that the Council is working on providing “automatic” immunity to Hurlingham Club traffic from the cameras – no form filling, no pre-registration etc. I believe there are some specific points to be agreed (e.g. which cameras the exemptions will apply to) and technology to be refined, but with this in mind when do you expect the modification will be

implemented? The willingness to act on feedback is both encouraging and much appreciated.

Question 14

From: Caroline Brooman-White, Resident

To: The Cabinet Member for Public Realm

Two years ago Councillor Harcourt wrote to me saying initial pollution data for Wandsworth Bridge Road has shown it is not significantly different to the side streets. Is this still true?

Agenda Item 6.1

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Full Council

Date: 28/02/2024

Subject Revenue Budget and Council Tax Levels 2024/25

Report of: Councillor Rowan Ree, Cabinet Member for Finance and Reform

Responsible Director: Strategic Director of Finance – Sukvinder Kalsi

SUMMARY

Hammersmith & Fulham is unique in many ways. In recent years the council has been able to abolish home care charges, provide free breakfasts for school children, create a new Law Enforcement Team to keep our street safe and clean, maintain weekly bin collections across the borough, and end the use of bailiffs to collect Council Tax debt.

All these services have been funded at a time of continued austerity within local government since 2010. After the Chancellor's Autumn Statement in November 2023, analysis by the Institute for Fiscal Studies has estimated that considering current spending commitments across the public sector, the Department of Levelling Up, Housing and Communities (which includes local government) may face a 3.4 per cent real terms cut each year from 2025/26 to 2028/29¹

Funding from central government has reduced by 54% in real terms² and 22% in cash terms, from £164m in 2010/11 to £128m in 2024/25³. The economic impact of the last few years has put further pressure on council finances. The challenge in setting this balanced budget has been to protect these services, that make Hammersmith & Fulham special, despite unprecedented financial constraints.

The continuing national economic conditions of high inflation and interest rates present many significant challenges to the Council. This is increasing our costs for delivering services, reducing our income from residents/businesses/visitors, making our investment plans more expensive and is increasing the demand for public services. Forecasts of an economic contraction in the coming years add additional pressure to council finances, in the form of reduced revenues and increased demand for services.

Few organisations would be able to deliver the same services they delivered over a decade ago with less than half of the resources available. In Hammersmith & Fulham we have not just maintained front line services that residents rely on, but we have gone further, providing new services like the local Law Enforcement Teams and free breakfasts in primary schools. We have also eased financial burdens that residents face

¹ [What does the Autumn Statement mean for local government and public service spending? | Institute for Fiscal Studies \(ifs.org.uk\)](https://www.ifs.org.uk/what-does-the-autumn-statement-mean-for-local-government-and-public-service-spending/)

² As per RPI indices - [Retail Prices Index: Long run series: 1947 to 2023: Jan 1974=100 - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk/retail-prices-index/long-run-series-1947-to-2023-jan-1974=100)

³ Funding includes Revenue Support Grant, Business Rates Funding Baseline, Social Care and other general grants

by residents by abolishing home care costs and providing one of the country's most comprehensive Council Tax Support Schemes.

This has only been possible because of the ruthlessly financially efficient approach that we have taken to managing residents' money. We will continue to reform the council to ensure that we provide the best value for their money possible. This budget does this through innovative use of new technology and data, and council-wide efficiency programmes to streamline operations and ensure the best use of resources.

Despite the financial pressures on the council, our ruthlessly financially efficient approach (by generating more than £118m of efficiencies since 2014/15), securing more than £100m in contributions from developing the Borough and generating more than £60m in annual income). This has allowed us to keep Council Tax levels low. There is no better place to be a council tax payer than right here in Hammersmith & Fulham. Not only do we have the third lowest council tax rates in the country, with this administration cutting or freezing Council Tax five times in the last nine years, but our Council Tax Support Scheme provides a discount to 42% of residents, with the most vulnerable paying nothing at all. This administration took the decision to exempt care leavers from paying Council Tax entirely, and this year, for the first time, we will also exempt in-house foster carers and special guardians so that they do not pay a penny of Council Tax.

The objectives of the General Fund revenue budget proposals for 2024/25 set out in the report:

- Protect the delivery of our core statutory services.
- Continue to deliver services valued by residents/businesses/visitors.
- Ensure the safety of our residents/businesses/visitors.
- Promote the prosperity of the borough.
- Embeds an agile, modern and innovative approach within the Council.
- Maintains strong financial governance and resilience across the Council.

The proposals include investment of £10.7m across many services and will allow the continued delivery of the best services to our residents/businesses and visitors. This includes an extra £4.2m for Home Care, £1.3m to support school transport services for children, £1.5m for people affected by homelessness and £1.7m to support our housing services.

The Council will continue to manage its financial resources effectively to financial resilience and sustainability (including a good level of reserves and in year contingencies).

RECOMMENDATIONS

To agree for the reasons set out in this report and appendices:

1. To increase the Hammersmith & Fulham element of Council Tax by 2.99% as modelled by the government in its spending power calculations for local government.
2. To apply the Adult Social Care precept levy of 2% as modelled by the government in its spending power calculations for local government.

3. To approve a balanced budget for 2024/25 as set out in the report, including the underlying principles and assumptions.
4. To approve **£10.7m** of new investment on key services for residents.
5. To approve fees and charges, as set out in Appendix E, including freezing charges in adult social care, children's services, and General Fund housing.
6. To approve the Medium-Term Financial Strategy and to note the budget projections to 2027/28 made by the Strategic Director of Finance in consultation with the Strategic Leadership Team. (Appendix B)
7. To note the statement of the Strategic Director of Finance, under Section 25 of the Local Government Act 2003, regarding the adequacy of reserves and robustness of estimates (paragraph 56).
8. To approve the reserves strategy and forecast as set out in Appendix H.
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 2024/25 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 2024/25 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 £
H&F	610.24	711.95	813.66	915.37	1,118.78	1,322.20	1,525.61	1,830.74

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	314.27	366.64	419.02	471.40	576.16	680.91	785.67	942.80

13. That the overall Council Tax to be set at £1,386.77 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	610.24	711.95	813.66	915.37	1,118.78	1,322.19	1,525.61	1,830.74
b) GLA	314.27	366.64	419.02	471.40	576.16	680.91	785.67	942.80
c) Total	924.51	1,078.59	1,232.68	1,386.77	1,694.94	2,003.10	2,311.28	2,773.54

14. To authorise the Strategic 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 Council's estimated position on the Collection Fund (as set out in paragraph 51).
16. To note the performance on the management of arrears across the Council on all debts due (as set out from paragraph 60).

Wards Affected: All

H&F values	Summary of how this report aligns to the H&F Priorities
Being ruthlessly financially efficient	The council has a proud record of maintaining low Council Tax to its residents. The revenue budget for 2024/25 proposes savings and efficiencies across services and corporate functions that rationalise its estate and reduce its operating costs, whilst also delivering value for money from external contractors.
Creating a compassionate council	The proposals in the revenue budget for

	24/25 supports the ongoing investment in services that directly support residents in living, healthy and independent lives. This includes continuing to provide free homecare for older residents, providing Council Tax support to foster carers and increasing investment to tackle homelessness and rough sleeping.
Building shared prosperity	A significant proportion of services are delivered in partnership with local and national companies, and this will continue to promote all business sectors to the benefit of residents.
Doing things with residents, not to them	The budget for 24/25 will invest in our Family Hubs, ensuring that every child, young person, and family is able to access the right support at the right time. The Hubs will also be developed by collaborating with children and young people and their families, family groups, the local third sector, the NHS and the council's children's services in genuine partnership.
Taking pride in H&F	The council's revenue budget will invest over £50m in public realm services. These services will provide access to safe clean, green spaces for all to enjoy, visit and live in. It will deliver improvements to highways, whilst continuing to invest in the Law Enforcement Team and regulatory services to crack down on anti-social behaviour and rogue traders.
Rising to the challenge of the climate and ecological emergency	The council has an ambitious target to become a net zero borough. To help achieve this, the budget will invest in the roll out of food waste caddies for more than 50,000 households, continue to keep our streets and parks clean, and take a tough stance against anyone dropping litter, creating graffiti, or dumping rubbish.

Financial Impact

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

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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 considered. 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 23 February 2023 in advance of the Hammersmith & Fulham Council Tax setting meeting.

Section 25 of the Local Government Act 2003 requires the Strategic 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;

I 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:

- (106) (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 F. 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 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.

NATIONAL FINANCIAL CONTEXT AND OUTLOOK

1. Local government continues to operate in a difficult and uncertain financial environment for the short and medium term. Although inflation has fallen in recent months, price rises over the last twelve months continue to impact the Council's budgetary position and increase the cost of living for its residents and businesses.
2. The rise in inflation has been largely attributable to the following factors:
 - The Covid pandemic and the lack of supply during that period;
 - Russia's continued invasion of the Ukraine and the huge impact on energy and food security plus their prices;
 - The national economic turmoil in the Autumn of 2022; and
 - The shortage of people available for work following the pandemic and the UK's withdrawal from the European Union.
3. As part of its fiscal policy and to meet the Government's 2% inflation target, the Bank of England have put up the UK base interest fourteen times over the past two years, and the base rate now stands at 5.25% as at December 2023. This has meant that for many residents, businesses, and the Council itself, the cost of borrowing is more expensive and reduces the amount that can be invested as a result.
4. This will have an impact on the Council's capital programme as much careful consideration will have to be given by Members on how to finance and pay back any sums borrowed and repayable soon.

Autumn Statement 2023

5. The Chancellor announced the Autumn Statement on the 22 November 2023, which outlined the Government's spending plans and the estimated impact of changes to tax, welfare and public service spending policy that carry a direct, quantifiable impact on households.
6. There was no new funding for 2024/25 for adult or children's social care beyond announcements made in the Autumn Statement in 2022. Other key announcements affecting local government funding in 2024/25 are outlined below:
 - Local Housing Allowances rates will be raised to a level covering 30% of local market rents after previously being frozen for several years. However, these rates

will then be re-frozen from 2025/26, meaning only temporary relief for many households.

- An additional £120m for homelessness prevention. Details of the allocation for the Council were to be confirmed at the time of writing this report.
- There are plans to allow local authorities to be able to fully recover the cost of planning fees for major planning applications if decisions are made within certain timelines.
- Local Planning Authorities to receive £32m to tackle planning backlogs.
- The standard business rate multiplier will be increased by September CPI (6.7%) and the small business rate multiplier will be frozen for a fourth consecutive year.

Cost of Living and Benefits

7. Alongside the Autumn Statement, The Office for Budget Responsibility's (OBR) economic and fiscal outlook was published. It is forecast that unemployment rises to 1.6 million people (4.6 per cent of the labour force) in the second quarter of 2025. This peak in unemployment is around 85,000 people (or 0.2 percentage points) higher, and a year later, than expected in March. The weakening in labour demand reflects rising interest rates and slower GDP growth opening a degree of spare capacity in the economy.
8. Welfare spending is forecast to rise sharply this year (by £33.9 billion, or 13.0 per cent) and next (by £21.1 billion, or 7.1 per cent), driven by the uprating of most benefits with CPI inflation. Benefits were uprated by 10.1 per cent in April this year and are expected to be uprated by 6.7 per cent, the September 2023 CPI inflation figure, in April 2024. The main drivers are health and disability benefits (reflecting rising caseloads for these benefits), and pensioner spending (due to the ageing population and the triple lock).⁴
9. The impact of the wider macroeconomic downturn has impacted many vulnerable households. In response to this, a cost-of-living strategy has been developed by the Council and financial support of more than £10m has been provided including direct Council funding and the Household Support Fund⁵. This package, and other support across the council, includes:
 - providing free breakfasts in primary schools
 - abolishing home care charges for elderly and Disabled residents
 - frozen or cut service charges across the council in real terms.
 - supporting the local foodbank and local charities
 - expanding advice services for anyone in need of extra support
 - making more funding available to help prevent emergencies and crisis.
 - providing financial help to low-income families with essential living costs.

⁴ [Economic and fiscal outlook – November 2023 - Office for Budget Responsibility \(obr.uk\)](https://obr.uk/economic-and-fiscal-outlook-november-2023/)

⁵ [Cost of living support | London Borough of Hammersmith & Fulham \(lbhf.gov.uk\)](https://lbhf.gov.uk/cost-of-living-support/)

LOCAL GOVERNMENT FUNDING FOR 2024/25

Local Government Finance Settlement and Core Spending Power

10. The provisional 2024/25 Local Government Finance Settlement (LGFS) was published by DHLUC on the 18th December 2023. This statement outlines provisional funding allocations for local authorities for 2024/25 alongside the Core Spending Power for each authority. For the sixth year in a row, this was a single year funding settlement. There was not a great deal of new funding included, as much of the funding announced in the statement had already been declared in the 2023/24 LGFS, particularly funding ringfenced for Adult Social Care and Council Tax referendum limits.
11. Core Spending Power estimates total revenue funding available to authorities and includes Government assumptions on a maximum increase in Council Tax (4.99%). This is in line with the national working assumption that local authorities will need to increase local tax by 5% each year until 2027/28. It also includes assumptions on business rates income (including compensation for under indexing the multiplier) as well as growth in the Council Tax base.
12. The Statement provided an increase in Core Spending Power of 8% assuming that the council increases Council Tax and the Adult Social Care precept to the maximum extent without triggering a local referendum. It also includes compensation for the decision to freeze the small business rates multiplier.

A summary of the Council's funding settlement and Core Spending Power in comparison to 2023/24 is set out in Appendix K.

13. The 2024/25 LGFS continues the recent trend of single year funding settlements with no grant allocations confirmed beyond next year. The lack of future certainty continues to undermine effective medium-term financial planning and resource allocation. The planned review (Fair Funding Review) to explore changing how central grants are distributed between local authorities and with the potential for resetting the baselines for determining each local authority's need has been pushed back to April 2025 at the earliest after first being announced in 2016.
14. It should be noted that whilst the overall Core Spending Power for the Council has increased by £16.03m, only £7.85m (49%) of this relates to grant funding distributed directly to local authorities as part of the LGFS, as both Council Tax and business rates income are locally generated sources of income.

An explanation of the key funding streams is outlined below:

15. **Settlement Funding Assessment (SFA)** – The SFA is made up of two elements: The Revenue Support Grant (RSG) and the Baseline Funding Level (BFL). RSG is given to local authorities and can be used to finance revenue expenditure on any service. This grant has increased by £1.35m. This increase from 2023/24 is in line with the September CPI increase of 6.7%. The BFL is the estimated retained Business Rates as calculated by the Government, usually uprated in line with the small business rates multiplier. The actual business rates estimated by the Council is set out in the business rates section below.
16. **Social Care funding** – There are four separate grants as part of the Core Spending Power which relate to Social Care funding. Except for the Social Care Support grant

(which can be used for matters relating to Childrens and Adults social care), all the others are ringfenced and passported to the Social Care budget. The grants are as follows:

- Social Care Support grant
- Improved Better Care Fund
- Market Sustainability and Improvement Fund (now includes the MSIF Workforce Fund)
- ASC Discharge Fund

A two-year funding package for social care was outlined in last year's LGFS and the funding this year represents the second year of this. Beyond 2024/25, it is unclear and uncertain the sustainability and level of funding which will be available to local authorities for social care.

17. **Compensation for the under-indexing of the business rates multiplier** – this is funding to compensate local authorities for lost business rates income arising from the decision to freeze the small business rates multiplier.
18. **New Homes Bonus** - There will be new rounds of New Homes Bonus (NHB) payments in 2024/25. In line with last year, these payments will not attract new legacy payments. It is unlikely that the New Homes Bonus will continue beyond 2024/25, and whether any alternative funding will be provided should this be the case.
19. **Services Grant** – The services grant has reduced by over 76% in 2024/25. The Government have made significant cuts to this funding (from £822m in 22/23 to £77m in 24/25) as it has been top sliced to offset the rising cost of other grants in the settlement. Although the local government finance policy statement on the 5th December stated that this grant would reduce, the scale of reduction was not anticipated or communicated to local authorities earlier in the budget setting process.

Other Funding

20. **Household Support Fund (HSF)** - In 2021, the Department for Work and Pensions announced that vulnerable households across the country would be able to access a new support fund to help them with essentials over the winter. The total HSF allocated to Hammersmith and Fulham during 2023/24 was £2.8m, all of which is planned to be spent as part of the council's Cost of Living response.
21. However, after the Autumn Statement, it was confirmed by DHLUC that the HSF will not continue beyond 31 March 2024. At time of writing, it is not known if this funding will be replaced with another scheme or will be folded into existing funding, but the ending of this funding stream will place a significant additional financial burden on the Council and those most vulnerable and affected by the Cost-of-Living crisis.
22. There are other specific grants which sit outside the main LGFS and for which allocations have been announced. The Council will receive £24.3m for the Public Health Grant, £3.89m for the Homelessness Prevention Grant (a further £120m has been announced nationally but allocations are not known at the time of writing), plus £177.3m for the Dedicated Schools Grant (DSG). These grants are ringfenced and are assumed will have a neutral impact in the current budget proposals.

THE BUDGET GAP 2024/25 AND MEDIUM-TERM FINANCIAL STRATEGY

23. The budget gap for 2024/25 was estimated at £18.7m (as reported to Council in February 2023). This forecast was under continuous re-assessment during the year and was revised to £23.4m (mainly pay and price inflation) and this was the opening budget gap. The key changes that resulted in a balanced budget proposal for 2024/25 are set out in the table below (the individual Directorate budget analysis and other details are set out in Appendix J).

24. **Table 2: 2024/25 Budget Summary**

	£m
Base Budget Gap 2023/24 (balanced)	-
Pay and Prices inflation	13.7
New investment in services	10.7
Saving Proposals	(8.1)
Other Changes (Interest/Collection Fund/Etc)	(12.3)
Council Tax Requirement	(4.0)
Base Budget Gap 2024/25 (balanced)	-

25. The Band D Council Tax charge is calculated by dividing the Council Tax requirement by the Council Tax base⁶. The determination of the 2024/25 Council Tax requirement is set out in Table 9. The medium-term forecast, to 2027/28 is set out in Appendix B.

SERVICE AND CORPORATE ITEMS

Investment and Growth

26. Total investment and growth of £10.7m is being provided following the budget setting and review process. This funding is required to meet the costs of statutory obligations, demographic, service and demand pressures and key resident priorities. The details are set out in Appendix C to this report, and key elements are summarised below:

Table 3: 2024/25 investment proposals

Proposal	£'m
Home Care Procurement (patch, bridging and spot services)	4.2
Homelessness Services (Temporary Accommodation)	1.5
Travel Care (Special Educational Needs transport)	1.3
Housing Services	1.7
Integrated Transitions (Childrens to Adults) team	0.6
New Waste Collection Services	0.3
Development of Family Hubs	0.3

⁶ 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.

Other (including cyber security/major projects)	0.6
Culture and Community Engagement	0.2
Total	10.7

Table 4: Investment proposals by Department

Department	£m
Adult Social Care	4.8
Children's Services	1.6
Environment	0.5
Corporate Services	0.2
Economy	1.5
Other Services	2.1
Total	10.7

Savings

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

Table 5: 2024/25 savings proposals

Department	£m
Adult Social Care and Public Health	(2.1)
Children Services	(1.6)
Environment	(1.5)
Corporate Services	(0.3)
Economy	(1.4)
Finance	(0.4)
Other Services	(0.8)
Total	(8.1)

Table 6: Categorisation of savings

Savings categories	£m
Commercialisation / income	(1.7)
Procurement / commissioning	(2.1)
Service reconfiguration	(2.7)
Service rationalisation/budget reduced in line with spend	(0.7)
Prevention	(0.3)
Estate rationalisation	(0.4)
Staffing/productivity	(0.2)
Total savings	(8.1)

Inflation

28. Inflation has been consistently high over the past two years (reaching 10.5% in December 2022, and the highest level for 40 years). The Consumer Price Index (CPI) for September 2023 (the date by which the Government use to update its spending plans) is 6.7%. The Office of Budget Responsibility is forecasting inflation of 2.8% by Q4 of 2024/25 and the proposed budget for 2024/25 includes provision for both pay and price inflation as follows:

- Contracted inflation of £9.2m.
- Pay inflation of 4.5m.

Other Measures

29. Additional income of £5.0m relating to investing cash balances is expected to materialise in 2024/25 as favourable interest rates are assumed as per the Bank of England's economic forecast assumptions. This income will be used to balance the budget in 2024/25 and our cash balances and base rate assumptions will be reviewed throughout the financial year in line with our treasury management strategy.

30. A comprehensive review has been carried out across both front and back-office functions within parking services. This has resulted in a programme of measures that has delivered more effective and efficient systems and processes, particularly in permit and suspension management, together with the introduction of more streamlined delivery and operational models. Front line services benefit from the introduction of Automatic Number Plate Recognition (ANPR) technologies in on-street enforcement, and the continued roll out of automated cameras in moving traffic, capturing alerts and contraventions. This outcome of this review is reflected in the budget for 2024/25.

31. In addition, there are budget measures by reducing budgeted reserve contributions, realigning corporate charges between the HRA and General Fund and short-term contributions arising from lower than budgeted contributions to the concessionary fares (freedom pass) scheme. This is due to the impact of passenger usage on public transport in response to the pandemic and changes to ways of working. This is not expected to continue beyond 2024/25 as demand is forecast to return to pre pandemic levels and fares increase.

FEES AND CHARGES

32. Charges governed by statute are set in accordance with those requirements and not varied in accordance with inflation. 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 6.7% (in line with September CPI) is applied for other non-commercial and non-parking fees.

The current proposed exceptions to the standard 6.7% increase and policies above are set out in Appendix E.

COUNCIL TAX, BUSINESS RATES AND LEVIES

COUNCIL TAX SETTING

33. 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 2024/25 local authorities “will be required to seek the approval of their local electorate in a referendum if, compared with 2023/24, they set an increase in the relevant basic amount of Council Tax that is 3% or higher”. As the proposed Council Tax increase for this Council is 2.99%, no such referendum is required.
34. In addition, the Government has modelled setting a precept to fund social care for adults of 2% in 2024/25. This levy is included in the Council’s budget proposals.
35. **The Council has a successful track record of keeping Council Tax low, either cutting or freezing Council Tax in five of the last nine years.** Nationally Council Tax is around 60% of the total Core Spending Power (but only accounts for 36% in Hammersmith and Fulham).
36. The national economic conditions of high inflation and interest rates made a Council Tax increase in 2023/24 unavoidable and a 2.99% increase in the Hammersmith & Fulham element of Council Tax was required to achieve a sustainable budget. As the current level of Council Tax is so low, even an increase of 2.99% keeps the overall level well below other local authorities. For 2024/25, despite the financial pressures on the council, our ruthlessly financially efficient approach has allowed us to keep Council Tax levels low. There is no better place to be a Council Tax payer than here in Hammersmith & Fulham. Not only do we have the third lowest council tax rates in the country, but our Council Tax Support Scheme provides a discount to 42% of residents, with the most vulnerable paying nothing at all.
37. This administration took the decision to exempt care leavers from paying Council Tax entirely, and this year, for the first time, we will also exempt in-house foster carers and special guardians so that they do not pay a penny of Council Tax.
38. The level of Council Tax increase reflects the assumption that has been outlined by Central Government in the Autumn Statement made on the 17 November by the Chancellor and assumed in the funding settlement for local government. The additional income will fund rising costs, protect, and support investment in key services for residents, and strengthen future financial resilience. The increase is equivalent to £26 per annum, or 50p per week, for 2024/25 (at Band D). The Council Tax charge for Hammersmith & Fulham is the third lowest in the country and 36% below the London average charge.
39. **The council is also proposing to levy a 2% Adult Social Care precept.** The increase is equivalent to £17.44 per annum, or less than 35p per week, for 2024/25 (at Band D) and is ringfenced to support Adult Social Care. The continued delay in the national review of the funding of adult social care is a major concern and the

government is continuing with its strategy of using an adult social care precept (since 2016/17). In the first years of the levy, Hammersmith & Fulham was determined not to apply the levy even though the council's funding from Government was modelled on the assumption that it would. Due to the continued high levels of inflation and instability in the social care market, the impact of the Covid-19 pandemic and the government's continued failure to propose a long-term funding solution to social care funding, the council accepted the need for a 3% adult social care levy for 2021/22 but it was not applied in 2022/23.

40. 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 7: Liability for Council Tax

Total dwellings in the borough	94,177	100%
Reductions:		
Exemptions (mainly students, includes care leavers and vacant properties)	(3,415)	(4%)
Council Tax support claimants (elderly & working age on low income)	(10,087)	(11%)
Single person discount (25% discount)	(26,143)	(27%)
Dwellings liable for 100% of Council Tax	54,532	58%

COUNCIL TAX REQUIREMENT 2024/25

Table 8: Base Budget Requirement for 2024/25

Budgeted expenditure 2023/24	£m
Housing benefit payments	91.2
Departmental budgets	588.7
Gross budgeted expenditure	679.9
Gross revenue income budget requirement	(479.8)
Net revenue budget requirement	200.1
To be met from:	
General grants	(58.8)
Locally retained business rates	(62.5)
2024/25 Council Tax requirement (including the adult social care precept)	(78.8)

41. The overall amount to be met from the Council Tax, including the GLA element, is £119.367m. This will provide a balanced budget in 2024/25.

Table 9: Overall 2024/25 Council Tax requirement

London Borough of Hammersmith & Fulham	£78,825,257
Greater London Authority (proposed)	£40,593,668
Total requirement for Council Tax	£119,367,257

42. 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.
43. 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:

$$\frac{\text{Total Council Tax Requirement}}{\text{Tax Base (Band D equivalent)}} = \frac{£119,367,257}{86,113} = £1,386.17 \text{ Band D}$$

44. On 15th January 2024, Cabinet agreed a Council Tax base of 86,113 equivalent Band D properties for 2024/25. Therefore, the council's element of the Council Tax for Band D properties can be calculated as followed:

$$\frac{\text{Total Council Tax Requirement}}{\text{Tax Base (Band D equivalent)}} = \frac{£78,825,257}{86,113} = £915.37 \text{ Band D}$$

45. This represents a 2.99% increase in the Hammersmith & Fulham element of the Council Tax charge and a 2% levy for the adult social care precept.

PRECEPTOR'S (Greater London Authority) COUNCIL TAX REQUIREMENT

46. 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 of London is consulting on budget proposals for a provisional Band D charge of £471.40. This is subject to formal approval by the Mayor of London following the London Assembly meeting of 22 February. The preceptors budget requirement will be amended should there be a change to the Mayor's proposed Band D charge.

$$\frac{\text{Preceptor's Budget Requirement}}{\text{Tax Base (Band D equivalent)}} = \frac{£40,593,668}{86,113} = £471.40 \text{ Band D}$$

47. The proposed GLA charge represents an increase of £37.26 (8.6%), compared to 2023/24. This includes a £13.00 increase in the police precept, £4.26 for the London Fire Commissioner and a £20.00 increase for Transport for London.⁷

Business Rates

48. The recent change in legislation has meant that the business rates multiplier has been 'decoupled' and ministers now have the power to set different levels of rates for the elements of the multiplier (small and standard multipliers). The Autumn Statement confirmed that the standard multiplier rate would increase in line with September's CPI inflation (6.7%).
49. There will be a freeze in 2024/25 for the small business rate multiplier for the fourth year in a row. The 75% Retail, Hospitality and Leisure relief will be also extended for 2024-25. Local authorities will be compensated by the government for the resultant loss of income from these measures.
50. The forecast assumes that Hammersmith & Fulham will receive and retain the minimum amount guaranteed, the safety net threshold, by Government. This is £62.5m for 2024/25.

Collection Fund

51. It is estimated that the Collection Fund for 2023/24 will be in surplus (due to several factors including prior year adjustments, improvements in collection rates, review of single person discount entitlements and other technical adjustments relating to tariffs). This is estimated at £4m, with £2.3m being allocated as one-off funding within the 2024/25 budget proposals, and £1.7m will be carried forward to the Collection Fund reserve to improve financial resilience.

Levies

52. The Council, alongside other London local authorities, contributes towards London wide services in the form of levy payments. These levies include contributions towards Thames flood defences, pensions and concessionary travel for those 60+.
53. As at time of writing, not all of these levies have been confirmed and therefore the budget for 2024/25 is based on the charge from 2023/24 uplifted by inflation and projected demographic changes. Once these are confirmed, the budgets will be amended before final approval at Full Council.

CONSULTATION

Non-Domestic Ratepayers

54. 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.

⁷ Source: [Mayor's Consultation Budget 2024-25 \(london.gov.uk\)](https://www.london.gov.uk/consultation/budget-2024-25)

Policy and Accountability (PAC) Committees

55. As part of the consultation process the budget proposals have been reviewed by the Policy and Oversight Board, and the relevant Policy and Accountability Committees.

VIEWS OF THE STRATEGIC DIRECTOR OF FINANCE

The robustness of the budget estimates

56. Under Section 25 of the Local Government Act 2003, the Strategic Director of Finance is required to include, in the budget report, a view of the robustness of the 2024/25 estimates.
57. Budget estimates are exactly that, estimates of spending and income at a point in time. This statement about the robustness of estimates cannot give a guaranteed assurance about the budget but gives Members reasonable assurances that the budget has been based on the best available information and assumptions. For the reasons set out below the Strategic Director 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 Strategic Director of Finance and have been through a robust process of development and challenge with the Strategic Leadership Team, service leads and directors and Cabinet Members.
 - The assumptions made for pay and price inflation, investment and other expenditure are pragmatic and prudent.
 - The rigorous budget monitoring framework will be continued in 2024/25 and any risk/pressures arising will be reported and mitigations actions identified and implemented to deal with any matters.
 - Adequate allowance is made for pension costs with budgeted contributions in line with the recommendations from the 2022 triennial pension review.
 - Service directors 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 £38m since 2010/11, 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 overspend of £5.1m, reducing to £1.7m should current mitigating actions be delivered, and contingency be used.
 - 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 £1.0m 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, their impact 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 based on the latest information available on appeals and debt management arrangements.

Risk and debt management

58. Under Section 25 of the Local Government Act 2003, the Strategic Director of Finance is required to include, in budget reports, views of the adequacy of the balances and reserves the budget provides for considering the medium-term risks facing the authority.
59. The key financial risks that face the council have been identified in Appendix D and the substantive risks include:
 - The continuing economic conditions relating to inflation, interest rates, unemployment, real household incomes (these may all increase our service delivery costs, recovery of income and viability of major projects).
 - The increasing national legislative requirements (e.g., Environment Act 2021, Social Regulation 2023) will add additional pressures on our service delivery.
 - The increasing regulation from national government (e.g., OfLog, Housing Ombudsman, CQC) will increase our cost burdens.
 - The demographic pressures especially on Adult Services, Childrens Services (Special Educational Needs and Disabilities), homelessness (temporary accommodation) and people from abroad will continue (as is the case nationally for many other local authorities). This is a combination of a number of factors including the Covid-19 recovery, addressing pent-up demand and supply issues post Brexit.
 - 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.

Debt Management

60. There has been a total debt reduction of £1.2m on the balance at March 2023. The most improved debt areas were Business Rates (£1.5m) and Council Tax collections (£3.5m).
61. Improvements in debt management procedures have been implemented during the current financial year. These include a new Debt Management Board which has been set up to monitor performance, challenge services to take action to reduce debt balances and share best practice. There has been a drive to reduce the creation of

new debt and to balance financial support offered to residents through the cost-of-living crisis with responsible lending.

62. Initiatives such as a use of algorithms to predict rent arrears and transformation programmes to free officer time for debt recovery and development have been implemented. There has been an increase in following up overdue debts with legal action and changes in the Council's policies which now allow for using enforcement agents to recover Council Tax debts from ex-residents. There will be a continued focus on the Top 10 debtors, which make up 18% of the total debt outstanding.
63. Provisions on the debts outstanding have been set aside based on prevailing regulations and guidelines (and are reviewed/endorsed by our external auditors).

General Balances and Earmarked Reserves

64. In accordance with guidance from CIPFA, the council sets aside specific funding to mitigate risk, ensure it has contingency for any unexpected financial liabilities, invest in its strategic corporate priorities and the carry forward of grants ringfenced for project delivery.
65. The lack of an appropriate safety net has resulted in several councils running into financial difficulties. Over the last two years, nine local authorities have produced a section 114 notice (this is a notice from the s151 officer in their view that a Council's resources are not sufficient to fund its forecasted expenditure for a financial year) and one in five local authorities have reported that they "think it is very or fairly likely that their chief finance officer will need to issue a Section 114 notice this year or next due to a lack of funding to keep key services running".⁸
66. The Strategic 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. All reserves are regularly reviewed to ensure they are appropriate balances and in line with strategic priorities and may be reallocated to align with any change in strategy.
67. The use of general balances or revenue reserves should not be regarded as a sustainable long-term strategy to fill the gap from core funding reductions and emerging demand and demographic budget pressures. 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. In the financial year 2022/23, the council ran a budget surplus and added to its revenue reserves.
68. General balances are forecast to remain within the optimum range in 2024/25. The council's general balance is budgeted to be £21.3m at the start of 2024/25. This equates to 3.8% (14 days spend) of the council's gross budget of £550.8m. This is well within the medium-term optimal range of £19m to £23m set as part of the council's reserves strategy (Appendix H). The Strategic Director of Finance considers

⁸ [Section 114 fear for almost 1 in 5 council leaders and chief executives after cashless Autumn Statement | Local Government Association](#)

that this optimal range is sufficient to allow for the risks identified and to support effective medium-term financial planning.

69. The latest forecast to 2027/28 is summarised in Table 12 and detailed in Appendix H. It is the view of the Strategic Director of Finance that such reserves are adequate to deal with anticipated risks and liabilities.

Table 12: Reserves and general balances - cash flow forecast to 2027/28

	April	April	April	April	April
	2023	2024	2025	2026	2027
	£m	£m	£m	£m	£m
General balances (recommended range £19m - £23m)	21.3	21.3	21.3	21.3	21.3
Earmarked reserves	98.3	72.0	62.0	68.7	70.2
Sub Total	119.6	93.3	83.4	90.0	91.6
Developer contributions (Subject to separate monitoring and approval)	48.9				

Section 106 and the community infrastructure levy

70. Planning obligations under section 106 of the Town and Country Planning Act 1990 (as amended), known as section 106 agreements, are a mechanism which make a development proposal acceptable in planning terms, that would not otherwise be acceptable. They are focused on site specific mitigation of the impact of development. Property developments have placed increased pressure on council services in recent years.
71. The council has determined that a key priority area for the investment of available section 106 funds is to support regeneration, housing, and other infrastructure schemes.
72. Several 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.
73. The Community Infrastructure Levy (CIL) is a planning charge, introduced by the Planning Act 2008, which can be levied by local authorities on new development in their area. It is an important tool for local authorities to use to help them deliver the infrastructure needed to support development in their area. The levy only applies in areas where a local authority has consulted on, and approved, a charging schedule which sets out its levy rates and has published the schedule on its website. Most new development which creates net additional floor space of 100 square metres or more, or creates a new dwelling, is potentially liable for the levy. The Community Infrastructure Levy Regulations set out various reliefs or exemptions from the levy and there are also economic factors which might impact on future CIL receipts.
74. The council will continue to monitor the receipt of section 106 and CIL funds expected in the short and medium term, where the level of uncertainty around trigger points increases.

75. An initial compliance analysis against the CIPFA Financial Management Code has been undertaken as part of the 2024/25 budget assurance work. The CIPFA Financial Management Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, the CIPFA Financial Management Code requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities, and circumstances. Each local authority should demonstrate that the requirements of the CIPFA Financial Management Code are being satisfied. Demonstrating this compliance with the CIPFA Financial Management Code is a collective responsibility of elected members, the Section 151 Officer, and professional colleagues in the leadership team.
76. The annual compliance analysis is included at Appendix I and shows that the Council achieves a high level of compliance against the vast majority of the CIPFA Financial Management Code statements of standard (or best) practice. Where there is only a medium level of compliance, actions are suggested that would take the council to high level. The compliance analysis should be seen as an organic piece of work, revisited at least annually as part of the budget process, with any actions or recommendations implemented on an ongoing basis.

EQUALITY IMPLICATIONS

77. Published with this report there is a corporate budget EIA which assesses the impacts on equality of the decision to increase Council Tax and apply the social care precept increase. The full EIA is attached at Appendix F.

RISK MANAGEMENT IMPLICATIONS

78. 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 national economic conditions, 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 2024/25 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 because of diminishing resources, growing demand and new duties placed upon local authorities by central government. Current demand pressures exist in several areas including Social Care, Children's Services and Temporary Accommodation.

- Use of Balances: The risk associated with drawing on balances is that they are one-off non-sustainable options rather than permanent efficiencies. Prudent levels of balances should be maintained for later years where grant losses continue.
 - Procurement and Contracts: The council will continue to review and develop forward planning for Commissioning and Procurement activities to identify new efficiencies and opportunities, increasing value to its residents. Continued robust management of the council's contracts is essential to ensure that they remain resilient during the challenges posed by 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. In addition, the new Procurement Act will introduce further requirements and burdens on local authorities from 1 October 2024.
 - Cost of living crisis: The impact of the ongoing impact of high inflation, interest rates and fuel, food and other commodities is having a significant impact on residents. The report sets out additional support which is being and will be made available to support residents. However, the ongoing economic situation is likely to lead to increasing demand for services and increasing cost of procured services.
79. The economic climate in which the council must 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 must continue with its significant savings and transformation programmes.
80. The report sets out several 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 and 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.
81. Appendix D sets out the financial risks against which the 2024/25 budget and MTFS are being proposed for approval. There are significant financial risks around ongoing demand for transport for children and young people with Special Educational Needs and increases in referrals, 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 (in particular where affected by the cost of living crisis) 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.

82. 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, 31 January 2024.

PROCUREMENT IMPLICATIONS

83. 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 – Fees and charges

Appendix F – Equalities Impact Assessment

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

Appendix H – Reserves strategy and forecast

Appendix I – CIPFA FM Code Compliance for 2024/25

Appendix J – 2024/25 Budget Schedules

Appendix K – Core Spending Power calculation

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.	577,399,557	
(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.	458,032,300	
(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.	119,367,257	
(d)	Being the amount formally agreed by council as the Council Tax base for 2024/25.	86,113	
(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.	1,386.17	
(f)	Hammersmith & Fulham proportion of the Basic amount of its Council Tax (Band D)	915.37	
(g) Valuation Bands – Hammersmith & Fulham Council:			
Band A	Band B	Band C	Band D
610.24	711.95	813.66	915.37
Band E	Band F	Band G	Band H
1,118.78	1,322.20	1,525.61	1,830.74
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
314.27	366.64	419.02	471.40
Band E	Band F	Band G	Band H
576.16	680.91	785.67	942.80

(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 2024/25 for each of the categories of dwellings shown below:

Band A	Band B	Band C	Band D
924.51	1,078.59	1,232.68	1,386.77
Band E	Band F	Band G	Band H
1,694.94	2,003.11	2,311.28	2,773.54

Medium Term Financial Forecast	2024/25 £'000s	2025/26 £'000s	2026/27 £'000s	2027/28 £'000s
General Fund Base Budget	191,959	191,959	191,959	191,959
Contract and Pay Inflation	13,742	19,742	25,942	32,042
Additional Investment in Key Services and Priorities	10,722	16,722	22,722	28,722
Net Cost of Borrowing (revenue cost of capital programme)	1,000	1,000	1,000	1,000
Savings and change proposals	(8,069)	(9,809)	(10,709)	(10,709)
Other (concessionary fares, income recognition and collection fund)	(4,260)	20	120	120
Interest Receivable (one-off)	(5,000)	0	0	0
Budget requirement	200,094	219,634	231,034	243,134
RESOURCES				
Government:				
General grants (including new homes bonus)	(37,220)	(35,726)	(36,356)	(36,567)
Revenue Support Grant	(21,540)	(21,971)	(22,410)	(22,858)
Hammersmith and Fulham:				
- Business rates (net of Tariff)	(62,509)	(63,759)	(65,034)	(65,034)
- Council tax	(78,825)	(79,511)	(80,198)	(80,884)
Total forecast resources	(200,094)	(200,967)	(203,999)	(205,344)
Budget Gap	0	18,667	27,035	37,790

Social Care

Change and Savings Proposals				Budget Change			
Ref Nos	Service	Title & Theme	Summary	2024-25 Budget Change Cumulative (£000's)	2025-26 Budget Change Cumulative (£000's)	2026-27 Budget Change Cumulative (£000's)	2027-28 Budget Change Cumulative (£000's)
Firm Change and Savings Proposals							
1	Independent living, Quality, Performance and Safeguarding	Reform - Commissioning Market Opportunities	Review care costs with NHS (CHC) as people with very high needs are discharged from hospital.	(200)	(250)	(300)	(300)
2	Independent living, Quality, Performance and Safeguarding	Reform - Continuous improvement of services	Supporting resident independence though better integration of council services with community networks	(150)	(350)	(350)	(350)
3	Independent living, Quality, Performance and Safeguarding	Reform - Continuous improvement of services	Further increased take-up of Direct Payments for choice and control for residents and increasing wellbeing and coproducing as part of the Direct Payment steering group.	(200)	(400)	(600)	(600)
4	Specialist Support and Independent Living	Cross Cutting - Continuous improvement of services	Joint commissioning steering group with Economy department on implementing the Disabled People's Housing Strategy and reducing voids. This will be done through reviewing the Extra Care Homes available for residents, ensuring new builds are co-produced with disabled residents and make good Housing voids.	(200)	(200)	(400)	(400)
5	Independent living, Quality, Performance and Safeguarding	Transformation - Continuous improvement of Services	Maximising adaptations in people's homes through use of Disabled Facilities Grant. Review Occupational Therapy service delivery across the department with a view to undertake joint care assessment. This increases a person's independence and reduces the need for longer-term care.	(200)	(200)	(200)	(200)
6	Independent living, Quality, Performance and Safeguarding	Reform - Service redesign	Better use of equipment to improve independence of residents with sensory disability.	(100)	(150)	(200)	(200)
7	All Divisions	Artificial Intelligence - Improve access to and support provided from our front door	Improved support and information for residents and make better use of digital technologies (such as care cubed, use of resident portal, timely return of equipment).	(250)	(450)	(550)	(550)
8	Commissioning	Reform - Commissioning Market Opportunities	Review of commissioning contracts in line with the third sector strategy. This will be managed by adjusting the available contingencies within this budget (it will not affect existing contracts or the Fast Track allocations and inflation will be allocated to contracts in 2024/25).	(100)	(100)	(100)	(100)
9	All Divisions	Reform - Service redesign	Reshaping the department as an all-age adults service and over a medium term neighbourhood resident focus.	(200)	(500)	(500)	(500)
Total Firm Change and Savings Proposals				(1,600)	(2,600)	(3,200)	(3,200)
Investment, Demand and Demographic Growth				Budget Change			
Ref Nos	Service	Title & Theme	Summary	2024-25 Budget Change Cumulative (£000's)	2025-26 Budget Change Cumulative (£000's)	2026-27 Budget Change Cumulative (£000's)	2027-28 Budget Change Cumulative (£000's)
Firm Investment, Demand and Demographic Growth							
1	Independent living, Quality, Performance and Safeguarding & Specialist Support.	Home Care	Home Care and Independent Living procurement award for 6 borough-based new contracts (these contracts are for the Patch and Bridging Service and Home Care spot demand pressures).	4,200	4,200	4,200	4,200
2	Specialist Support and Independent Living	Learning Disability Transitions	The integrated Learning Disabilities (LD) Transition Team	603	603	603	603
Total Firm Investment, Demand and Demographic Growth Proposals				4,803	4,803	4,803	4,803

Public Health

Change and Savings Proposals				Budget Change			
Ref Nos	Service	Title & Theme	Summary	2024-25 Budget Change Cumulative (£000's)	2025-26 Budget Change Cumulative (£000's)	2026-27 Budget Change Cumulative (£000's)	2027-28 Budget Change Cumulative (£000's)
Firm Change and Savings Proposals							
1	Public Health	Rough Sleeping	Review of Rough Sleeper Public Health Contribution to support residents with independent living.	(100)	(100)	(100)	(100)
2	Public Health	Environmental Health	Review of Environmental Health Contributions to manage and support the health protection and outbreak prevention.	(100)	(100)	(100)	(100)
3	Public Health	Community Safety	Review the impact of targeted provision with underserved groups to improve community engagement.	(72)	(72)	(72)	(72)
4	Public Health	Transformation	Review of Community Champions Programme and Reprovision of Services to align services with resident needs and support the Councils response to the cost of living.	(250)	(250)	(250)	(250)
Total Firm Change and Savings Proposals				(522)	(522)	(522)	(522)

Children’s Services and Education

Change and Savings Proposals				Budget Change			
Ref Nos	Service	Title & Theme	Summary	2024-25 Budget Change Cumulative (£000's)	2025-26 Budget Change Cumulative (£000's)	2026-27 Budget Change Cumulative (£000's)	2027-28 Budget Change Cumulative (£000's)
Firm Change and Savings Proposals							
1	Children and Young Peoples Services	Placement service income generation	This proposal aligns the budget to the current profile of placements where there is joint health funding. There will be no impact on children and young people.	(325)	(325)	(325)	(325)
2	Children and Young Peoples Services	Client related non-placement spend	Reform care support via a targeted line by line review to identify efficiency opportunities to secure high quality packages at optimal cost, including capitalising on opportunities for external funding to invest in creating our own provision	(100)	(100)	(100)	(100)
3	Children and Young Peoples Services	Post 19 Housing Pathways	Through collaboration with Housing, to enable care leavers to transition into the Housing Pathway earlier, with increased floating support to ensure the transition is successful.	(100)	(100)	(100)	(100)
4	Children's Commissioning	Early Intervention Commissioning	It is proposed to align the budgets to current expenditure following the recommission. There is no proposed change to delivery	(137)	(137)	(137)	(137)
5	Food Poverty	Holiday food provision	Embedding long-term holiday food provision offer using the council's bulk purchasing power to more effectively procure long-term holiday food	(900)	(900)	(900)	(900)
Total Firm Change and Savings Proposals				(1,562)	(1,562)	(1,562)	(1,562)

Investment, Demand and Demographic Growth				Budget Change			
Ref Nos	Service	Title & Theme	Summary	2024-25 Budget Change Cumulative (£000's)	2025-26 Budget Change Cumulative (£000's)	2026-27 Budget Change Cumulative (£000's)	2027-28 Budget Change Cumulative (£000's)
Firm Investment, Demand and Demographic Growth							
1	Education Special Educational Needs	Travelcare and Support - Education and Health Care Plan Demand Led Growth	Investment reflects the increased demand of children and young people accessing travel care and support services, whilst maintaining the same high-level quality of provision.	1,271	1,769	2,326	2,884
2	Children and Young Peoples Services	Development of Family Hubs - Full Year effect Investment 2024-25	Investment in launching Family Hubs which will act as a single point of access to help families navigate and receive the support they need when they need it.	260	260	260	260
Total Firm Investment, Demand and Demographic Growth Proposals				1,531	2,029	2,586	3,144

The Environment

Change and Savings Proposals				Budget Change			
Ref Nos	Service	Title & Theme	Summary	2024-25 Budget Change Cumulative (£000's)	2025-26 Budget Change Cumulative (£000's)	2026-27 Budget Change Cumulative (£000's)	2027-28 Budget Change Cumulative (£000's)
Firm Change and Savings Proposals							
1	All	Review fees and charges	Non-residential fees and charges	(200)	(200)	(200)	(200)
2	Public Protection	Environmental Public Protection (Noise and Nuisance)	Use of alternative funding (through developers contributions)	(200)	(200)	(200)	(200)
3	Street Environment	Review waste collections	Further efficiencies from rollout of wheeled bins	(250)	(250)	(250)	(250)
4	All	Service transformation savings	Resident Experience and Access Programme (REAP) enabled savings	(250)	(250)	(250)	(250)
5	Street Environment	New waste collection services	Introduction of garden waste subscription service (this assumes sign up of 10,000 properties)	(650)	(650)	(650)	(650)
Total Firm Change and Savings Proposals				(1,550)	(1,550)	(1,550)	(1,550)

Investment, Demand and Demographic Growth				Budget Change			
Ref Nos	Service	Title & Theme	Summary	2024-25 Budget Change Cumulative (£000's)	2025-26 Budget Change Cumulative (£000's)	2026-27 Budget Change Cumulative (£000's)	2027-28 Budget Change Cumulative (£000's)
Firm Investment, Demand and Demographic Growth							
1	Street Environment	New waste collection services	Additional collection costs for garden waste subscription service	278	278	278	278
2	Cultural Services	Continuation of Community and Cultural Events Programme	Realignment of service costs to ensure that programmes are fully funded and delivered	150	150	150	150
3	Cultural Services	Contribution to new H&F Black History Cultural Centre	Funding to allow the permanent establishment of this centre as part of the Council's culture strategy.	60	60	60	60
Total Firm Investment, Demand and Demographic Growth Proposals				488	488	488	488

The Economy

Change and Savings Proposals			Budget Change			
Ref Nos	Service	Summary	2024-25 Budget Change Cumulative (£000's)	2025-26 Budget Change Cumulative (£000's)	2026-27 Budget Change Cumulative (£000's)	2027-28 Budget Change Cumulative (£000's)
Firm Change and Savings Proposals						
1	Planning	New fee flexibilities and cost reductions from fewer volumes	(350)	(350)	(350)	(350)
2	Property and Asset Management	Review of expenditure (6% reduction)	(200)	(200)	(200)	(200)
3	Housing Solutions	Efficient commissioning of Temporary Accommodation	(100)	(100)	(100)	(100)
4	Housing Solutions	Review of Housing Solutions team	(150)	(150)	(150)	(150)
5	Housing Solutions	Acquisition of housing for Temporary Accommodation	(200)	(200)	(200)	(200)
6	Property and Asset Management	Corporate Accommodation savings	(400)	(400)	(400)	(400)
7	Property and Asset Management	Non-domestic portfolio master plan	0	(100)	(400)	(400)
Total Firm Change and Savings Proposals			(1,400)	(1,500)	(1,800)	(1,800)

Investment, Demand and Demographic Growth			Budget Change			
Ref Nos	Service	Summary	2024-25 Budget Change Cumulative (£000's)	2025-26 Budget Change Cumulative (£000's)	2026-27 Budget Change Cumulative (£000's)	2027-28 Budget Change Cumulative (£000's)
Firm New Investment, Demand and Demographic Growth Requests						
1	Economic Development Learning & Skills	Specialist and sectorial expertise to support development of the Strategy, content, design, marketing, engagement etc	(25)	(50)	(50)	(50)
2	Economic Development Learning & Skills	Specialist consultancy support for the development of STEAM sector strategies and their promotion	(25)	(25)	(25)	(25)
3	Housing Solutions	An increase in homeless presentations combined with a reductions in supply of rehousing solutions is resulting in additional client numbers	1,500	1,500	1,500	1,500
Total Firm New Investment, Demand and Demographic Growth Requests Proposals			1,450	1,425	1,425	1,425

Corporate (Finance, Corporate Resources, Council Wide)

Change and Savings Proposals				Budget Change			
Ref Nos	Service	Title & Theme	Summary	2024-25 Budget Change Cumulative (£000's)	2025-26 Budget Change Cumulative (£000's)	2026-27 Budget Change Cumulative (£000's)	2027-28 Budget Change Cumulative (£000's)
Firm Change and Savings Proposals							
1	Procurement and Commercial	Digital Advertising	An increase in digital advertising rental income.	(150)	(150)	(150)	(150)
2	Audit, Fraud, Risk and Insurance	Internal Audit externally contracted work	Reduction in Internal Audit budget for contracted out audit days.	(50)	(50)	(50)	(50)
3	Managed Services	Hampshire Partnership Finance System	Reduction in LBHF share of the Hampshire Finance System costs.	(200)	(200)	(200)	(200)
4	Digital	Network and Telephony contract	Reduction in costs arising from the network and telephony procurement strategy and contract award.	(125)	(125)	(125)	(125)
5	Digital	SQL migration	Remove the need for server licencing and reduce support costs for smaller applications following migration to Microsoft Azure platform.	(60)	(80)	(80)	(80)
6	Coroners and Mortuary	Mortuary Income increase	Additional income from contract based on RPI.	(80)	(80)	(80)	(80)
7	ALL	Senior organisational structure review	An organisational review of the senior chief officer structures of the Council	(250)	(1,000)	(1,000)	(1,000)
8	ALL	Parking projects	Discontinuing annual contribution to reserves and utilising in year revenue resources	(275)	(275)	(275)	(275)
9	ALL	Street column replacements	Discontinuing annual contribution to reserves and utilising in year revenue resources	(245)	(245)	(245)	(245)
Total Firm Change and Savings Proposals				(1,435)	(2,205)	(2,205)	(2,205)
Investment, Demand and Demographic Growth							
Ref Nos	Service	Title & Theme	Summary	2024-25 Budget Change Cumulative (£000's)	2025-26 Budget Change Cumulative (£000's)	2026-27 Budget Change Cumulative (£000's)	2027-28 Budget Change Cumulative (£000's)
Firm Investment, Demand and Demographic Growth							
1	Digital Services	Digital cyber security	Enhancing the Council's cyber security through extending the Microsoft Enterprise Agreement and delivery of a robust out of hours support service.	250	250	250	250
2	ALL	Housing Services	A realignment of the charges between the General Fund and the Housing Revenue Account	1,700	1,700	1,700	1,700
3	ALL	Civic Campus programme	Anticipated pressures from the completion of the programme and award of operating leases	500	500	500	500
Total Firm Investment, Demand and Demographic Growth Proposals				2,450	2,450	2,450	2,450

Children's Services Risk/Challenges

Department & Division	Short Description of Risk	Mitigation
Children's Services		
Education and SEND	Sustained travel care growth across all client groups (Special Educational Needs and Disabilities and Children Looked After) in excess of current growth.	Robust assurance processes, route optimisations and transport sharing opportunities.
Children and Young Peoples Services	Increased presentation of need / cost, and subsequent growth in referrals and staff capacity to meet need.	Current additional fourth Contact and Assessment Team to support managing throughput of need, undertaking risk assessments, close monitoring of need.

Social Care Risks/ Challenges

Department & Division	Short Description of Risk	Mitigation
Social Care		
Learning Disabilities	Learning Disabilities Transitions: Additional funding is required for the LD budgets to fund the increasing number of disabled young people transitioning into adult services. We have estimated that there are likely to be 126 more young people by 2027/28 creating a cost pressure on an already overspending budget.	Regular and robust review of residents' care is needed to ensure that care plans accurately reflect current assessed care needs.
All Divisions	Demographic Pressures: The Social Care budget is under severe pressure due to increasing demand in support at home, greater acuity of need, an ageing population and increasingly complex needs resulting from specialist services. 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 1.52% over the period 2023 to 2026.	Tight monitoring of the budget on a monthly basis, reprioritising as required.
All Divisions	Better Care Fund (BCF) Health Pressures: 1) Reduced allocation in hospital discharges 2) Review of all services in preparation for 24/25 by NWL Health	Tight monitoring of the budget and joint work with Health on the BCF review.
All Divisions	Equipment contract:	Monitored as part of the contract negotiations and any additional funding to be managed over the lifetime of the contract. However, the consortium is also working through other options and will be updating Boroughs when they've received legal advice. These options may mean that we may not need to make additional payments.

The Environment Department Risk/Challenges

Department & Division	Short Description of Risk	Mitigation
Environment		
Climate Change	Significant funding requirements for addressing the Climate and Ecological Emergency and achieving the Council's net zero carbon target.	Financial strategy has been developed to ascertain level of required investment and funding options. Officers will continue to pursue and lobby for external funding
Highways	Hammersmith Bridge works are being undertaken at risk, pending confirmation of funding contributions from the Department for Transport and Transport for London. If the full strengthening and restoration project does not go ahead, some capital costs to date may need to be charged back to revenue	Continue to work with the Department for Transport and Transport for London
Street Environment Services	Waste disposal savings from the new wheeled bin waste collection service may be insufficient to cover the new service costs	Impact of roll out will be monitored and assessed. Expected to deliver longer term reductions in waste disposal tonnages and costs.
Street Environment Services	The new garden waste service may not fully recover its cost (insufficient take up and/or insufficient waste disposal savings)	Impact of roll out will be monitored and assessed. Expected to deliver longer term reductions in waste disposal tonnages and costs.

The Economy Department Risk/Challenges

Department & Division	Short Description of Risk	Mitigation
The Economy Department		
Housing Solutions	Overall Benefit Cap (OBC) & Discretionary Housing Payments (DHP)	Support and enable residents to gain exemption from the Benefit Cap or meet the shortfall through: <ul style="list-style-type: none"> - Training and qualifying employment - Disability/Carers benefit where possible - Resettlement into affordable housing - Personal budgeting
Housing Solutions	Cost of Living Crisis and End of Eviction Ban	Help new TA tenants (PRS evictees) manage rent shortfalls from tapered income (non-Benefits Cap) through: <ul style="list-style-type: none"> - Personal budgeting - Welfare benefit advice
Housing Solutions	Increase in bad debt provision on Temporary Accommodation (Bed & Breakfast and Private Sector Leasing) rent arrears because of reductions in personal income due to Cost of Living Crisis	Robust but sensitive TA 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	Increase access to private rented accommodation as outlined and agreed in Council's Housing Allocation Scheme.
Housing Solutions	Inflationary pressures on Temporary Accommodation landlord costs, based on an extra 1.5% rental inflation above the current forecast	Reducing expensive Temporary Accommodation is likely to mean procuring additional units outside of this borough. The Council is collaborating with Capital Letters to increase supply.
Housing Solutions	There is a risk of large families being accommodated in B&B due to unsuitable accommodation available	Procure Temporary Accommodation for larger families. Potential to split households on a voluntary basis.
Housing Solutions	Domestic Abuse Act - increase in households in temporary accommodation - extra 70 households next year above the current forecast	Increase access to private rented accommodation as outlined and agreed in Council's Housing Allocation Scheme. Working closely with Capital Letters to increase supply.
Property	Non domestic portfolio - increase in repairs and maintenance costs and reduction in rental income	Review of existing lease arrangements, and a review of the capital maintenance programme.
Planning	Planning application fees income	Service to continue to pursue opportunities to maximise income through Planning Performance Agreements and reviewing fees and charges.

Finance and Resources Risk/Challenges


Department & Division	Short Description of Risk	Mitigation
Corporate		
Council wide	Contract and pay inflation in excess of current budget assumptions	The budget proposals include a retained contingency reserve for inflationary risk.
Council wide	Uncertainty over medium term future government and partnership funding and continuation of existing funded programmes (e.g. TfL, Household Support Fund, Homelessness Prevention, Market Sustainability and Improvement Fund)	Continue to work proactively with our partners and highlight the major outcomes being achieved through the grant funded programmes. Develop alternative funding strategies as practical.
Council wide	Increasing risks on IT systems (cyber security)	The budget proposes additional investment in cyber security processes and infrastructure, plus maintain a strong level of General Balances. There will also continue to be regular cyber security updates to staff as appropriate.
Council wide	Abortive costs for development and other capital schemes which cannot be capitalised and therefore would need to be funded by revenue resources.	Continue to work with service contractors to manage within existing budgets

Hammersmith & Fulham Fees & Charges

Exceptions to the standard uplift

2024/25

Fee Description	2023/24 Charge (£)	2024/25 Charge (£)	Proposed Variation (%)	Total Estimated Income Stream for 2023/24 (£)	Total Estimated Income Stream for 2024/25 (£)	Reason For Variation Not At Standard Rate
Private Sector Leasing						
Private Sector Leasing Water Charges	Varies	Varies		£12,000	£12,000	The charge is determined by the annual increase set by the water companies. This is expected in January 2024.
Private Sector Leasing Rent (average per week)	£264.39	£262.95	↓ -0.5%	£12,657,200	£15,095,400	<p>Since April 2012, the PSL rent threshold has been based on the January 2011 Local Housing Allowance (LHA). The threshold formula was 90% of LHA plus £40 and subject to a cap of £500 on Inner London and Outer South West London Broad Rental Market Areas (BRMA) and a cap of £375 on other BRMAs. From April 2017, the £40 has been removed and replaced by MHCLG's flexible homelessness support grant. The new threshold is 90% of January 2011 LHA and subject to a cap of £460 on Central and Inner London and Outer South West London BRMA and a cap of £335 on the other BRMAs. PSL tenants living in a UC area have had their rent threshold based on 100% of the April 2015* LHA but since 11 April 2018, the housing cost element of UC has no longer been available to new claims from temporary accommodation. Those UC claimants already getting the UC housing cost element for their temporary accommodation must switch their claim to HB when there is a change in their rent liability after 11 April 2018.</p> <p>*By October 2023, 1.0% of the Council's PSL tenants are still claiming UC and their rents are set to the April 2015 LHA.</p>
	£264.39 as at 28th October 2022	£262.95 as at 13th November 2023		£12.6m (2023/24 Estimates, based on 959 units with 4% void at the weekly rent of £264.39)	£15.1m (2024/25 Estimates, based on 1150 units with 4% void at the weekly rent of £262.95)	
Bed and Breakfast Temporary Accommodation						
B & B Rent Single/Family (Average per week)	£225.34	£223.80	↓ -0.7%	£1,394,400	£1,803,800	This fee is the LHA threshold for one bedroom properties.
	£225.34 as at 24th October 2022	£223.80 as at 13th November 2023		£1.4m (2023/24 Estimates, based on 119 tenants at a weekly rent of £225.34)	£1.8m (2024/25 Estimates, based on 155 tenants at a weekly rent of £223.80)	<p>Since April 2012, the B&B rent threshold has been based on the January 2011 Local Housing Allowance (LHA). From April 2017, the B&B rent threshold will be based on the April 2015 LHA for benefit claims made through Universal Credit(UC).</p> <p>Since 11 April 2018, the housing cost element of UC has no longer been available to new claims from temporary accommodation – UC claimants already getting the UC housing cost element for their temporary accommodation must switch their claim to HB when there is a change in their rent liability for such accommodation. The LHA varies according to changes in market rents, the location of the property and its bedroom size.</p>
B & B Amenity Charges - Single Adult	£11.76	£12.55	↑ 6.7%	£72,800	£101,200	These charges are not eligible for Housing Benefit.
B & B Amenity Charges - Single Adult & Children	£12.40	£13.23	↑ 6.7%	(2023/24 Estimates, based on 119 tenants)	(2024/25 Estimates, based on 155 tenants)	
B & B Amenity Charges - Two Adults	£15.04	£16.05	↑ 6.7%			
B & B Amenity Charges - Two Adults and Children	£15.66	£16.71	↑ 6.7%			
B & B Amenity Charges - Three Adults and Children	£19.06	£20.34	↑ 6.7%			
B & B Amenity Charges - Four Adults and Children	£22.20	£23.69	↑ 6.7%			
B & B Amenity Charges - any additional adult	£3.24	£3.46	↑ 6.7%			

Fee Description	2023/24 Charge (£)	2024/25 Charge (£)	Proposed Variation (%)	Total Estimated Income Stream for 2023/24 (£)	Total Estimated Income Stream for 2024/25 (£)	Reason For Variation Not At Standard Rate
Home Buy						
Discount Market Sale Home Buy Fee	£160.00	£200.00	 25%	£4,000	£5,000	The previous fee does not currently cover the Council's costs in providing the service.

Fee Description	2023/24 Charge (£)	2024/25 Charge (£)	Proposed Variation (£)	Proposed Variation (%)
STREET & MARKET TRADING				
NORTH END ROAD MARKET				
1 day per week (Standard Stall)	£22.80	£22.80	£0.00	0%
1 day per week (Extended)	£33.10	£33.10	£0.00	0%
2 days per week (Standard)	£30.80	£30.80	£0.00	0%
2 days per week (Extended)	£46.80	£46.80	£0.00	0%
3 days per week (Standard)	£48.00	£48.00	£0.00	0%
3 days per week (Extended)	£68.50	£68.50	£0.00	0%
4 days per week (Standard)	£60.50	£60.50	£0.00	0%
4 days per week (Extended)	£90.20	£90.20	£0.00	0%
5 days per week (Standard)	£76.50	£76.50	£0.00	0%
5 days per week (Extended)	£111.90	£111.90	£0.00	0%
6 days per week (Standard)	£93.60	£93.60	£0.00	0%
6 days per week (Extended)	£134.80	£134.80	£0.00	0%
Additional charge per day payable for trading on Friday and/or Saturday	£11.00	£11.00	£0.00	0%
2 days per week for start-up businesses in North End Road Market	£11.00	£11.00	£0.00	0%
PRIVATE MARKET OPERATOR LICENCES				
Private Market Operator Licence (6 months) 5 to 9 stalls	New Charge	£610.60	New Charge	New Charge
Private Market Operator Licence (6months) 10 to 20 stalls	New Charge	£1,011.00	New Charge	New Charge
Private Market Operator Licence (6months) 21 to 50 stalls	New Charge	£2,103.00	New Charge	New Charge
Private Market Operator Licence (6months) 50 to 100 stalls	New Charge	£3,923.00	New Charge	New Charge

Fee Description	2023/24 Charge (£)	2024/25 Charge (£)	Proposed Variation (£)	Proposed Variation (%)
ENVIRONMENTAL PUBLIC PROTECTION				
High hedges				
Preliminary investigation of complaints	N/A	£168.00	New Charge	New Charge
Formal investigation - Remedial Notice	N/A	£504.00	New Charge	New Charge

Fee Description	2023/24 Charge (£)	2024/25 Charge (£)	Proposed Variation (£)	Proposed Variation (%)
WASTE COLLECTION				
BULKY HOUSEHOLD WASTE COLLECTIONS				
20% discount applied for charities				
Standard - up to 10 items of household bulky waste	£30.00	£45.00	£15.00	50%
Standard - each additional item	£3.00	£4.50	£1.50	50%
Special fee – rubble sacks - for up to 5 sacks	£33.68	£50.00	£16.32	48%
Special fee – rubble sacks - each additional item	£3.30	£5.00	£1.70	52%
Special fee – bathroom suites - for up to 5 items	£33.68	£50.00	£16.32	48%
Special fee – bathroom suites - each additional item	£6.50	£5.00	£-1.50	-23%
Special fee – fencing - for up to 5 panels	£39.27	£50.00	£10.73	27%
Special fee – fencing - each additional item	£6.50	£5.00	£-1.50	-23%
Special fee – broken down sheds - per shed	£68.11	£75.00	£6.89	10%
GARDEN WASTE				
Annual Garden Waste Subscription	New Charge	£65.00	New Charge	New Charge
COMMERCIAL WASTE AND RECYCLING COLLECTIONS - charge per sack/empty				
20% discount applied for charities. Officers can apply discretion over commercial discounts				
Recycling Sacks	£2.15	£2.30	£0.15	7%
Waste Sacks	£3.00	£3.30	£0.30	10%
360 Ltr Recycling Bin	£7.70	£8.50	£0.80	10%
360 Ltr Waste Bin	£13.10	£14.40	£1.30	10%
660 Ltr Recycling Bin	£10.90	£12.00	£1.10	10%
660 Ltr Waste Bin	£17.15	£18.90	£1.75	10%
940 Ltr Waste Bin	£23.80	£26.20	£2.40	10%
1100 Ltr Waste Bin	£23.80	£26.20	£2.40	10%
1100 Ltr Waste Bin (heavy)	£25.90	£28.50	£2.60	10%
1280 Ltr Recycling Bin	£16.00	£17.60	£1.60	10%
1280 Ltr Recycling Bin (heavy)	£17.70	£19.50	£1.80	10%
Compactors	£561.40	£617.50	£56.10	10%
DOMESTIC BIN HIRE - charge per bin per week				
360 Ltr Euro Bin	£1.60	£1.80	£0.20	13%
660 Ltr Bin	£2.40	£3.50	£1.10	46%
940 Ltr Bin	£2.40	£2.60	£0.20	8%
1100 Ltr Euro Bin	£3.10	£3.80	£0.70	23%
1280 Ltr Euro Bin	£3.10	£3.80	£0.70	23%
CONTAINER REPLACEMENT - charge per bin				
360 Ltr Bin	£140.90	£169.10	£28.20	20%
660 Ltr Bin	£374.20	£449.00	£74.80	20%
940 Ltr Palladin Bin	£393.90	£472.70	£78.80	20%
940 Ltr Chamberlain	£393.90	£472.70	£78.80	20%
1100 Ltr Euro Bin	£388.00	£465.60	£77.60	20%
1280 Litre Euro Bin	£490.50	£588.60	£98.10	20%
COMMERCIAL RECYCLING CONTAMINATION CHARGE				
Per occurrence - one off charge in addition to standard collection charges above	£35.00	£50.00	£15.00	43%

Fee Description	2023/24 Charge (£)	2024/25 Charge (£)	Proposed Variation (£)	Proposed Variation (%)
HIGHWAYS				
Other				
Provision of General Highways Information	£500.00	£550.00	£50.00	10%
Crossover Application fee	£300.00	£330.00	£30.00	10%
Canopy Fee - One off charge	£300.00	£330.00	£30.00	10%
Canopy Fee - Renewal	£150.00	£165.00	£15.00	10%
Table and Chairs Licences				
Tables and Chairs Licence - Pedestrian Squares	£600.00	£660.00	£60.00	10%
Tables and Chairs Licence - Town Centres	£900.00	£990.00	£90.00	10%
Tables and Chairs Licence - Other streets	£600.00	£660.00	£60.00	10%
Advertising Board Licence	£200.00	£220.00	£20.00	10%
Scaffolding / Hoarding Licences				
Damage deposit for all for scaffold & hoarding licences (refundable on completion following verbal or written confirmation & satisfactory site inspection).	£750.00+	£750.00+	£0.00	0%
Scaffolding / Hoarding Licence Commercial Single Frontages (and residential sites measuring up to 15m)	£380.00	£420.00	£40.00	11%
Scaffolding / Hoarding Licence (Any site measuring more than 15m)	£800.00	£960.00	£160.00	20%
Crane Licences				
Major crane Application	£500.00	£1,000.00	£500.00	100%
Minor Crane Operations	£250.00	£500.00	£250.00	100%
Skips & Builder's Materials Licences				
A damage deposit has been introduced to cover damage from skips and builders materials. This is set at £750 in line with the damage deposit for scaffolding and hoarding licences	£750.00+	£750.00+	£0.00	0%
Skip & Builders' Materials Licences, two weeks	£125.00	£130.00	£5.00	4%
- Each additional two weeks	£125.00	£130.00	£5.00	4%
Mini Skip, two weeks	New Charge	£100.00	New Charge	New Charge
Applications for highway licences, where applicable, also require payment for the suspension of a parking bay				
Other Highways Licences				
Magazine Dispensers	£1,050.00	£1,155.00	£105.00	10%
Storage Containers (developments, stadiums, etc.)	£1,000.00	£1,100.00	£100.00	10%
Cellar Doors - One off license fee	£400.00	£440.00	£40.00	10%
Cellar Doors - Renewal fee	£200.00	£220.00	£20.00	10%
Portaloos	£100.00	£110.00	£10.00	10%
Site huts	£300.00	£330.00	£30.00	10%
- Each additional fortnight	£300.00	£330.00	£30.00	10%
Accident Data	£100.00	£200.00	£100.00	100%
Call outs (for first day - not including additional costs)	£200.00	£220.00	£20.00	10%
- Each additional day	£75.00	£82.50	£7.50	10%
Highways Inspection Data				
Application	£500.00	£550.00	£50.00	10%
Highways Land Enquires				
Text Based	£100.00	£120.00	£20.00	20%
Drawing	£200.00	£240.00	£40.00	20%
Street Naming and Numbering				
Initial new addressable Unit	£200.00	£400.00	£200.00	100%
Additional Addressable Unit	£70.00	£140.00	£70.00	100%
New building name	£140.00	£280.00	£140.00	100%
New Street name	£140.00	£280.00	£140.00	100%
Address verification	£90.00	£0.00	£-90.00	-100%
Copies of Documentation	£50.00	£0.00	£-50.00	-100%
Research Time	£90.00	£180.00	£90.00	100%
Section 50 Charges				
Application Fee	£325.00	£370.00	£45.00	14%
Inspection Fees (3 inspections)	£150.00	£170.00	£20.00	13%
Officer Time Charges	£750.00	£860.00	£110.00	15%
Admin Fee	7%	7%	£0.00	0%
Reinstatement Bond	To be estimated	To be estimated	N/A	N/A
Traffic Surveys				
4 Arm Junction	£700.00	£770.00	£70.00	10%
Single Carriageway	£700.00	£770.00	£70.00	10%
Other Junctions	£700.00	£770.00	£70.00	10%

Fee Description	2023/24 Charge (£)	2024/25 Charge (£)	Proposed Variation (£)	Proposed Variation (%)
ENVIRONMENTAL QUALITY				
Demolition Notice S80 Building Act (VAT not included)	£300.00	£360.00	£60.00	20%
Environmental Searches for Contaminated Land Enquiries (Environmental Information Regulations 2004)				
Residential Property*	£200.00	£240.00	£40.00	20%
Commercial Property*	£200.00	£240.00	£40.00	20%
*A scaled increase is applied to these charges for bespoke searches, large sites or adjacent properties. The Environmental Quality team should be contacted for an estimate in all cases. VAT is not included.				

Fee Description	2023/24 Charge (£)	2024/25 Charge (£)	Proposed Variation (£)	Proposed Variation (%)
LEISURE IN PARKS				
FOOTBALL (GRASS PITCHES) - LBHF				
<i>Inclusive of Changing Rooms when available & Nets/Flags</i>				
Per Pitch Per Hour - Out of Borough & Private Schools	£84.00	£100.00	£16.00	19%
11-A-SIDE ALL-WEATHER PITCHES (11AWP)				
<i>Inclusive of Pitch Hire Only</i>				
Per Pitch Per Hour - Out of Borough & Private Schools	£84.00	£100.00	£16.00	19%
5-A-SIDE ALL-WEATHER PITCHES (5AWP)				
<i>Inclusive of Pitch Hire Only</i>				
Per Pitch Per Hour - Out of Borough & Private Schools	£51.00	£61.00	£10.00	20%
RUGBY / GAELIC FOOTBALL / LA CROSSE / HOCKEY / AUSTRALIAN RULES				
<i>Inclusive of Changing Rooms</i>				
Per Pitch Per Hour - Out of Borough & Private Schools	£84.00	£100.00	£16.00	19%
CRICKET PITCH - LBHF				
<i>Wormwood Scrubs only (Inclusive of Changing Rooms)</i>				
Per pitch - Out of Borough and Private School	£84.00	£100.00	£16.00	19%
CRICKET (NETS)				
<i>South Park Only (Inclusive of Net Hire only, where requested without a pitch).</i>				
Per pair - Out of Borough and Private School - Hour	£19.30	£23.00	£3.70	19%
ROUNDERS/BASEBALL/SOFTBALL				
<i>Wormwood Scrubs only (Inclusive of Changing Rooms)</i>				
Per Pitch Per Hour - Out of Borough & Private Schools	£79.50	£95.00	£15.50	19%
TOUCH/TAG RUGBY				
<i>Inclusive of Pitch Hire Only</i>				
Per Pitch Per Hour - Out of Borough & Private Schools	£84.00	£100.00	£16.00	19%
ATHLETICS & SPORTS DAYS - HURLINGHAM PARK & SOUTH PARK				
<i>Inclusive of Line Markings (100m Track) (No Changing Rooms)</i>				
Per Space Per Hour - Out of Borough & Private Schools	£84.00	£100.00	£16.00	19%
ATHLETICS & SPORTS DAYS - All Other Sites				
<i>Inclusive of Pitch Hire Only</i>				
Per Space Per Hour - Out of Borough & Private Schools	£52.90	£64.00	£11.10	21%
NETBALL				
Per Court Per Hour - Out of Borough & Private Schools	£29.80	£36.00	£6.20	21%
Per Court Per Hour - Out of Borough & Private Schools - Floodlit	£35.60	£43.00	£7.40	21%
HURLINGHAM PARK TRAINING AREA				
<i>Inclusive of Changing Rooms & Floodlights (Where Available)</i>				
Training Area Per Hour - Out of Borough & Private Schools	£67.20	£81.00	£13.80	21%
BISHOPS PARK, BROOK GREEN, EEL BROOK COMMON, LILLIE ROAD, NORMAND PARK & SOUTH PARK TRAINING AREAS				
<i>Inclusive of Pitch Hire Only</i>				
Training - Out Of Borough And Private School and General	£34.20	£41.00	£6.80	20%
Running Track Hire				
Training - Out Of Borough And Private School and General	£78.00	£94.00	£16.00	21%
Sports Day - Out Of Borough And Private School and General (Each additional hour)	£104.60	£126.00	£21.40	20%
11-a-side all weather pitch				
<i>Bookings for 10 or more games are exempt from VAT - Inclusive of changing rooms if desired</i>				
Per Pitch - Out Of Borough And Private School	£85.70	£103.00	£17.30	20%
5-a-side all weather pitch				
<i>Inclusive of changing rooms if desired</i>				
Per Pitch - Out Of Borough And Private School	£42.60	£51.00	£8.40	20%
Baseball Batting Cages				
Per Cage - Out Of Borough And Private School	£19.90	£24.00	£4.10	21%
Fee Description	2023/24 Charge (£)	2024/25 Charge (£)	Proposed Variation (£)	Proposed Variation (%)
SWIMMING LESSONS				
Junior - Better Junior Member (30 minute lesson)	£6.50	£7.15	£0.65	10%
Junior - Better Junior Concession Member (30 minute lesson)	£4.60	£4.90	£0.30	7%
Junior - Better Junior Member (45 minute lesson)	£9.80	£10.80	£1.00	10%
Junior - Better Junior Concession Member (45 minute lesson)	£6.40	£6.80	£0.40	6%
Fee Description	2023/24 Charge (£)	2024/25 Charge (£)	Proposed Variation (£)	Proposed Variation (%)
PARKS				
Professional Dog Walker Licence - Resident (annual)	£199.80	£210.00	£10.20	5%
Professional Dog Walker Licence - Non Resident (annual)	£342.50	£410.00	£67.50	20%

Fee Description	2023/24 Charge (£)	2024/25 Charge (£)	Proposed Variation (£)	Proposed Variation (%)
CEMETERIES - Exempt for VAT				
GRAVE PURCHASE				
Grave Purchase & Grant - North Sheen / Mortlake - Resident	£3,055.00	£3,666.00	£611.00	20%
Grave Purchase & Grant - North Sheen / Mortlake - Non Resident	£6,110.00	£7,332.00	£1,222.00	20%
SCATTERING OF ASHES				
Scattering of Ashes - Resident	£120.00	£128.00	£8.00	7%
Scattering of Ashes - Non Resident	£208.00	£128.00	-£80.00	-38%
REGISTER SEARCH FEE				
1 Search	£30.00	£30.00	£0.00	0%
2 Searches	£50.00	£50.00	£0.00	0%
3 Searches	£60.00	£60.00	£0.00	0%
CHANGE OF OWNERSHIP				
Registering change of ownership & new Deed	£117.00	£117.00	£0.00	0%
As above but statutory declaration required	£200.00	£200.00	£0.00	0%
Fee Description	2023/24 Charge (£)	2024/25 Charge (£)	Proposed Variation (£)	Proposed Variation (%)
LIBRARIES				
General				
Photographic permit (reproduction)	£5.50	£6.00	£0.50	9%
Internet charges per half hour after first hour	£0.60	£0.70	£0.10	17%
Memory stick	£9.00	£10.00	£1.00	11%
Lost / damaged membership cards - under 15	£1.00	£1.00	£0.00	0%
Lost / damaged membership cards - over 15	£3.00	£3.00	£0.00	0%
Room / Space hire				
Groups				
Community groups room hire during library hours (per hour)	£25.00	£28.00	£3.00	12%
Community groups room hire outside library hours (per hour)	£75.00	£83.00	£8.00	11%
Other groups room hire during library hours (per hour)	£40.00	£44.00	£4.00	10%
Other groups room hire outside library hours (per hour)	£90.00	£100.00	£10.00	11%
Other groups room hire during library hours (per day)	£210.00	£231.00	£21.00	10%
Community groups room hire during library hours (per hour)	£10.00	£11.00	£1.00	10%
Community groups room hire outside library hours (per hour)	£30.00	£33.00	£3.00	10%
Other groups room hire during library hours (per hour)	£15.00	£17.00	£2.00	13%
Other groups room hire outside library hours (per hour)	£45.00	£50.00	£5.00	11%
Other groups room hire during library hours (per day)	£75.00	£83.00	£8.00	11%
Community groups room hire during library hours (per hour)	£15.00	£17.00	£2.00	13%
Community groups room hire outside library hours (per hour)	£45.00	£50.00	£5.00	11%
Other groups room hire during library hours (per hour)	£25.00	£28.00	£3.00	12%
Other groups room hire outside library hours (per hour)	£75.00	£83.00	£8.00	11%
Other groups room hire during library hours (per day)	£130.00	£143.00	£13.00	10%
Flip Chart pad	£6.00	£7.00	£1.00	17%
Flip Chart pens (4 pack)	£3.00	£4.00	£1.00	33%
Projector & Screen	£20.00	£22.00	£2.00	10%
Screen only	£5.00	£6.00	£1.00	20%
50" Display Screen*	£50.00	£54.00	£4.00	8%
Chiavari Chairs (each)	£3.00	£4.00	£1.00	33%
Weddings				
Weddings - Fulham - Monday to Thursday	£400.00	£450.00	£50.00	13%
Weddings - Fulham - Friday	£500.00	£550.00	£50.00	10%
Weddings - Fulham - Saturday to Sunday	£600.00	£650.00	£50.00	8%
Weddings - Fulham Ref Office - Monday to Thursday	£200.00	£250.00	£50.00	25%
Weddings - Fulham Ref Office - Friday	£300.00	£350.00	£50.00	17%
Weddings - Fulham Ref Office - Saturday to Sunday	£400.00	£450.00	£50.00	13%
Exhibitions				
Exhibition space - preparation day	£120.00	£135.00	£15.00	13%
Exhibition space - per day	£170.00	£190.00	£20.00	12%

Draft Equalities Impact Assessment (EIA) 2024/25

Decision makers should have due regard to the public sector equality duty in making their decisions. The equalities duty is a continuing legal duty and is not a duty to secure a particular outcome. Where appropriate the equalities impact will be revisited on each of the projects and/or savings proposals as they are developed. Consideration of the duty should precede the decision to implement them.

The statutory grounds of the public sector equality duty are found at Section 149 of the Equality Act 2010 and are as follows: A public authority must, in the exercise of its functions, have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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 to the need to:

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic.
- 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.
- 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.

The steps involved in meeting the needs of Disabled persons that are different from the needs of persons who are not disabled include steps to take account of Disabled persons' impairment or long-term health condition.

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:

- Tackle prejudice,
- Promote understanding.

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.

The relevant protected characteristics are:

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race
- Religion or belief
- Sex
- Sexual orientation
- Marriage and Civil partnership

In addition to the above, the Council also recognise those who are 'care experienced' as being a protected characteristic.

The Council must give due regard to its equalities duties, in particular with respect to general duties arising pursuant to Section 149 of the Equality Act 2010.

When making any decisions about growth, savings, and investment the Council must have due regard to the need to advance equality, in particular, to the need to remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic.

An analysis of the proposal to increase Council Tax levels is detailed below.

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

Council departments that have outlined efficiencies around staffing, these are centred around residents not experiencing any decline in services. They 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 to date will be built upon and the impact will be assessed further and any mitigating measures identified, where appropriate, to prevent negative impact on any groups that share protected characteristics.

Analysis of the impact of Council Tax increase and applying Adult Social Care precept

A 2.99% increase in Council Tax is proposed and the application of a 2% adult social care precept. These increases are modelled by the government in their spending power calculations for local government. This will take Band D Council Tax from £871.86 to £915.37.

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

The percentage increase will be applied to all bands of council tax, as required by law. This will impact on all residents who are eligible to pay Council Tax. The average increase in cost per week on a Band D property is £0.85p. Since Council Tax is applicable to all properties it is not considered that the increase targets any one group; rather it is an increase that is applied across the board. At the same time because the increase is applied to all properties it is not possible to exempt any group.

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

Council Tax Exemptions and Discounts

Some properties are exempt, or qualify for a discount, from Council Tax. The different classes of exemptions/discounts are listed below.

Occupied Properties with only the following residents:

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

If there is only one other resident in the property who does not fall into one of the above categories, then the property will receive a 25% discount rather than be exempt. If there are more than two such residents, then the property will neither be exempt nor receive a discount.

Unoccupied properties

- g) owned by a charity are exempt for up to six months.
- h) empty due to resident receiving care in a hospital or home elsewhere.
- i) empty as resident has been sent to prison.
- j) empty as resident has moved to care for someone else.
- k) empty awaiting probate and for six months after probate is granted.

- l) has been repossessed.
- m) is the responsibility of a bankrupt's trustee.
- n) is waiting for a minister of religion to move in,
- o) empty by a student whose term-time address is elsewhere,
- p) empty because it is against the law to live there, including from 1st April 2007 where a planning condition prevents occupation.
- q) empty as it forms part of another property and may not be let separately.

Pitch or mooring

- r) that doesn't have a caravan or boat on it is also exempt.

Those who are care experienced up to the age of 25 are now exempt from having to pay Council Tax. As part of the budget proposals for 2024/25, the Council will now provide exemptions for in-house foster carers and special guardians. This is in addition to over 13,000 households who currently receiving Council Tax support in Hammersmith and Fulham.

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

The liability for Council Tax is summarised below:

Total dwellings in the borough	94,177	100%
Reductions:		
Exemptions (mainly students, includes care leavers and vacant properties)	(3,415)	(4%)
Council Tax support claimants (elderly & working age on low income)	(10,087)	(11%)
Single person discount (25% discount)	(26,143)	(27%)
Dwellings liable for 100% of Council Tax	54,532	58%

Appendix G

The Business Rates Retention Scheme for Hammersmith and Fulham

		2023/24 £m	2024/25 £m
Step 1	Business rates baseline Notification from the government of the business Rates they expect Hammersmith & Fulham to collect	84.369	78.101
Step 2	Tariff Payable to government	(14.022)	(10.524)
Step 3	Funding baseline The income from business rates that government modelling assumes Hammersmith & Fulham will retain	64.171	67.577
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.	59.358	
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.	57.757	62.509
Step 6	Safety net compensation Sum receivable by Hammersmith & Fulham to bring it to the safety net threshold (Step 5 less step 4).	1.643	

The London Borough of Hammersmith & Fulham share of business rates income included in the 2024/25 budget is £62.5m. This is the minimum sum guaranteed by the safety net threshold. This is £5m lower than the funding baseline (step 3) assumed by the government.

APPENDIX H – 2024/25 RESERVES STRATEGY AND FORECAST

Summary

The Council continues to operate in an environment of considerable uncertainty and financial challenge. Firstly, there is the cumulative impact of 13 years of budget reductions, since the onset of the austerity era in 2010. Secondly the ongoing uncertainty of the future of the over-arching Local Government funding regime, and what in recent years has been the persistence of one-year funding settlements, limiting the sector's ability to plan with certainty beyond a one-year window. Finally, national economic conditions continue to be oppressive, with high inflation and interest rates increasing costs for delivering services, reducing commercial income, increasing the cost of investment plans and increasing the demand for public services. As a result, 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 £21.3m and estimated earmarked reserves of £72.0m at the start of 2024/25. Based on the most recent comparative data (the start of 2022/23) the Council's reserves are slightly above average, as a percentage of net revenue expenditure, for a London Borough. After considering future commitments, ear marked reserves are expected to reduce by 22% over the next four years.

The Council is already committed to use reserves to fund several major initiatives and priorities. These include Civic Campus, homelessness prevention, regeneration schemes, Adult Social Care and the Dedicated Schools Grant "Safety Valve" agreement. It also faces significant current and future financial pressures and risks and potential costs of future service improvements. The Council receives a good level of contributions from s106 and CIL agreements. These are subject to a separate monitoring process.

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 Thurrock, Slough, 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 2023/24 Hammersmith and Fulham carried forward General Fund reserves and balances of £119.6m. Forecast balances to 2027/28 is set out below in Table 1.

Table 1 – The general balance and earmarked reserves 2023/24 to 2027/28 forecast

	April	April	April	April	April
	2023	2024	2025	2026	2027
	£m	£m	£m	£m	£m
General balances (recommended range £19m - £23m)	21.3	21.3	21.3	21.3	21.3
Earmarked reserves	98.3	72.0	62.0	68.7	70.2
Sub Total	119.6	93.3	83.4	90.0	91.6
Developer contributions (Subject to separate monitoring and approval)	48.9				

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 was not new money for the council to spend, it was required to fund existing liabilities regarding business rates reliefs (£41m) and business grants (£3.9m). These reserves have now been utilised.
5. The reserves include, in line with accounting practice, £48.9m 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.
6. A comparison between Hammersmith & Fulham and the London borough average, based on the most recent data (the start of 2022/23), 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.

Measure	Hammersmith & Fulham	Average for London Boroughs	Ranking relative to another London Boroughs (/32)
Total general fund and non-schools earmarked general fund reserves	£127.8m	£142.5m	18
General fund and non-schools earmarked general fund reserves as a percentage of gross service revenue expenditure (%)	21.33%	59%	14

Table 2 – Comparison to other London Boroughs as of 31 March 2022

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.

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 detailed analysis of risk assumptions is attached in **Appendix 1**.
 - 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 Reform.
 - 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.
- 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

8. Under Section 25 of the Local Government Act 2003, the Strategic Director of Finance is required to include, in budget reports, views on the adequacy of Council's balances and reserves.
9. General balances cover unforeseen financial risks and provide cover for unexpected or unavoidable additional costs. 2023/24 Budget Council agreed that the medium-term recommended range for general balances is between £19m and £23m. For 2024/25 the budgeted general balance is £21.3m.
10. 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. A detailed list of the Council's earmarked reserves and their purpose is attached in **Appendix 2**. As set out in **Table 3**, the level of General Fund earmarked reserves carried forward at the start of 2023/24 was **£98.3m**. In accordance with the reserves strategy the intended purpose, and level of such reserves has been reviewed. The proposed balances carried forward after in year contributions and commitments is £71m.

13.

Table 3 - Earmarked Reserves Opening Balance 2023-24 and Proposed Closing Balance After Commitments and Contributions (as at CRM6 2023/24)

	Opening Balance 1st April 2023	Forecast Movement	Forecast Closing Balance 31st March 2024
Ear Marked Reserves	£m	£m	£m
Corporate Demands and Pressures	(37.4)	8.2	(29.1)
Insurance Fund	(4.5)	0.0	(4.5)
Inflation Risk	(4.8)	0.0	(4.8)
Civic Campus	(1.4)	1.4	0.0
Digital	(5.9)	3.9	(2.0)
Invest to save	(2.7)	2.6	(0.1)
Parking	(2.8)	2.8	(0.0)
DSG	(15.1)	0.0	(15.1)
Unallocated Contingency	(1.5)	0.7	(0.9)
Pre-Development Costs	(5.0)	0.0	(5.0)
Planning Reserve	(1.7)	0.7	(1.0)
Other Service Reserves	(8.9)	4.0	(4.9)
Other Corporate Reserves	(6.7)	2.1	(4.6)
Sub Total General Fund Ear-Marked Reserves	(98.3)	26.4	(72.0)

13. An earmarked reserve of **£15.1m** is held regarding the cumulative Dedicated Schools Grant (DSG) high needs deficit. 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.
14. **Appendix 3** summarises the current forecast drawdowns from, and planned contributions to, earmarked reserves. The major commitments include:
- £0.8m regarding investment in the Contact and Assessment Service to support and protect vulnerable children and families.
 - £0.5m provision for Children's High Needs block
 - £0.2m provision for Early Years Inclusion Team
 - Further investment to undertake an area-based prototypes for an **alternative waste collection scheme** 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.

- £3.3m Parking Reserve – The current capital programme assumes the reserve will be fully released in 2023/24 for the Clean Air Neighbourhoods Programme. The scheme has been delayed so this expenditure may slip to 2024/25. An update will be provided at Q3.

Reserves adequacy and future risk / priorities

15. A detailed analysis of the budget assumptions and management assessment of the impact on the financial position is set out in **Appendix 1**. The reserves cashflow forecast detailed in **Appendix 3** 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 2023/24 forecast budget overspend (reported in Corporate Revenue Monitor month 6) of £4.0m after mitigations.

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

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Opening balance	(119.7)	(93.3)	(83.5)	(90.2)
Forecast movement	26.4	9.8	(6.6)	(1.6)
Closing balance	(93.3)	(83.5)	(90.2)	(91.7)
Developer contributions	48.9			

16. The Council faces several potential risks whilst indicative plans for further service transformation highlight possible further calls on reserves. Such risks include:
 - Discussions 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 and the cost-of-living crisis.
 - 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.
17. **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.

Table 6 – Reserves action plan

Ref	Action
1	Relocate back to the new Civic Campus at the earliest opportunity and capitalisation of appropriate programme costs (£1.5m to date).
2	New ways of working following the learning from the Covid-19 pandemic may enable other accommodation savings to be made.
3	Manage in-year council spend within budget to enable additional contributions to reserves.
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 £4.3m of receipts are earmarked within the capital programme mainly for REAP, see point 5 below.
5	Review of future requests to use reserves, such as the Resident Experience and Access Programme, to identify potential use of capital receipts.
6	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.
7	Peer challenge by the Chief Executive and Strategic Director of Finance of all existing commitments.
8	Balance sheet review to establish if further reserves can be freed up (relating to Business Rates and the Collection Fund).
9	Release the Dedicated Schools Grant (DSG) support reserve in line with the DSG recovery plan
10	Review external funding opportunities and developer contributions.
11	Assess the IT funding requirement over the medium-term.
12	Review existing commitments and 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.
13	Consider additional contributions to reserves as part of annual revenue budget setting process.

Appendices

Appendix 1 - Budget Assumptions and Risk

Appendix 2 - Earmarked Reserves Description

Appendix 3 - General Fund reserves forecast to 31st March 2027

Appendix 1 - Budget assumptions and Risk

The Codes of Audit Practice in England, Wales, Scotland and Northern Ireland make it clear that it is the responsibility of the audited body to identify and address its operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. The financial risks should be assessed in the context of the authority's overall approach to risk management.

Budget Assumptions and Management Assessment of Impact on Financial Position

Budget Assumption	Value of Risk	Adequacy of Reserve
The treatment of inflation and interest rates	£1.7m	<p><i>The overall financial position of the authority (level of borrowing, debt outstanding, Council Tax collection rates etc).</i></p> <p><i>Rises in the prices of some commodities, Eg fuel and energy, highlight the relevance of using several inflation rates in the budget and financial strategy, and considering whether general reserves are adequate to deal with unexpected increases.</i></p> <p><i>Volatility in the financial markets also points to the need to consider investment and borrowing risks and their impact on income.</i></p> <p>The value of risk is the impact of a 1% increase in inflation on the forecast for contract inflation.</p> <p>The inflation reserve balance of £4.8m is adequate to meet this pressure in the short term.</p>
Estimates of the level and timing of capital receipts		<p><i>The authority's track record in budget and financial management including the robustness of the medium-term plans.</i></p> <p><i>Authorities will also need to consider changes in the property market and adjust estimates and assumptions for reserves accordingly.</i></p> <p><i>Dispensation for flexible use of capital receipts for REAP expenditure expires FY 2024/25.</i></p> <p>There is currently a nil future forecast for</p>

	£0.400m	<p>General Fund receipts.</p> <p>HRA - £16m restricted receipts (affordable housing) – the Council is liable for interest on repayments. £1.2m estimated for 23/24.</p> <p>This is adequately provided for within Capital receipts reserve. This could be funded from capital receipts or borrowing (which would incur a revenue cost of borrowing of 5.2%)</p>
The treatment of demand led pressures		<p><i>The authority's capacity to manage in-year budget pressures, and its strategy for managing both demand and service delivery in the longer term.</i></p> <p>The Council holds an earmarked Corporate Demands and Pressures reserve, current balance of £37.4m to mitigate for fluctuations in demand.</p>
The treatment of planned efficiency/savings/productivity gains	£1.450m	<p><i>The strength of the financial information and reporting arrangements.</i></p> <p><i>The authority should also be able to activate contingency plans should the reporting arrangements identify that planned savings or gains will either not be achieved or be delayed.</i></p> <p>In year savings plans of £2.9m were assumed in the 2023/24 budget.</p> <p>If 50% of the target became unachievable, the shortfall could be met by the Corporate Demands and Pressure reserve in the short term.</p>
The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments		<p><i>The authority's virement and end of year procedures in relation to budget under/overspends at authority and department/directorate level.</i></p> <p><i>Risk management measures in relation to partnerships, including consideration of risk allocation.</i></p> <p><i>Contract provisions designed to safeguard the authority's position in the event of problems arising from outsourcing arrangements.</i></p>

	<p>£0.950m</p> <p>£0.630m</p>	<p><i>Reserves may also need to be established to manage commercial risks where authorities have invested in commercial properties.</i></p> <p>Civic Campus – risks around profit share. The profit share assumed on completion is currently £9.5m. If this forecast decreased by 10%, this would reduce the forecast level of reserves.</p> <p>Education City - risks attached to loan arrangement. If interest rates go up by 1%, the impact would be £0.630m additional cost of borrowing. This could be met by reserves in the short term.</p> <p>£5m is set aside in the Pre-Development reserve to mitigate against risks within capital strategy and initiatives.</p>
The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions		<p><i>The adequacy of the authority's insurance arrangements to cover major unforeseen risks.</i></p> <p><i>When considering insurance cover, the structure of the cover as well as the overall level of risk should be considered. Risk assessments should be used when balancing the levels of insurance premiums and reserves.</i></p> <p>The Council currently holds an earmarked Insurance reserve of £4.5m. Claims reviews are carried out every month and as well as periodical actuarial reviews. The most recent actuarial review gave assurance that reserves levels were adequate.</p>
The general financial climate to which the authority is subject to.		<p><i>External factors, such as future funding levels expected to be included in Spending Reviews and expected referenda principles and limits, will influence an authority's ability to replenish reserves once they have been used.</i></p> <p><i>Any plans for using reserves will need to consider the need and ability of the authority to replenish the reserves, and the risks to</i></p>

	£1.500m	<p><i>which the authority will be exposed whilst replenishing the reserves.</i></p> <p>This is the balance available in the unallocated contingency reserve to mitigate against short term pressures.</p> <p>The Council's general balance for 2023/24 is £21.3m. This equates to 4.1% (15 days spend) of the council's gross budget of £565.1m.</p> <p>This is within the medium-term optimal range of £19m to £23m.</p> <p>General balances are forecast to remain within the optimum range in 2024/25.</p>
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Appendix 2 – Earmarked Reserves Description

Earmarked Reserves are amounts set aside for specific purposes. The main purpose of each earmarked reserve is explained below.

	Reserve Name	Description
1	Corporate Demands and Pressures	To meet unbudgeted demands and pressures.
2	Insurance Fund	Underwrites a proportion of the Council's insurable risks.
3	Inflation	To provide for risks associated with inflationary pressures
4	Civic Campus	Can only be used to fund the costs of implementing the Civic Campus redevelopment
5	Digital	Can be used to provide for costs of the Council's digital works programme.
6	Invest to Save (Efficiency Projects)	To fund future revenue expenditure and capital investment that will provide future revenue savings.
7	Controlled Parking Fund	The surplus from the running of the Controlled Parking operations within the Borough is accumulated in this Fund. In the past, this reserve had to be used to meeting expenditure on transport and highways related activities.
8	Dedicated Schools Grant Reserves – a) DSG Support Reserve b) DSG Early Years Block	a) DSG Support Reserve –This reserve offsets the DSG Unusable Reserve Deficit to ensure that the expenditure incurred to date can be fully funded in light of continuing pressures and in the event that the deficit recovery plan is unable to recover the current cumulative position. Overall the DSG reserve (deficit and deficit set-aside) is nil as the cumulative deficit is matched by the reserve set aside. b) DSG High Needs Block Deficit Reserve Parliament has approved the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 in November

	c) DSG High Needs Block	<p>2020 which amends the 2003 Regulations by establishing new accounting practices in relation to the treatment of local authorities' schools budget deficits which must now be recorded in a separate account established solely for the purpose of recording deficits relating to school's budget and account for the cumulative Dedicated Schools Grant deficit in unusable reserves. As the statutory requirement is time limited, it continues to set aside reserves to match the High Needs Block deficit until such time as the cumulative deficit is eliminated.</p> <p>c) DSG (Schools & Early years Block) Reserve This reserve records the cumulative balance on the Schools and Early years block. Grant deficit to unusable reserves.</p>
9	Unallocated Contingency	A reserve held to mitigate against unforeseen costs to the Council
10	Pre-Development	This reserve is to provide for the risk associated with the council's general fund capital strategy and initiatives.
11	Planning Reserve	This reserve is to support funding of CIL related projects.
12	Other Service Reserves	This comprises several smaller reserves, which are held to fund various projects and potential future commitments that are managed by service areas.
13	Other Corporate Reserves	Comprises several smaller reserve balances, which are held to fund projects that are being managed by corporately
14	HRA Reserves	This reserve provides a working balance for the Housing Revenue Account, for which transactions are ring-fenced under the provisions of the Local Government and Housing Act 1989.
15	Schools Balances	Reserves held to fund projects related to Schools

16	Collection Fund	Billing authorities have a statutory obligation to maintain a separate Collection Fund in relation to collections from Council tax and NNDR and the distribution of these funds to Local Authorities and the Government.
17	S106 / CIL (Community Infrastructure Levy)	These reserves exist to fund various projects and potential future commitments in line with the requirements of the agreements

Appendix 3 - General Fund reserves forecast to 31st March 2027

Appendix 3 - General Fund reserves forecast to 31st March 2027	31st March 2023	31st March 2024	31st March 2025	31st March 2026	31st March 2027
Earmarked Reserves	£m	£m	£m	£m	£m
Corporate Demands and Pressures	(37.4)	(29.1)	(22.9)	(21.5)	(21.5)
Insurance Fund	(4.5)	(4.5)	(4.5)	(4.5)	(4.5)
Inflation Risk	(4.8)	(4.8)	(4.8)	(4.8)	(4.8)
Civic Campus	(1.4)	0.0	0.0	(9.5)	(9.5)
Digital	(5.9)	(2.0)	(2.4)	(1.6)	(2.4)
Invest to save	(2.7)	(0.1)	(0.9)	(1.6)	(2.4)
Parking	(2.8)	(0.0)	(0.0)	(0.0)	(0.0)
DSG	(15.1)	(15.1)	(14.8)	(14.8)	(14.8)
Unallocated Contingency	(1.5)	(0.9)	(1.3)	(1.3)	(1.3)
Pre-Development Costs	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)
Planning Reserve	(1.7)	(1.0)	(1.0)	(1.0)	(1.0)
Other Service Reserves	(8.9)	(4.9)	(1.5)	(0.4)	(0.4)
Other Corporate Reserves	(6.7)	(4.6)	(3.1)	(2.9)	(2.9)
Sub Total General Fund EM Reserves	(98.3)	(72.0)	(62.2)	(68.8)	(70.4)
General Balances	(21.3)	(21.3)	(21.3)	(21.3)	(21.3)
Total General Fund Reserves	(119.6)	(93.3)	(83.5)	(90.2)	(91.7)
HRA Reserves and Balances	(21.3)	(16.3)	(16.3)	(16.3)	(16.3)
Schools Balances	(0.3)	(0.6)	(0.6)	(0.6)	(0.6)
Collection Fund Reserve	(3.4)	(3.4)	(3.4)	(3.4)	(3.4)
s106 / CIL	(2.2)	0.0	0.0	0.0	0.0
Total	(146.8)	(113.6)	(103.8)	(110.4)	(112.0)

APPENDIX I - LONDON BOROUGH OF HAMMERSMITH AND FULHAM (LBHF) CIPFA FM CODE REVIEW 2024-25

SUMMARY

1. The tightening fiscal landscape of recent years has placed the finances of local authorities under intense pressure. Therefore, it is crucial to have robust financial management embedded as part of the organisation to ensure that local service provision is sustainable.
2. The CIPFA Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code sets out the standards of financial management for local authorities.
3. The underlying principles set out in the code are:
 - Organisational leadership
 - Accountability
 - Financial management is undertaken with transparency at its core.
 - Adherence to professional standards
 - Sources of assurance are recognised.
 - The long-term sustainability of local services is at the heart of all financial management processes.
4. Whilst budgets are set on an annual basis, the Code emphasises that financial sustainability requires a longer-term perspective. Local authorities have been required to apply the Code from April 2020.
5. This report sets out how LBHF demonstrates the application of the CIPFA financial management standards. A “Red Amber Green” (RAG) summary of the Council’s self-assessment against the seven sections of the code is set out as follows:

Self- Assessment Conclusion

	Green	Amber	Red
Leadership Team and CFO Role			
Governance and Financial Management Style			
Long to Medium Term Financial Management			
The Annual Budget			
Stakeholder Engagement and Business Plans			
Monitoring Financial Planning			
External Financial Reporting			

FINANCIAL MANAGEMENT CODE – SELF ASSESSMENT ANALYSIS

Section 1 – the responsibilities of the chief financial officer and leadership team

A – The leadership team is able to demonstrate that the services provided by the authority provide value for money.

B - The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.

6. At LBHF there are various processes and structures in place to ensure that our services provide value for money. These include:
- The annual budget setting process, incorporating:
 - Internal budget challenge meetings.
 - Scrutiny via Policy and Accountability Committees (PACs); and
 - approval by Budget Council.
 - Corporate Revenue Monitoring (CRM) and Capital monitoring.
 - Preparation of the annual accounts and critical review of annual outturns.
 - Longer-term financial planning through the Medium-Term Finance Strategy (MTFS); and
 - Contracts Assurance Board (CAB).
7. These structures and processes ensure all financial decisions are reviewed and challenged if needed.
8. The role of Chief Finance Officer (CFO) complies with the CIPFA statement as the role specification is as defined in the financial regulations.

Section 2 – Governance and financial management style

C – The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.

D – The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).

E – The financial management style of the authority supports financial sustainability.

9. LBHF demonstrates responsibility for governance and internal control as follows:
- An Audit Committee is in place to oversee LBHF's internal audit functions, the control environment and external financial reporting.
 - The internal audit function undertakes periodic, risk-based internal audits and will oversee audit processes, internal controls, risk, fraud, and compliance with regulations.
 - The Annual Governance Statement (AGS) is reviewed regularly.
 - The Senior Leadership Team (SLT) have dedicated meetings covering both finance and assurance on a periodic cycle.
10. The Annual Governance Statement (AGS) details the application of the CIPFA/SOLACE Framework. The Council's most recent AGS can be found in the annual statement of accounts here:

[Statement of accounts | LBHF](#)

11. One of LBHF's core values is being ruthlessly financially efficient which supports a sustainable financial culture.

Section 3 – Long to medium term financial management

F – The authority has carried out a credible and transparent financial resilience assessment.

G – The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.

H – The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.

I – The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

12. The authority is subject to external audit every year which includes a going concern assessment as well as recommendations for any improvements. The Audit Committee are provided with regular updates on borrowing and liquidity. LBHF also produces an Annual Reserves Strategy and works to maintain reserves within a target level to provide financial resilience. A balanced budget is set prior to the beginning of the financial year.
13. To ensure financial sustainability in the longer term the authority carries out a Medium-Term Financial Strategy (MTFS) which is reported to Members and provides the basis for setting the annual budget. This includes growth, savings and inflation requests which are reviewed by SLT. This is followed by further review at member challenge meetings and then presented to scrutiny and overview committees.
14. There is a capital programme in place with regular monitoring and reporting to Cabinet. This programme complies with financial reporting requirements including the CIPFA Prudential Code.
15. As above, LBHF has a rolling medium term financial plan covering four years which is revised on a yearly basis through a robust process.

Section 4 – The annual budget

J - The authority complies with its statutory obligations in respect of the budget setting process.

K - The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.

16. A balanced budget is set each year in line with the Local Government Finance Act 1992 as shown by the budget report for 23/24 linked below:

<http://democracy.lbhf.gov.uk/documents/s119758/Revenue%20Budget%20and%20Council%20Tax%20Report.pdf>

17. In the budget report linked above there is a section titled views of the Strategic Director of Finance which gives an opinion on the robustness of the estimates as required under Section 25 of the Local Government Finance Act 2003.

Section 5 – Stakeholder engagement and business plans

L - The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.

M - The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.

18. The budget process includes a robust consultation process with stakeholders including challenge meetings and cabinet meetings. The Council also engages key external stakeholders through rent consultations and benchmarking.
19. LBHF's use of appropriate documented option appraisal methodologies to demonstrate the value for money of its decisions is evidenced through decision reports, option appraisal and a stringent procurement process.

Section 6 – Monitoring financial planning.

N - The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

O - The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.

20. The regular Corporate Revenue Monitoring (CRM) and capital monitoring process enables management and decision makers to identify any emerging financial risks and correct them through mitigating actions. LBHF also maintains a risk register which helps the authority to manage significant risks as well as conducting analysis of the political and economic environment to help identify emerging risks.
21. A regular feature of monitoring activity is for leadership to monitor the elements that pose a significant risk to financial sustainability. Examples of this include regular reviews of the debt position, capital monitoring to assess spend on non-current assets and the inclusion of pension and treasury finance managers in regular board and committee meetings.

Section 7 – External Financial reporting

P - The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.

Q - The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

22. The Chief Finance Officer actively reviews both the draft and the final audited versions of the statement of accounts. They meet regularly with officers and auditors to discuss issues arising. They are responsible for producing the narrative report in the accounts and sign the Statement of Responsibilities within the accounts.

23. The final outturn figures are presented to SLT and Cabinet. The statement of accounts includes annual report on financial position, including capital and balance sheet reserves.

2024/25 Net Expenditure Budget - Objective Summary

Department	2023/24 Budget £m	Inflation* £m	Investment in Services £m	Savings £m	Corporate Adjustments £m	Proposed 2024/25 Budget £m
Social Care and Public Health	65.8	3.0	4.8	(2.1)	1.6	73.1
Children's Services	57.1	1.8	1.6	(1.6)	3.5	62.4
The Environment	23.6	2.2	0.5	(1.5)	6.4	31.2
Economy	10.3	1.5	1.5	(1.4)	2.2	14.1
Corporate Services	16.8	0.3	0.2	(0.3)	2.6	19.6
Finance	1.4	0.1	0.0	(0.4)	(0.3)	0.8
Other Central Items**	10.5	4.8	2.1	(0.8)	(17.8)	(1.2)
Council Net Budget Requirement	185.6	13.7	10.7	(8.1)	(1.8)	200.1
Financed by:						
Council Tax Income	(73.2)	0.0	0.0	0.0	(5.6)	(78.8)
Retained Business rates	(59.4)	0.0	0.0	0.0	(3.1)	(62.5)
General Government grants	(53.0)	0.0	0.0	0.0	(5.8)	(58.8)
TOTAL	(185.6)	0.0	0.0	0.0	(14.5)	(200.1)

2024/25 Subjective Summary

	2023/24 Budget £m	Inflation £m	Investment in Services £m	Savings £m	Corporate Adjustments £m	Proposed 2024/25 Budget £m
Gross Expenditure						
Employee Expenses	130.1	4.5	0.9	(0.4)	9.6	144.9
Premises Related Expenditure	14.5	0.6	0.0	0.0	1.2	16.2
Transport Related Expenditure	1.5	0.0	0.0	0.0	0.1	1.6
Supplies and Services	74.7	1.6	1.3	(2.9)	(6.9)	67.7
Third Party Payments	187.8	6.5	7.0	(2.4)	4.5	203.3
Transfer Payments	82.0	0.5	0.0	(0.2)	(0.2)	82.2
Housing Benefits expenditure	90.9	0.0	0.0	0.0	0.0	90.9
Support Service Charges	49.8	0.0	1.5	(0.1)	1.3	52.6
Capital Charges	18.0	0.0	0.0	0.0	2.5	20.5
Total Gross Expenditure	649.3	13.7	10.7	(5.9)	12.1	679.9
Support Service Recharge Income	(54.5)	0.0	0.0	(0.5)	(1.5)	(56.5)
Departmental Grants	(68.9)	0.0	0.0	0.0	(3.7)	(72.6)
Dedicated Schools Grant	(89.1)	0.0	0.0	0.0	0.2	(88.9)
Housing Benefits income	(91.2)	0.0	0.0	0.0	0.0	(91.2)
Fees and Charges	(73.0)	0.1	0.0	(1.1)	(4.3)	(78.4)
Other income	(71.1)	(0.1)	0.0	(0.6)	(1.7)	(73.5)
Capital Financing and other adjustments	(15.9)	0.0	0.0	0.0	(2.8)	(18.7)
Total Gross Income	(463.7)	0.0	0.0	(2.2)	(13.9)	(479.8)
Council Net Budget Requirement	185.6	13.7	10.7	(8.1)	(1.8)	200.1
Financed By:						
Council Tax Income	(73.2)	0.0	0.0	0.0	(5.6)	(78.8)
Retained Business Rates	(59.4)	0.0	0.0	0.0	(3.1)	(62.5)
General Government grants	(53.0)	0.0	0.0	0.0	(5.8)	(58.8)
TOTAL:	(185.6)	0.0	0.0	0.0	(14.5)	(200.1)

*Pay inflation held corporately ahead of 24/25 announcements

**Other Central Items includes contingency, net cost of borrowing, capital financing adjustments

Funding within Core Spending Power	2023/24 £m	2024/25 £m	Change £m	Change %
<i>Government grant funding</i>				
Revenue Support Grant (part of Settlement Funding Assessment)	20.19	21.54	1.35	7%
New Homes Bonus grant	1.19	1.60	0.41	34%
Social Care Support grant	17.28	22.49	5.21	30%
Multiplier cap compensation	10.93	12.32	1.39	13%
Services grant	2.50	0.59	(1.91)	(76%)
General Grants (excludes cap compensation tariff and housing benefit admin grant)	52.09	58.54	6.45	
<i>Ringfenced Social Care grants</i>				
Improved better care fund	10.02	10.02	0	0%
ASC Discharge Fund	1.41	2.34	0.93	66%
Market sustainability and Improvement Fund (MSIF) [now includes the MSIF workforce fund]	2.15	4.02	1.87	87%
MSIF Workforce Fund ¹	1.40	0	(1.40)	(100%)
<i>Sub-total grant funding</i>	67.07	74.92	7.85	
<i>Locally generated sources</i>				
Baseline Funding Level (part of Settlement Funding Assessment)	64.17	67.58	3.41	5%
Government assumed Council Tax yield (increase of 4.99% including 2% adult social care precept)	73.18	77.95	4.77	7%
Total	204.42	220.45	16.03	8%

¹ This grant was not included in the Core Spending Power for 23/24 but is now rolled into the 24/25 calculations

Agenda Item 6.2

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Full Council

Date: 28/02/2024

Subject: Four Year Capital Programme 2024-28 And Capital Strategy 2024/25

Report of: Councillor Rowan Ree, Cabinet Member for Finance and Reform

Responsible Director: Sukvinder Kalsi, Strategic Director of Finance

SUMMARY

This report presents the Council's Capital Strategy 2024/25 and four-year Capital Programme for the period 2024 to 2028.

The council is investing £576.4m over the next four financial years to develop and enhance its assets (including council housing), to meet its strategic objectives and provide better outcomes for its residents, businesses, and visitors. Key schemes within the programme include:

- Significant investment in the major repairs and health and safety compliance of the council's 12,000 dwellings
- Investment in housing development schemes to provide additional affordable accommodation across the borough
- Public CCTV equipment purchases and installation
- School maintenance programme
- Investment in energy efficient lighting and decarbonisation schemes.
- Hammersmith Bridge pre-restoration works, with funding from the Department of Transport and Transport for London
- Civic Campus programme/ refurbishment of Hammersmith Town Hall
- Investment in the council's public realm including column replacement, footways, and carriageways

The council is required by the CIPFA Prudential Code for Capital Finance and statutory guidance to prepare certain capital related strategies and policies. The Capital Strategy and Minimum Revenue Provision (MRP) Policy are included in this report. The Treasury Management Strategy Statement 2024/25 will also be presented to Cabinet in February 2024 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 2024/25. 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 £143.6m for the period 2024/25-2027/28 (presented in Table 2 and Appendix 1).
2. To approve the continuation of rolling programmes for 2024/25 funded from the Council's mainstream resources. For financial modelling purposes, these programmes are assumed to continue at the same level until 2027/28:

	£m
Corporate Planned Maintenance	2.400
Footways and Carriageways	2.030
Column Replacement	0.346
Total	4.776

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 Strategic Director of Finance and relevant Lead Cabinet Member.
4. To approve the four-year Housing (HRA) Capital Programme at £432.9m for the period 2024/25-2027/28 as set out in Table 6 and Appendix 1.
5. To delegate authority to the Strategic Director of Finance in consultation with the Cabinet Member for Finance and Reform to approve the potential use of up to £3.6m of capital receipts under the Government's Flexible Use of Capital Receipts provisions for funding of Invest to Save schemes in 2024/25 (as identified in Appendix 2) and potential match-funding opportunities.
6. To approve the Capital Strategy 2024/25, as set out in the report.
7. To approve the annual Minimum Revenue Provision policy statement for 2024/25, as set out in Appendix 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, and which will deliver the Council's priorities, as set out in the plan. The Capital Strategy 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	<p>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.</p> <p>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.</p>
Building shared prosperity	<p>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. The council will continue to invest in our ambitious housing development programme and work through the planning system to enable 3,000 new energy-efficient 50% genuinely affordable homes to be built.</p>
Creating a compassionate council	<p>As the council's resources have been reduced we have protected the services on which the most vulnerable residents rely.</p>
Doing things with local residents, not to them	<p>A significant proportion of services are delivered in partnership with local and national companies, and this will continue to promote all business sectors to the benefit of residents. The proposals will implement the Disabled People's Housing Strategy, working in co- production with disabled residents.</p>
Taking pride in H&F	<p>The strategy proposals include significant investment in public realm services, to maintain world-class parks, open spaces and cemeteries, making sure that parks are a safe space for residents.</p> <p>The proposals also are continuing to invest in CCTV so that residents feel secure in their homes and on the streets.</p>
Rising to the challenge of the climate and ecological emergency	<p>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.</p>

CAPITAL STRATEGY 2024/25

1. The Prudential Code¹ 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 Corporate Plan 2023-26 sets 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 will continue to invest in our ambitious housing development programme and work through the planning system to enable 3,000 new energy-efficient 50% genuinely affordable homes to be built or underway by 2026.
- Implement the Special School Organisation and Capital Plan to invest in provision for children and young people with Special Educational Needs and Disabilities.
- Deliver £118m EdCity education campus to align career opportunities in the White City Innovation District to the work of schools, apprenticeships, and reskilling programmes.
- Support local businesses and start-ups by facilitating access to resources, networking opportunities, affordable workspace and business support services.
- Deliver retrofit strategy to generate renewable energy and improve the energy performance of our housing stock.
- Continue with shared equity affordable home ownership solution for residents and workers in the borough.
- Develop a council owned housing company model to support an increase in council owned intermediate rent homes for key workers.
- Continue leading role in providing housing and much wider support to refugees and asylum seekers.

Doing things with residents, not to them

- Continue to expect all major strategies, projects and service design works to have co-production principles, openness, and transparency at their core.

¹ The CIPFA Prudential Code for Capital Finance in Local Authorities (2021) – by regulation local authorities are required to have regard to the Code when carrying out their duties.

Taking pride in Hammersmith & Fulham

- Transform the Grade II listed Town Hall to be one of the most environmentally positive and accessible buildings of its type in Britain.
- Introduce segregated cycle lanes, more cycle storage, and green roofs on estates.
- Deliver a vision for high streets as experience destinations and community hubs, including a refreshed plan for Hammersmith Town Centre.
- Improve the public realm to make it a better place for people to shop, eat, drink, relax and enjoy local arts and facilities.
- Ensure major investment programmes, such as in White City, Earls Court, Olympia, and Old Oak Common serve to benefit residents and businesses.
- Deliver a £4.5m CCTV replacement and investment programme.

Creating a compassionate council

- Deliver the Air Quality Action Plan, by tackling the sources of pollution, raising awareness of local emissions, and working with partners to reduce pollution.

Being ruthlessly financially efficient

- Maximise efficiencies to be gained through digital transformation, income generation, corporate accommodation, and agile working practices.
- Continue regular assurance reporting for major projects and programmes through the Corporate Programme Management Office and Strategic Leadership Teams.
- Deliver on the aspirations of Resident Experience and Access Programme to provide a consistent and inclusive approach for resident access across the Council.
- Embed universal standards for policy and strategy development across the council, centred on co-production, high-quality evidence, equity, and climate considerations.
- Enhance commercial culture, financial returns and added value through our refreshed Commercial Strategy.
- Maximise the added value secured through procurement processes.
- Continue to operate effective governance arrangements across the Council, to support assurance, compliance, transparency and collaboration across decisions.
- Deliver and fund significant investment in the council homes where it will make the biggest impact on residents' quality of life, health and wellbeing.
- Fix the Grade II listed iconic Hammersmith Bridge in partnership with Transport for London and the Department for Transport
- Use capital investment to enable the Council to become more efficient, such as through investing in digital transformation and income generation opportunities.
- Invest in schools and more in-borough Special Education Needs provision.
- Reduce the carbon emissions of homes and infrastructure, whilst also investing so physical assets can adapt to the inevitable changes in our climate.
- Regenerate the borough through schemes such as EdCity, Hartopp and Lannoy and White City, making use of joint ventures with the private sector and other funding.
- Consolidate the Council's office accommodation to enable alternative use for income generation and cultural activities.

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:

- Deliver retrofit programmes to upgrade our council homes and non-domestic buildings with energy efficiency and low-carbon heating.
 - Build industry leading Passivhaus homes with zero fossil fuels.
 - Identify opportunities for new heat networks in our Clean Heat Plan.
 - Continue to expand active travel infrastructure and support.
 - Host one of the densest electric vehicle charging networks in Britain and transition own fleets to low-carbon vehicles.
 - Undertake a full climate risk assessment of the borough and continue to deliver sustainable drainage that increases our resilience to the changing climate.
 - Renew Air Quality Action Plan in consultation with residents and cut air pollution through field-leading projects and partnerships.
 - Implement 'parks for the future' strategy and invest in improving the appearance, maintenance and facilities of parks and open spaces.
 - Retrofit ecology into the Council's building estate, including investigating the significant potential for green roofing.
 - Extend the 20mph speed limit across all the roads for which the Council is responsible.
6. A recent economic downturn has affected the expected costs, market and viability of schemes whilst funding from partners, such as Transport for London, has been under pressure. As part of the capital strategy the impact of increasing inflation and interest rate 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 2024, 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 the redevelopment of the failing, existing Hammersmith Town Hall building, creating a new Civic Campus. This involved entering into a joint venture named West King Street Renewal Limited Liability Partnership (the LLP), with A2

Dominion Development Limited, for the delivery of the scheme, and a conditional land sale agreement between the Council and the LLP, plus the approval of 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 completed 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 for use by the neighbourhood as well as the greater community.
- refurbish and restore 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 five 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 LLP 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 for some of the commercial spaces and a managing agent has been procured for the office space. Investment in these units allows the Council to benefit from the regeneration opportunity that they present.

HRA Asset Management Capital Strategy

11. 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.

12. 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.

13. 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

14. 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

15. The Building Homes and Communities Strategy sets out a self-funding programme of investment in homes and community assets, where the council utilises its land and property assets to meet its key priorities of delivering affordable housing and supporting the council's financial challenge. The strategy 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.

16. Through this strategy, the council established a development programme to directly deliver a substantial number of much-needed affordable homes and renew key community assets. The development programme will directly benefit the council by generating revenue from the sale of market homes, alongside the long-term rental income from the affordable homes. It will also mean the council accrues the long-term assets it builds.

17. Currently, there are 17 projects in the development programme delivering 1,134 new homes, of which, 732 (65%) are affordable and 402 will be for market sale (35%).

18. Of the 17 development projects, the Springvale infill project has been completed and delivered 10 new social rent homes. Education City is under construction, the first phase has already delivered the new Primary school, this will be followed by the first

24 genuinely affordable homes, office building, Youth Zone, new school and will be delivered within the next two months. The remaining 108 affordable homes will be delivered in phase two, due to be completed in late 2025.

19. Construction of the Hartopp and Lannoy site project commenced earlier this year, to deliver 134 new homes of which 112 (84%) will be affordable. This development is taking place on the land on the Aintree Estate that was previously occupied by Hartopp Point and Lannoy Point blocks which were demolished for health and safety reasons.
20. Farm Lane and Lillie Road projects have both obtained planning permission. Avonmore School project has been submitted for planning with White City Central to follow in the next few months. The development programme also delivers against the Council's climate emergency commitments with the first three development projects (Hartopp and Lannoy, Farm Lane and Lillie Road) being delivered to PassivHaus standards of energy efficiency, to reduce carbon emissions and help alleviate fuel poverty.
21. In addition to the council's direct delivery projects outlined above, the development programme includes scheme acquisitions. The council is currently in advanced negotiations to acquire 165 new affordable homes through two section 106 affordable housing schemes. Completion of the two projects is expected by summer 2024, which accelerates the delivery of much needed affordable homes in the borough.

Hammersmith Bridge

22. 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. The Council has incurred significant spend (at risk) of almost £26.6m (estimated to the end of 2023/24) to ensure the continued safe operation of the Bridge and work towards stabilisation. In addition to this, the Council has incurred significant spend (again at risk) of almost £15.3m (estimated to the end of 2023/24) for pre-restoration works, in readiness for the full restoration of the Bridge. These works include removal of the two gas mains off the Bridge and diversion on an alternative route, the planning application for the innovative truss option, geotechnical works and further development of the contract and procurement process for the full restoration of the bridge. These pre-restoration works will ensure that the future project to fully restore the Bridge can be undertaken with greater expediency and effectiveness, and with minimisation of technical and financial risks.
23. In line with government announcements, central government (Department for Transport (DfT)) and Transport for London (TfL) will fund two-thirds of the total project costs, and this is expected to be formalised in a proposed Memorandum of Understanding (MoU). The Council's one third contribution is expected to be funded from a new road user charging scheme, or a toll.

24. Evaluation of engineering options for the stabilisation and strengthening of the Bridge are well advanced. The Council has completed an outline business case for a full strengthening and restoration programme which will see the Bridge re-opened to motor vehicles and will secure funding from the DfT and TfL.

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:

- re-provide modern, fit for purpose schools to support the borough's ambition to give children the best start in life.
- support the funding of education in Hammersmith & Fulham including the future repair and planned maintenance requirements across the school community.
- fund school development through the creation of badly needed affordable housing which will help maintain the borough's vibrant social mix.
- provide significant investment in the condition of the schools' estate through the first three-year schools' capital strategy agreed in 2021.

The school renewal programme is well underway with the delivery of the 2021-2024 three-year programme and the implementation of the ambitious 2023-2028 five-year programme now taking form.

Other Housing projects

26. In addition to the Housing Asset Management Compliance Strategy and Building Homes and Communities Strategy the Council is progressing a number of partnership projects in relation to the provision of affordable housing. These include 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.

Community Infrastructure Levy (CIL)

27. 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.

28. The current capital programme assumes £22.8m CIL contribution towards financing of Civic Campus Council of which £21.7m has been received to date. 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.

29. 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.

30. 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

31. 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.

32. 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.

33. The Council's housing accounts for 75% of the organisation's direct operational CO₂ emissions and is a priority area that the Council can directly influence through retrofit programmes. Three quarters of CO₂ 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.

34. £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

35. 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 2023/24 and 2024/25 can be found in Appendix 2 of this report.

Health and Safety

36. 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

37. 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.
38. 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.
39. 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

40. 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).
- 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.

41. 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.

42. 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

43. 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.

44. 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.

45. 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.

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

Finance Strategy

47. 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.

48. 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.

49. 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.

CAPITAL PROGRAMME 2024/25-2027/28

Financial Impact

This report is of a wholly financial nature.

The economic outlook is uncertain with supply constraints and labour shortages, driven by the war in Ukraine, Covid and Brexit, leading to higher prices for works and materials and pressure on wages. The December 2023 inflation rate, as measured by the Consumer Price Index, is 4.6% with the Bank of England (BoE) forecasting that it will remain at elevated levels throughout much of 2024, before falling to 2% in early 2025. As part of their policy response to the increase in inflation the BoE have increased the interest base rate to 5.25% with possible further increases if there was evidence of more persistent inflationary pressures. The upturn in inflation represents a significant financial risk to the capital programme as it impacts on budgeted costs, contractor performance, potential receipts, and scheme viabilities. This risk needs to be kept under review with mitigating actions taken as necessary.

The interest rate regarding long-term borrowing from the Public Works Loans Board (PWLb) now stands at 5.2% compared to 1.5% in December 2021.

The increase in build cost inflation and borrowing costs is bad news for the council and will result in additional financial pressures that need to be addressed through the Medium-Term Financial Strategy and HRA business plan. Actions that may partially mitigate against the increase in interest rates, such as use of available internal cash balances or borrowing for shorter-term periods, will continue to be explored with the Council's Treasury Management Team. The revenue affordability and financial sustainability of the council's current, and future, capital expenditure plans, including self-financing schemes, will also need to be reviewed on ongoing basis and as part of the development of the future capital programme.

Andre Mark, Head of Strategic Planning and Investment, 04 January 2024

Legal Implications

The Director of Finance is responsible for ensuring that a four-year rolling capital programme and capital strategy is prepared jointly with SLT directors. This must be submitted on an annual basis for consideration by Cabinet before being approved by Full Council (Financial Regulation 3.12). 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.

Angela Hogan, Chief Solicitor (Contracts and Procurement) 23rd January 2024

Background Papers Used in Preparing This Report:

None

CAPITAL PROGRAMME 2024/25-2027/28 - OVERVIEW

1. This report sets out an updated four-year capital expenditure and resource forecast and a capital programme for 2024/25 to 2027/28, as summarised in Table 1 below. A detailed analysis of specific schemes by service is included in Appendix 1.

Table 1 - Capital Programme 2024/25 to 2027/28

	2024/25	2025/26	2026/27	2027/28	Total Budget (All years)
	£'000	£'000	£'000	£'000	£'000
CAPITAL EXPENDITURE					
Children's Services	7,915	1,937	4,314	3,311	17,477
Environment Department	29,877	3,698	2,376	2,376	38,327
Finance and Resources Department	7,587	-	-	-	7,587
General Fund Schemes under the Economy Department	70,172	3,873	3,260	2,900	80,205
Sub-total (General Fund)	115,551	9,508	9,950	8,587	143,596
Economy Department-HRA Programme	148,108	110,154	81,243	93,345	432,850
Sub-total Economy Department (HRA)	148,108	110,154	81,243	93,345	432,850
Total Expenditure	263,659	119,662	91,193	101,932	576,446
CAPITAL FINANCING					
Use of specific resources (grant/section106/receipts)	76,864	44,609	80,652	40,671	242,796
Borrowing-General Fund	53,081	6,888	5,136	4,776	69,881
Self-financing borrowing -General Fund	29,914	-	-	-	29,914
Borrowing -HRA	103,800	68,165	5,405	56,485	233,855
Total Capital Financing	263,659	119,662	91,193	101,932	576,446

2. The programme for this period totals £576.4m. The gross programme for 2024/25 totals £263.7m. This comprises the General Fund (GF) Programme of £115.6m and the Housing Revenue Account (HRA) Programme of £148.1m.
3. The Building Homes and Communities Strategy included in the current capital programme includes several General Fund and HRA schemes that are at an early stage of development. Their total costs are currently estimated at £307m with assumption that £97m will be funded from borrowing. To date £21m of predevelopment budgets in relation to these schemes have been approved and incorporated in the capital programme. 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.
4. Should these schemes not fully progress there is a risk that some, or all, of the expenditure incurred to date 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.

GENERAL FUND CAPITAL PROGRAMME

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

Table 2 – General Fund Capital Programme 2024/25 to 2027/28

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total Budget (All years) £'000
CAPITAL EXPENDITURE					
Children's Services	7,915	1,937	4,314	3,311	17,477
Environment Department	29,877	3,698	2,376	2,376	38,327
Finance and Resources Department	7,587	-	-	-	7,587
General Fund Schemes under the Economy Department	70,172	3,873	3,260	2,900	80,205
Total Expenditure	115,551	9,508	9,950	8,587	143,596
CAPITAL FINANCING					
Specific/External Financing:					
Government/Public Body Grants	7,915	1,937	4,314	3,311	17,477
Grants and Contributions from Private Developers (includes S106/CIL)	13,911	683	500	500	15,594
Capital Grants/Contributions from Non-departmental public bodies	320	-	-	-	320
Capital Grants and Contributions from GLA Bodies	144	-	-	-	144
Sub-total - Specific Financing	22,290	2,620	4,814	3,811	33,535
Mainstream Financing (Internal):					
Capital Receipts - General Fund	3,597	-	-	-	3,597
Earmarked Reserves (Revenue)	6,434	-	-	-	6,434
Sub-total - Mainstream Funding	10,031	-	-	-	10,031
Borrowing-General Fund	82,995	6,888	5,136	4,776	99,795
Borrowing -HRA	235	-	-	-	235
Total Capital Financing	115,551	9,508	9,950	8,587	143,596

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 2023/24 programme as detailed in the 2023/24 quarter 3 capital monitoring report.

Table 3 – General Fund Mainstream Programme 2024/25 to 2027/28

	Indicative Budget 2024/25 £'000	Indicative Budget 2025/26 £'000	Indicative Budget 2026/27 £'000	Indicative Budget 2027/28 £'000	Total Budget (All years) £'000
Invest to Save-Flexible Use of Capital Receipts [FIN]	3,597	-	-	-	3,597
WMC JV Exit Costs [ECD]	1,857	-	-	-	1,857
Carnwath Road [ECD]	1,870	-	-	-	1,870
Hammersmith Bridge Strengthening [ENV]	4,688	-	-	-	4,688
Hammersmith Bridge Pre Restoration Works [ENV]	4,121	-	-	-	4,121
Green Investment Projects	5,000	-	-	-	5,000
Public CCTV [ENV]	1,102	1,139	-	-	2,241
Other Highways Capital Schemes [ENV]	131	-	-	-	131
North End Road - Good Growth Fund [ECD]	224	-	-	-	224
Leisure Centre Capital Investment [ENV]	220	-	-	-	220
Planned Maintenance/DDA Programme [ECD]	6,580	2,400	2,400	2,400	13,780
Waste Collection and Disposal Projects	3,381	-	-	-	3,381
Footways and Carriageways [ENV]	2,030	2,030	2,030	2,030	8,120
Column Replacement [ENV]	406	346	346	346	1,444
Hammersmith Town Hall Refurbishment [ECD]	20,002	-	-	-	20,002
Community Schools Programme [ECD]	350	-	-	-	350
Farm Lane/Mund Street [ECD]	1,119	973	360	-	2,452
Total Mainstream Programmes	56,678	6,888	5,136	4,776	73,478
Financing					
Capital Receipts	3,597	-	-	-	3,597
Increase/(Decrease) in Borrowing	53,081	6,888	5,136	4,776	69,881
Total Financing	56,678	6,888	5,136	4,776	73,478

7. The mainstream programme contains £23.3m of rolling programmes budgets for the corporate planned maintenance (£13.8m including slippages from previous years), footways and carriageways (£8.1m) and street lighting and column replacement (£1.4m). 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 Strategic Director of Finance and lead Cabinet Member.
8. The mainstream programme presented in Table 3 does not include self-financing schemes (where the net General Fund revenue borrowing costs are nil). Whilst the schemes will impact 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.
9. Such self-financing borrowing is forecast to increase by £29.9m over the next 4 years and relates to the Civic Campus development. 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. Table 4 summarises forecast spend on these schemes.

Table 4 - Self -financing schemes and loans CFR movements 2024/25-2027/28

	Indicative Budget 2024/25 £'000	Indicative Budget 2025/26 £'000	Indicative Budget 2026/27 £'000	Indicative Budget 2027/28 £'000	Total Budget (All years) £'000
Approved Expenditure					
Ad Hoc Schemes:					
Acquisition of commercial units (Civic Campus)	29,264	-	-	-	29,264
JV Partnership Loan (Civic Campus)	650	-	-	-	650
Total Mainstream Programmes	29,914	-	-	-	29,914
Financing					
Increase/(Decrease) in Borrowing	29,914	-	-	-	29,914
Total Financing	29,914	-	-	-	29,914

10. General Fund debt is measured by the Capital Finance Requirement (CFR). The CFR measures an authority's underlying need to borrow for a capital purpose. It is considered by the Chartered Institute of Public Finance Accountancy (CIPFA) as the best measure of Council debt as it reflects both external and internal borrowing. The forecast for the General Fund CFR is shown in Table 5 below.

Table 5 - Forecast General Fund headline Capital Financing Requirement (CFR)

GENERAL FUND CFR ANALYSIS	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
HEADLINE CFR EXCLUDING SELF FINANCING SCHEMES AND LOANS					
Opening Capital Finance Requirement (CFR)	134.01	170.75	221.22	223.51	223.99
Revenue Repayment of Debt (MRP)	(1.60)	(2.61)	(4.60)	(4.65)	(3.61)
Appropriation between HRA & GF	(1.48)	-	-	-	-
Mainstream Programme (Surplus)/Shortfall	39.82	53.08	6.89	5.14	4.78
Closing Capital Finance Requirement (CFR)	170.75	221.22	223.51	223.99	225.15
SELF FINANCING SCHEMES AND LOANS	£m	£m	£m	£m	£m
Opening Capital Finance Requirement	55.42	88.97	84.87	83.08	81.42
Revenue Repayment of Debt (MRP)	-	(0.41)	(1.70)	(1.66)	(1.63)
Repayment of loans	(10.07)	(33.60)	(0.10)	-	-
In Year Borrowing	43.62	29.91	-	-	-
Closing Capital Finance Requirement	88.97	84.87	83.08	81.42	79.79
Finance leases/PFI/ Deferred costs of disposal	12.39	11.69	10.99	10.29	
Total Closing GF CFR	272.11	317.78	317.58	315.70	304.95

11. The forecast General Fund Headline CFR (excluding self-financing schemes) at the start of 2024/25 is £170.8m and is expected to increase to £225.2m by the end of 2027/28. The net increase of £54.4m over the next four years will add a revenue budget pressure, relating to the borrowing costs (MRP plus external interest), of c£3.6m² per annum by the end of 2027/28.

² Cost of borrowing calculated using current PWLB rate of 5.2% and MRP rate of 3.28%.

12. 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 2024/25 - 2027/28. 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.
13. 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 Council's 2024/25 MRP policy is set out in Appendix 3.
14. The MRP payments (including self-financing schemes) are forecast to be £3.02m for 2024/25, raising to £5.24m in 2027/28.
15. A number of affordable housing schemes (already approved or subject to future approvals) contain use of General Fund land for their development and further appropriations of the General Fund land to HRA will be required. The timing of the actual appropriations 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.
16. 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 £84,800 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 Strategic Director of Finance, in consultation with the Cabinet Member for Finance and Reform. The current programme provides for use of £3.6m of capital receipts for these purposes.
17. The forecast is based on known funding allocations as at December 2023 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 2023/24. As additional grants and contributions are confirmed, the General Fund capital programme will increase.

HOUSING CAPITAL PROGRAMME

18. The Housing Capital Programme expenditure and resource forecast is summarised in Table 6 and detailed in Appendix 1. On 6 September 2021 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. The Strategy will be reviewed annually and will inform every subsequent annual revision of the capital programme budget.

Table 6 – Housing Expenditure and Resource Forecast 2024-28

	Indicative 2024/25 Budget £'000	Indicative 2025/26 Budget £'000	Indicative 2026/27 Budget £'000	Indicative 2027/28 Budget £'000
Approved Expenditure				
HRA Asset Management and Compliance Programme	75,570	49,274	56,860	90,878
Building Homes and Communities Strategy	69,016	49,046	12,010	707
Other HRA Capital Schemes	3,522	11,834	12,373	1,760
Total Housing Programme	148,108	110,154	81,243	93,345
Available and Approved Resource				
Capital Receipts - Unrestricted	9,574	6,881	42,265	3,000
Capital Receipts - RTB (141)	1,909	1,929	-	-
Major Repairs Reserve (MRR)	17,600	17,800	18,200	18,800
Contributions Developers (S106)	2,299	7,803	8,075	1,148
Contributions from leaseholders	3,100	3,000	3,000	6,000
Capital Grants from Central Government	2,593	-	-	7,300
RtB GLA Ringfence	7,168	4,576	4,298	612
Borrowing (HRA)	103,565	68,165	5,405	56,485
Total Funding	148,108	110,154	81,243	93,345

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 7, below.

Table 7– Housing CFR Forecast 2024-28

HRA CFR Forecast	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
Opening HRA CFR	300.57	362.77	466.57	534.74	540.14
In Year Borrowing	60.72	103.80	68.17	5.41	56.49
Appropriation between HRA & GF	1.48	-	-	-	-
Closing HRA CFR	362.77	466.57	534.74	540.14	596.63

21. The HRA CFR is forecast to be £466.57m by the end of 2024/25 and £596.63m by the end of 2027/28. 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 2024/25 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 is a risk that inflation and interest rates may not fall at the same rate as the business plan anticipates or that inflation and / or interest rates rise further above the long term assumptions within the business plan.
- Rent Regulation. There is uncertainty over government policy on social rents after 2025.
- New developments. 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. 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 five years of receipt. The existing approved Housing Development schemes and the pipeline of

yet to be approved schemes³ is sufficient to make use of these receipts if delivered on time, however there are risks to meeting these deadlines.

³ The housing development pipeline was presented to Cabinet on 3 March 2020 in the report “Financial Plan for Council Homes”.

EQUALITY IMPLICATIONS

24. 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

25. 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.

26. 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, Head of Finance – Corporate Accountancy, Systems and Tax, 3 January 2024

RISK MANAGEMENT

27. 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, along with high levels of inflation, which will affect construction related costs and increases in interest rates which will impact on the cost of borrowing. The report identifies a number of risks identified in the report 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.

28. 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, Fraud, Risk and Insurance, 22 January 2024

LIST OF APPENDICES:

Appendix 1 – Council Capital Programme by Service Area

Appendix 2 – Flexible Use of Capital Receipts Guidance and Proposed Application

Appendix 3 – Minimum Revenue Provision (MRP) Statement 2024/25

APPENDIX 1 – Detailed Analysis by Service

	2024/25	2025/26	2026/27	2027/28	Total Budget (All years)
	£'000	£'000	£'000	£'000	£'000
CAPITAL EXPENDITURE					
Children's Services	7,915	1,937	4,314	3,311	17,477
Environment Department	29,877	3,698	2,376	2,376	38,327
Finance and Resources Department	7,587	-	-	-	7,587
General Fund Schemes under the Economy Department	70,172	3,873	3,260	2,900	80,205
Sub-total (General Fund)	115,551	9,508	9,950	8,587	143,596
Economy Department-HRA Programme	148,108	110,154	81,243	93,345	432,850
Sub-total Economy Department (HRA)	148,108	110,154	81,243	93,345	432,850
Total Expenditure	263,659	119,662	91,193	101,932	576,446
CAPITAL FINANCING					
Specific/External Financing:					
Government/Public Body Grants	10,508	1,937	4,314	10,611	27,370
Grants and Contributions from Private Developers (includes S106/CIL)	16,210	8,486	8,575	1,648	34,919
Capital Grants/Contributions from Non-departmental public bodies	320	-	-	-	320
Capital Grants and Contributions from GLA Bodies	7,612	4,576	4,298	612	17,098
Leaseholder Contributions	3,100	3,000	3,000	6,000	15,100
Sub-total - Specific Financing	37,750	17,999	20,187	18,871	94,807
Mainstream Financing (Internal):					
Capital Receipts - General Fund	3,597	-	-	-	3,597
Capital Receipts - HRA	11,483	8,810	42,265	3,000	65,558
Major Repairs Reserve (MRR)	17,600	17,800	18,200	18,800	72,400
Earmarked Reserves (Revenue)	6,434	-	-	-	6,434
Sub-total - Mainstream Funding	39,114	26,610	60,465	21,800	147,989
Borrowing-General Fund	82,995	6,888	5,136	4,776	99,795
Borrowing -HRA	103,800	68,165	5,405	56,485	233,855
Total Capital Financing	263,659	119,662	91,193	101,932	576,446

APPENDIX 1 – Detailed Analysis by Service

Children's Services

Future Years Budgets

Scheme Expenditure Summary

SEN sufficiency
Basic Need Placement Sufficiency
Windows & decarbonisation
School Maintenance Programme

2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000	Total Budget (All years) £'000
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2,500	600	2,500	1,996	7,596
291	69	521	-	881
3,201	-	-	-	3,201
1,923	1,268	1,293	1,315	5,799
7,915	1,937	4,314	3,311	17,477

Total Expenditure

Capital Financing Summary

Specific/External or Other Financing

Capital Grants from Central Government

Sub-total - Specific or Other Financing

7,915	1,937	4,314	3,311	17,477
7,915	1,937	4,314	3,311	17,477

Total Capital Financing

7,915	1,937	4,314	3,311	17,477
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Finance and Resources Department

Future Years Budgets

Scheme Expenditure Summary

Invest to Save - Flexible Use of Capital Receipts
Tech-tonic 2 Device refresh

2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000	Total Budget (All years) £'000
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3,597	-	-	-	3,597
3,990	-	-	-	3,990
7,587	-	-	-	7,587

Total Expenditure

Capital Financing Summary

Mainstream Financing (Internal Council Resource)

Capital Receipts

Use of Reserves

Sub-total - Mainstream Funding

3,597	-	-	-	3,597
3,755	-	-	-	3,755
7,352	-	-	-	7,352

Borrowing (HRA)

235	-	-	-	235
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Total Capital Financing

7,587	-	-	-	7,587
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APPENDIX 1 – Detailed Analysis by Service

Environment Department		Future Years Budgets				
		2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary						
Footways and Carriageways		2,030	2,030	2,030	2,030	8,120
Column Replacement		406	346	346	346	1,444
Other Highways Capital Schemes		4,126	183	-	-	4,309
Clean Air Neighbourhoods		2,847	-	-	-	2,847
Hammersmith Bridge Stabilisation Works		4,688	-	-	-	4,688
Hammersmith Bridge Pre Restoration Works		4,121	-	-	-	4,121
Waste Collection and Disposal Projects		3,381	-	-	-	3,381
Green Investment Projects		5,000	-	-	-	5,000
Public CCTV		1,102	1,139	-	-	2,241
Kings Coronation Youth Fund		597	-	-	-	597
Parks Projects		1,359	-	-	-	1,359
Leisure Centre Capital Investment		220	-	-	-	220
Total Expenditure		29,877	3,698	2,376	2,376	38,327
Capital Financing Summary						
Specific/External or Other Financing						
Grants and Contributions from Private Developers (includes S106/S278)		5,675	183	-	-	5,858
Capital Grants/Contributions from Non-departmental public bodies		320	-	-	-	320
Capital Grants and Contributions from GLA Bodies		124	-	-	-	124
Sub-total - Specific or Other Financing		6,119	183	-	-	6,302
Mainstream Financing (Internal Council Resource)						
Use of Reserves		2,679	-	-	-	2,679
Sub-total - Mainstream Funding		2,679	-	-	-	2,679
Borrowing		21,079	3,515	2,376	2,376	29,346
Total Capital Financing		29,877	3,698	2,376	2,376	38,327

APPENDIX 1 – Detailed Analysis by Service

Economy Department General Fund Managed Schemes					Future Years Budgets				
					2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary									
<i>Civic Campus</i>									
Hammersmith Town Hall Refurbishment					27,202	-	-	-	27,202
Acquisition of commercial units					29,264	-	-	-	29,264
JV Partnership Loan (Civic Campus)					650	-	-	-	650
Subtotal Civic Campus					57,116	-	-	-	57,116
<i>Building Homes and Communities Strategy (GF sites)</i>									
Mund Street					1,645	973	360	-	2,978
Community Schools Programme					350	-	-	-	350
Subtotal Building Homes and Communities Strategy (GF sites)					1,995	973	360	-	3,328
<i>Other GF Capital Schemes managed by the Economy</i>									
Planned Maintenance/DDA Programme					6,580	2,400	2,400	2,400	13,780
Carnwath Road					1,870	-	-	-	1,870
North End Road - Good Growth Fund					244	-	-	-	244
West Kensington & Gibbs Green Public Realm					510	500	500	500	2,010
WMC JV Exit Costs					1,857	-	-	-	1,857
Subtotal Other GF Capital Schemes managed by the Economy					11,061	2,900	2,900	2,900	19,761
Total Expenditure					70,172	3,873	3,260	2,900	80,205
Capital Financing Summary									
<i>Specific/External or Other Financing</i>									
Grants and Contributions from Private Developers (includes S106)					1,036	500	500	500	2,536
Community Infrastructure Levy (CIL)					7,200	-	-	-	7,200
Capital Grants and Contributions from GLA Bodies					20	-	-	-	20
Sub-total - Specific or Other Financing					8,256	500	500	500	9,756
GF Borrowing					61,916	3,373	2,760	2,400	70,449
Total Borrowing					61,916	3,373	2,760	2,400	70,449
Total Capital Financing					70,172	3,873	3,260	2,900	80,205

APPENDIX 1 – Detailed Analysis by Service /cont.

Economy Department- HRA Capital Programme

Future Years Budgets

Scheme Expenditure Summary

HRA Asset Management and Compliance Programme

Pre Agreed Works
Fire Safety Compliance Programme
Fire Safety Complex Schemes
Lift Schemes
Boiler Schemes
Safety Works - Electrical
Safety Works
Void Works
Other Capital Improvements
Capitalised salaries
Capitalised repairs
Climate Emergency and Other future works
Subtotal HRA Asset Management and Compliance Programme

2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	Total Budget (All years)
£'000	£'000	£'000	£'000	£'000

7,773	7,041	13,112	17,214	45,140
5,064	1,400	3,450	4,798	14,712
15,185	13,781	-	5,576	34,542
4,192	750	800	1,000	6,742
6,922	4,370	4,670	6,636	22,598
5,382	2,000	4,360	8,168	19,910
7,924	8,052	17,546	21,276	54,798
3,200	1,200	1,200	1,400	7,000
2,265	1,580	770	554	5,169
11,000	5,600	3,300	3,300	23,200
4,070	3,500	3,500	3,982	15,052
2,593	-	4,152	16,974	23,719
75,570	49,274	56,860	90,878	272,582

Building Homes and Communities Strategy (HRA sites)

Homes & Communities Strategy
White City Estate Regeneration
Becklow Gardens
Barclay Close
Jepson House
The Grange
Old Laundry Yard
Education City- HRA element
Hartopp & Lannoy
Farm Lane
Investment in Affordable Housing-Lillie Road Site
Subtotal Building Homes and Communities Strategy (HRA sites)

1,378	-	-	-	1,378
958	215	-	-	1,173
295	720	603	-	1,618
205	573	50	-	828
525	895	1,704	-	3,124
475	860	325	-	1,660
415	536	-	-	951
29,729	1,071	385	-	31,185
20,512	22,746	4,719	707	48,684
4,960	8,808	3,226	-	16,994
9,564	12,622	998	-	23,184
69,016	49,046	12,010	707	130,779

Other HRA Capital Schemes

Stanhope Joint Venture
Nourish Project (Good Growth Fund)
Subtotal Other HRA Capital Schemes
Total Expenditure

3,522	11,603	12,373	1,760	29,258
-	231	-	-	231
3,522	11,834	12,373	1,760	29,489
148,108	110,154	81,243	93,345	432,850

Capital Financing Summary

Specific/External or Other Financing

Capital Grants from Central Government
Contributions from leaseholders
Grants and Contributions from Private Developers (includes S106)
Capital Grants and Contributions from GLA Bodies
RtB GLA Ringfence and Affordable Housing Grants
Sub-total - Specific or Other Financing

2,593	-	-	7,300	9,893
3,100	3,000	3,000	6,000	15,100
2,299	7,803	8,075	1,148	19,325
300	-	-	-	300
7,168	4,576	4,298	612	16,654
15,460	15,379	15,373	15,060	61,272

Mainstream Financing (Internal Council Resource)

Capital Receipts (HRA)
1-4-1 capital receipts
Major Repairs Reserve (MRR) / Major Repairs Allowance
Capital Receipts (GF)
Sub-total - Mainstream Funding

9,574	6,881	42,265	3,000	61,720
1,909	1,929	-	-	3,838
17,600	17,800	18,200	18,800	72,400
-	-	-	-	-
29,083	26,610	60,465	21,800	137,958

Borrowing(HRA)

103,565	68,165	5,405	56,485	233,620
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Total Capital Financing

148,108	110,154	81,243	93,345	432,850
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APPENDIX 2 - FLEXIBLE USE OF CAPITAL RECEIPTS GUIDANCE AND PROPOSED APPLICATION (2024/25)

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 2025 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 £0.800m by the end of 2025/26 for the first tranche. Additional savings are being scoped and validated as the programme progresses and is expected to deliver further revenue savings in time.

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 3 - MINIMUM REVENUE PROVISION (MRP) STATEMENT 2024/25

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 can 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 Strategic 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. 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).
12. 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.
13. 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.
14. Finance leases and PFI: In the case of finance leases and on-balance sheet PFI contracts, the MRP requirement would be regarded as met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability. Where a lease (or part of a lease) or PFI contract is brought onto the balance sheet, having previously been accounted for off-balance sheet, the MRP requirement would be regarded as having been met by the inclusion in the charge, for the year in which the restatement occurs, of an amount equal to the write-down for that year plus retrospective writing down of the balance sheet liability that arises from the restatement.
15. The Strategic 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: 28/02/2024

Subject: Treasury Management Strategy Statement 2024/25

Report of: Councillor Rowan Ree, Cabinet Member for Finance and Reform

Report author: Sophie Green, Treasury Manager

Responsible Director: Sukvinder Kalsi, Strategic Director of Finance

SUMMARY

This report sets out the Council's proposed Treasury Management Strategy Statement and Annual Investment Strategy for 2024/25 and seeks authority for the Strategic 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

It is recommended that:

1. Approval be given to the future borrowing and investment strategies as outlined in this report.
 2. The Strategic Director of Finance, in consultation with the Cabinet Member for Finance and Reform, be delegated authority to manage the Council's cash flow, borrowing and investments in 2024/25 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.

Phil Triggs, Director of Treasury and Pensions, ptriggs@westminster.gov.uk
Verified by Sukvinder Kalsi, Director of Finance

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.

Jade Monroe, Chief Solicitor Social Care, jade.monroe@lbhf.gov.uk

Background Papers Used in Preparing This Report – *ALL PUBLISHED*

- Treasury Management Strategy Statement 2023/24 (approved by Council February 2023)
 - 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 (2021 Edition)
 - CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2021 Edition)
-

DETAILED ANALYSIS

BACKGROUND

1. The Council is required to set a balanced budget, which means that resources available during the year are budgeted for 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 long-term cash flow planning, to ensure that the Council can meet its capital spending obligations. The management of long-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 2021 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 December 2023. CPI inflation forecasts were revised to 4.60% in 2023, 3.4% in 2024 and 2.20% in 2025.

5. The Bank of England made a majority decision on 14 December 2023 to keep Bank Rate at 5.25%. The Council's treasury management advisors, Link Asset Services, are currently forecasting the rate to remain at 5.25% until June 2024, before falling to 5.00% in September 2024 and 4.50% in December 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 report comprises 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 long-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 2024/25 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 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 2024/25 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 coming 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 to 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.

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 market's perception of the financial resilience of the authority and 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 in 2020 transacted its first bond issuance and local authority borrower, at a rate of 1.73%.

Community Municipal Bonds

25. The treasury management strategy will also allow the use of community municipal investments, a bond like instrument, where funds can be raised from multiple investor sources, including individuals.

Future Prospects

26. 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.
27. 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

28. 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
29. 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."
30. 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 provide assurance it does not intend to buy investment assets primarily for yield.
31. 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

32. 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 2024/25 have remained at the same level compared with the 2023/24 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

	2023/24	2024/25	2025/26	2026/27
	Approved	Estimate	Estimate	Estimate
	£m	£m	£m	£m
Authorised Limit for External:				
Borrowing and other long-term liabilities	700	850	920	920
Operational Boundary for:				
Borrowing	640	790	860	860
Other long-term liabilities	15	15	15	15
TOTAL	655	805	875	875

Maturity structure of borrowing

33. 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 2023/24.

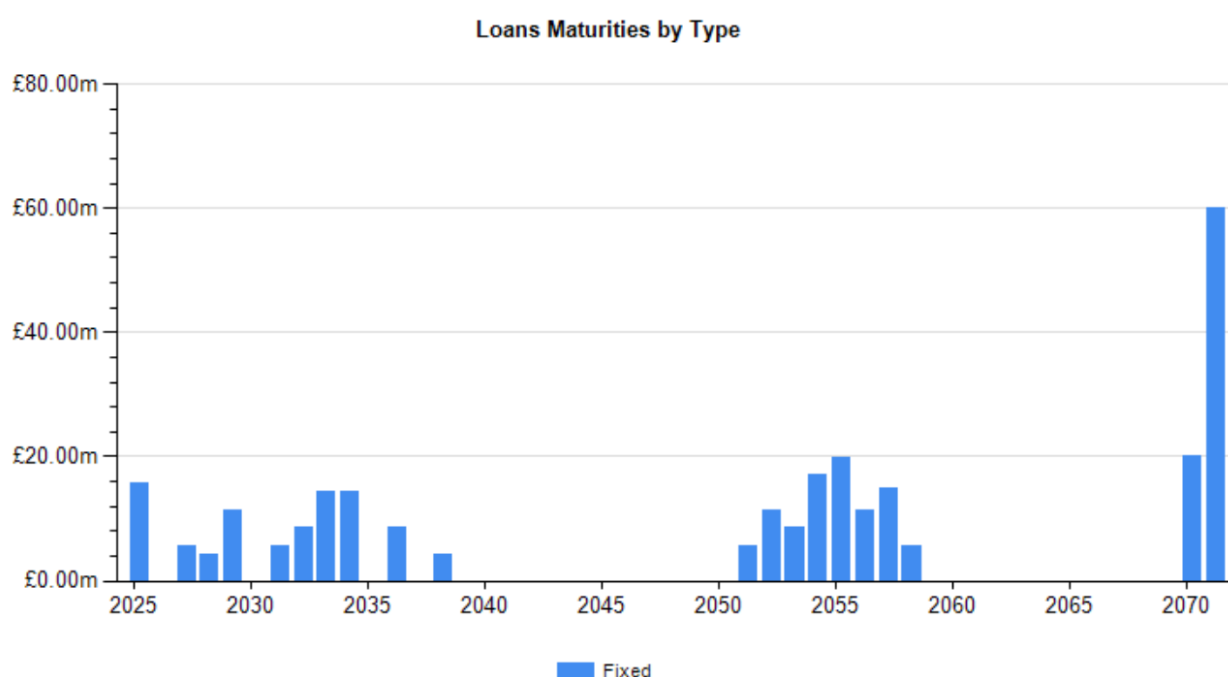
Table 2: Debt maturity profile limits

Period	Actual Maturity at 30 Sep 2023	Actual Maturity at 30 Sep 2023
	£'m	%
0 to 1 year	4	2
1 to 2 Years	11	4
2 to 5 Years	10	4
5 to 10 Years	40	15
10 to 20 Years	27	10
20 to 30 Years	37	14
30 to 40 Years	58	22
40 to 50 Years	80	30
Total	267	100

34. The limit for debt maturity is a maximum 30% in one year. The Council is currently within these limits.

Maturity profile of long-term borrowing

35. The chart below shows that the principal repayment profile for current borrowing (as at 30 September 2023) remains within these limits.



Capital Financing Requirement (CFR)

36. 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.
37. 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.

2022/23 Actuals £m		2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
CFR as at 31 October					
203	General Fund Closing CFR (detail in Table 3b)	272	318	318	316
301	Closing Forecast HRA CFR (including deferred costs of disposal)	363	467	535	540
504	TOTAL	635	784	852	856
Annual Change					
50	General Fund	69	46	0	(2)
68	HRA	62	104	68	5
118	TOTAL	131	149	68	4

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

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

2022/23 Actuals £m		2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
134	General Fund CFR excluding self-financing schemes and loans	171	221	224	224
55	Self-financing schemes and loans	89	85	83	81
14	PFI and Finance lease liabilities	12	12	11	10
203	TOTAL	272	318	318	316

39. 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

2022/23 Actual £m		2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
272	Gross Projected Debt	494	468	378	339
504	Capital Financing Requirement	635	784	852	856
232	Under / (over) borrowing	141	317	474	517

Affordability

40. The objective of the affordability indicators is to ensure that the level of investment in capital assets proposed remains within sustainable limits, including 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

2022/23 Actual %		2023/24 Forecast %	2024/25 Estimate %	2025/26 Estimate %
3.02	General Fund	2.96	2.82	2.80
31.20	HRA	31.55	35.42	38.44

Table 6: Ratio of commercial/service investment income to net revenue stream

2022/23 Actual %		2023/24 Forecast %	2024/25 Estimate %	2025/26 Estimate %
2.11	General Fund	1.88	1.8	1.79
3.6	HRA	3.48	3.41	3.34

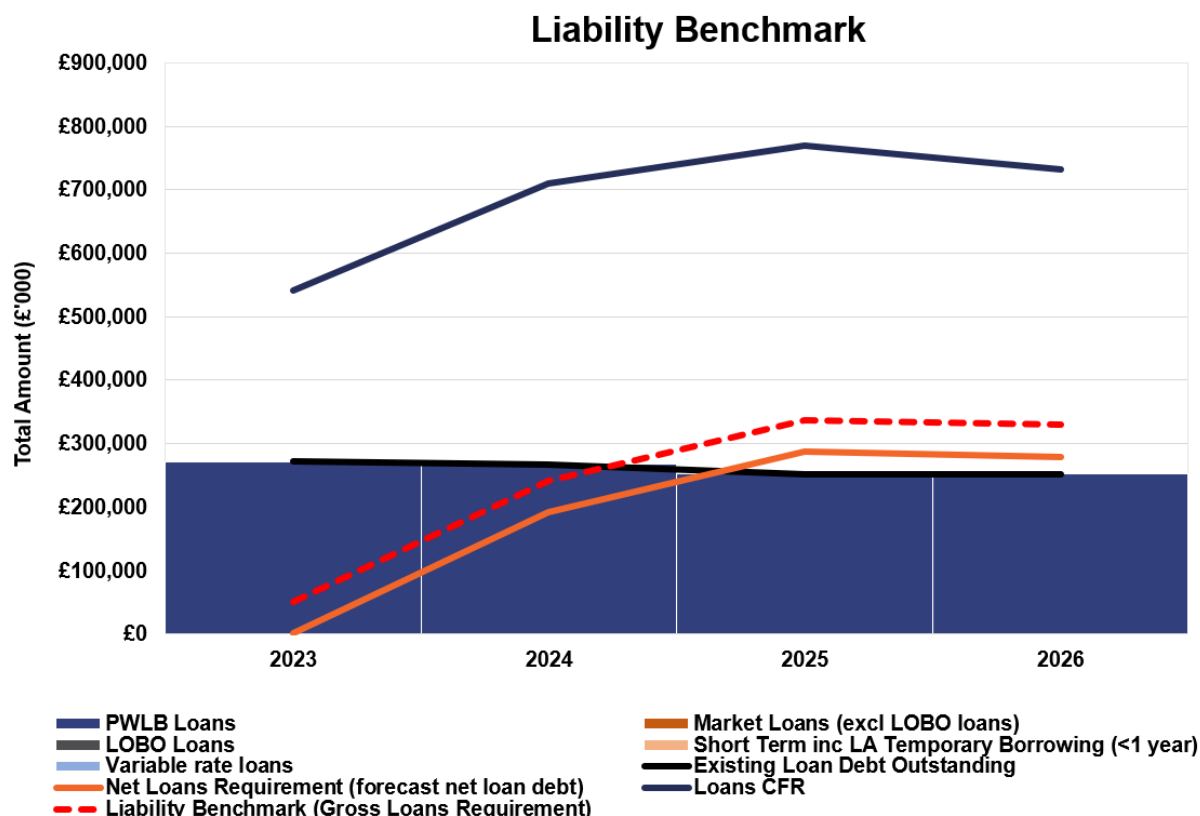
41. From 2024/25 onwards, gross capital financing charges (loan interest, MRP and finance and PFI payments) for the General Fund capital programme will start to increase as a proportion of the income from investments and the

commercial property portfolio, as new debts are raised to close the gap between funding and the CFR.

42. 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.

Liability Benchmark

43. The updated prudential code requires the Council to produce a liability benchmark. The Council is required to estimate and measure the liability benchmark for the forthcoming financial year and the following two financial years, as a minimum.
44. There are four components to the Liability Benchmark:
- **Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.
 - **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
 - **Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
 - **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.
45. The liability benchmark uses the above information to plan the future borrowing requirements of the Council.
46. Based on the current calculations, the liability benchmark forecasts that the Council would need to borrow £85m in 2024/25, and a further £89m in 2026/27 (collective £174m requirement).



Minimum Revenue Provision (MRP) Policy

47. 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.
48. 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

49. 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.

50. 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

51. 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 light of the current treasury position and the cost of debt repayment (premiums incurred), which are very costly.
52. 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.
53. 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.
54. Any rescheduling must be authorised by the Director of Finance in consultation with the lead Cabinet Member.

CAPITAL

Capital spending plans

55. The Prudential Code requires that any borrowing and investment decisions are taken in light of capital spending plans and consideration of how that proposed capital expenditure will be financed. The Council's capital expenditure plans have been reported in the four-year capital programme 2024/25 to 2027/28 reported elsewhere on the Committee's agenda, both in terms of those agreed previously, and those forming part of the current budget cycle.
56. Any slippage against the capital programme, or new capital approvals, will impact the figures reported throughout this report.

Housing Revenue Account (HRA) borrowing

57. Local authorities with a HRA can borrow against their expected rental income, in line with the Prudential Code.

58. For the period 2024/28 to 2027/28, based on the planned four-year capital programme and due to reduced cash balances from the latter half of 2024/25 onwards, the HRA may need to actively consider new external borrowing.
59. 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 SONIA rate applied to the under borrowed position.

Other investment opportunities

60. 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.
61. 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

62. Table 6 below shows that cash balances have decreased by £28m. The cash largely comprises the Council's usable reserves, capital receipts and unspent grants.

Table 7: Cash position at 30 September 2023

As at 31 March 2023		As at 30 September 2023	
Principal	Average Rate	Principal	Average Rate
£m	%	£m	%
Investments			
270	4.0	242	5.2
0	0.0	0	0.0
270	Total	242	
Borrowing			
272	3.8	267	3.7
272	Total	267	

63. 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

64. The Bank Rate remained at 5.25% after the December MPC meeting and is predicted to stay at this rate until June 2024, before starting to decline. The Council should therefore see investment returns remain at similar levels for 2024/25.
65. Money Market Funds (MMFs) and Debt Management Account Deposit Facility (DMADF) yields have increased since 1 April 2023 in response to Bank Rate rises.
66. The Table in Appendix C, provided by the treasury consultant, sets out the forecasted rates.

Council policy on investing and managing risk

67. The aim is to manage risk and reduce the impact of any adverse movement in interest rates while providing sufficient flexibility to capitalise on opportunities to reduce costs or improve performance.

Balancing short- and longer-term investments

68. During the first half of 2023/24, there have been no new investments of surplus funds for more than 364 days. The 2024/25 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 8: Investment limits

2022/23		2023/24	2024/25	2025/26	2026/27
Actual		Forecast	Estimate	Estimate	Estimate
£m		£m	£m	£m	£m
0	Upper Limit for principal sums invested for more the 364 days	120	120	120	120

Annual Investment Strategy

69. The Council holds significant invested funds, representing income received in advance of expenditure, balances and reserves.
70. 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 ensuring the security and liquidity of those investments. This strategy is set out in Appendix E.
71. 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)

72. 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.
73. As the Council’s S151 officer, the Strategic Director of Finance has responsibility to ensure that appropriate prudential indicators are set and monitored and that any breaches are reported to members. The Strategic Director of Finance has confirmed that the PIs set out below are all expected to be complied with in 2023/24 and it is not envisaged at this stage that there will be any difficulty in achieving compliance with the suggested indicators for 2024/25.

	2023/24 indicator	2023/24 forecast	2024/25 proposed
Capital expenditure	£203m	£232m	£264m
Capital Financing Requirement (CFR)	£684m	£635m	£784m
Net debt vs CFR	£95m underborrowing	£141m underborrowing	£317m underborrowing
Ratio of financing costs to revenue stream	GF (2.39%) HRA 4.56%	GF 2.96% HRA 31.55%	GF 2.82% HRA 35.42%
Ratio of financing costs to revenue stream	GF N/A HRA N/A	GF 1.88% HRA 3.48%	GF 1.80% HRA 3.41%
Authorised limit for external debt	£650m	£267m	£850m
Operational debt boundary	£705m	£267m	£805m
Working capital balance	£0m	£0m	£0m
Limit on surplus funds invested for more than 364 days (i.e., non-specified investments)	£120m	£0m	£120m
Maturity structure of borrowing	Upper limit under 12 months - 15%	Upper limit under 12 months - 2%	Upper limit under 12 months - 15%

	Lower limit 10 years and above - 100%	Lower limit 10 years and above - 76%	Lower limit 10 years and above - 100%
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Reasons for Decision

74. This report represents the Council's Treasury Management Strategy Statement for 2024/2025. 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

75. 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

76. 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.
77. Treasury risks present themselves in many forms. These include failure to optimise performance by not taking advantage of opportunities or managing exposure to changing economic circumstances. Most recently the situation is somewhat uncertain due to the impact of the pandemic and the subsequent high levels of inflation. In adopting a policy of managing risk, an authority is determining its level of risk acceptance.
78. 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.
79. 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

80. 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.
81. The Council will consider investments that deliver environmental and social benefits, provided that security and liquidity criteria have already been met.

Local Economy and Social Value

82. 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.
83. 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

84. 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

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.

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.

Council

Council will approve the annual treasury management strategy statement, including borrowing and investment strategies. In doing so, Council will establish and communicate its appetite for risk within treasury management having regard to the Prudential Code.

Cabinet

Cabinet will recommend to Council the annual treasury strategy, including borrowing and investment strategies and receive a half-year report and annual outturn report on treasury activities. Cabinet also approves revenue budgets, including those for treasury activities.

Audit Committee

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 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	1. Political Cabinet 2. Cabinet 3. 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	Audit Committee	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. Political Cabinet 2. Cabinet 3. Audit Committee	Annually after year-end
Treasury Management Monitoring Reports	Director of Finance and Cabinet Member for Finance and Commercial Services	Weekly/Monthly

PROSPECTS FOR INTEREST RATES

1. The Council has appointed Link Group as its treasury advisor who, as part of their service, assist the Council to formulate a view on interest rates. Link provided the following forecasts on 07 November 2023. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 07.11.23													
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

2. Link's central forecast for interest rates was previously updated on 25 September and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. Link expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and that there is a likelihood of the overall economy enduring at least a mild recession over the coming months, although most recent GDP releases have surprised with their on-going robustness.
3. Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
4. In the upcoming months, Link's forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.
5. On the positive side, consumers are still anticipated to be sitting on some excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, most of those excess savings are held by more affluent households whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB RATES

6. Gilt yield curve movements have broadened since Link's last Newsflash. The short part of the curve has not moved far but the longer-end continues to

reflect inflation concerns. At the time of writing there is 60 basis points difference between the 5 and 50 year parts of the curve.

Balance of risks to the UK economy

7. The overall balance of risks to economic growth in the UK is to the downside.

Downside Risks to current forecasts for UK gilt yields and PWLB rates

8. Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).
9. The Bank of England has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than currently anticipated.
10. 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.
11. Geopolitical risks, for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

12. Despite the recent tightening to 5.25%, the Bank of England proves too timid in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
13. The pound weakens because of a lack of confidence in the UK Government's pre-election fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
14. Longer-term US treasury yields rise strongly if inflation remains more stubborn there than the market currently anticipates, consequently pulling gilt yields up higher.
15. Projected gilt issuance, inclusive of natural maturities and QT, could be too much for the markets to comfortably digest without higher yields compensating.

Link Group Forecasts

16. Link expect the MPC to keep Bank Rate at 5.25% for the remainder of 2023 and the first half of 2024 to combat on-going inflationary and wage pressures.

Link do not think that the MPC will increase Bank Rate above 5.25%, but it is possible.

Gilt yields and PWLB rates

17. The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of Link's forecasts, as inflation continues to fall into 2024.
18. Link's target borrowing rates are set two years forward (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below:

PWLB debt	Current borrowing rate as at 06.11.23 p.m.	Target borrowing rate now (end of Q3 2025)	Target borrowing rate previous (end of Q3 2025)
5 years	5.02%	3.80%	3.90%
10 years	5.15%	3.80%	3.80%
25 years	5.61%	4.20%	4.10%
50 years	5.38%	4.00%	3.90%

19. Borrowing advice: Link's long-term forecast for Bank Rate has increased from 2.75% to 3.00% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will be high for some time to come but may prove the best option while the market continues to wait for inflation gilt yields, to drop back later in 2024.
20. Link's suggested budgeted earnings rates for investments up to about three months' duration in each financial year are rounded to the nearest 10bps and set out below. Investment earnings have been revised somewhat higher for all years from 2025/26 as Bank Rate remains higher for longer.

Average earnings in each year	Now	Previously
2023/24 (residual)	5.30%	5.30%
2024/25	4.70%	4.70%
2025/26	3.20%	3.00%

2026/27	3.00%	2.80%
2027/28	3.25%	3.05%
Years 6 to 10	3.25%	3.05%
Years 10+	3.25%	3.05%

21. As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.
22. Link's interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Link continue to monitor events and will update forecasts as and when appropriate.

Source: Link Asset Services

ECONOMIC UPDATE

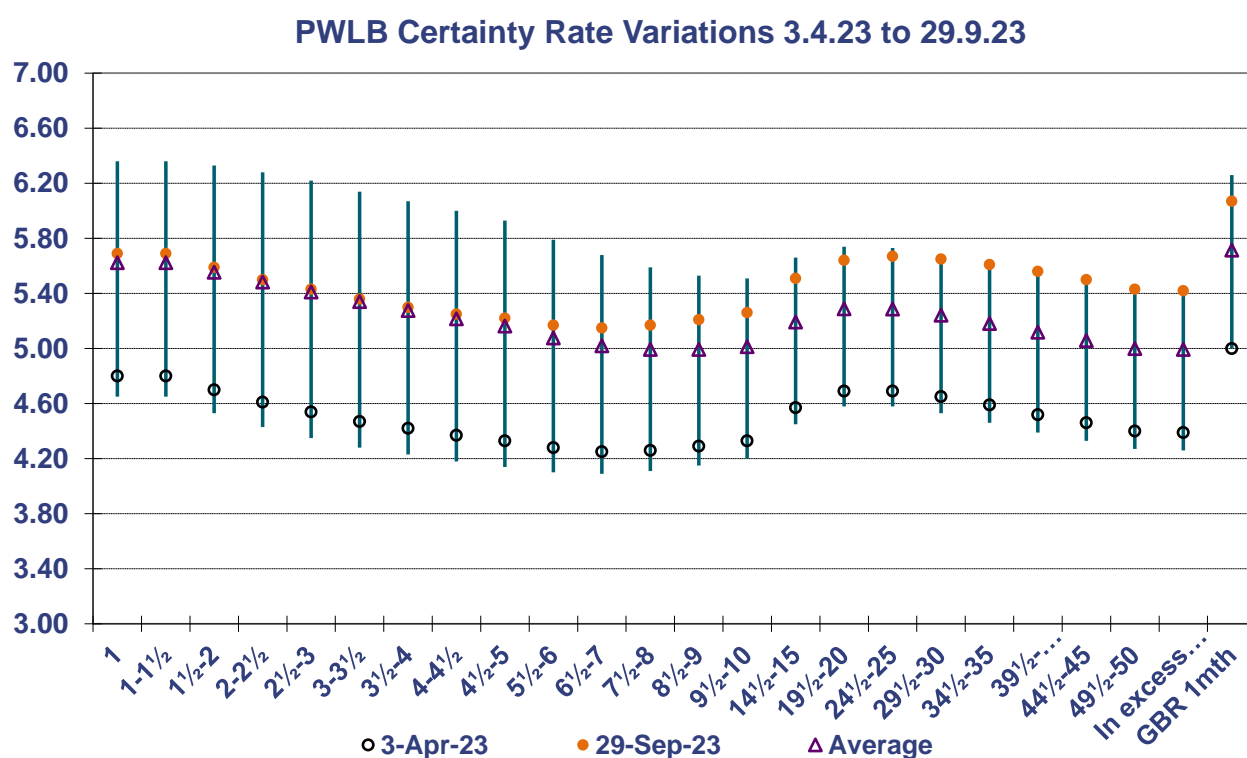
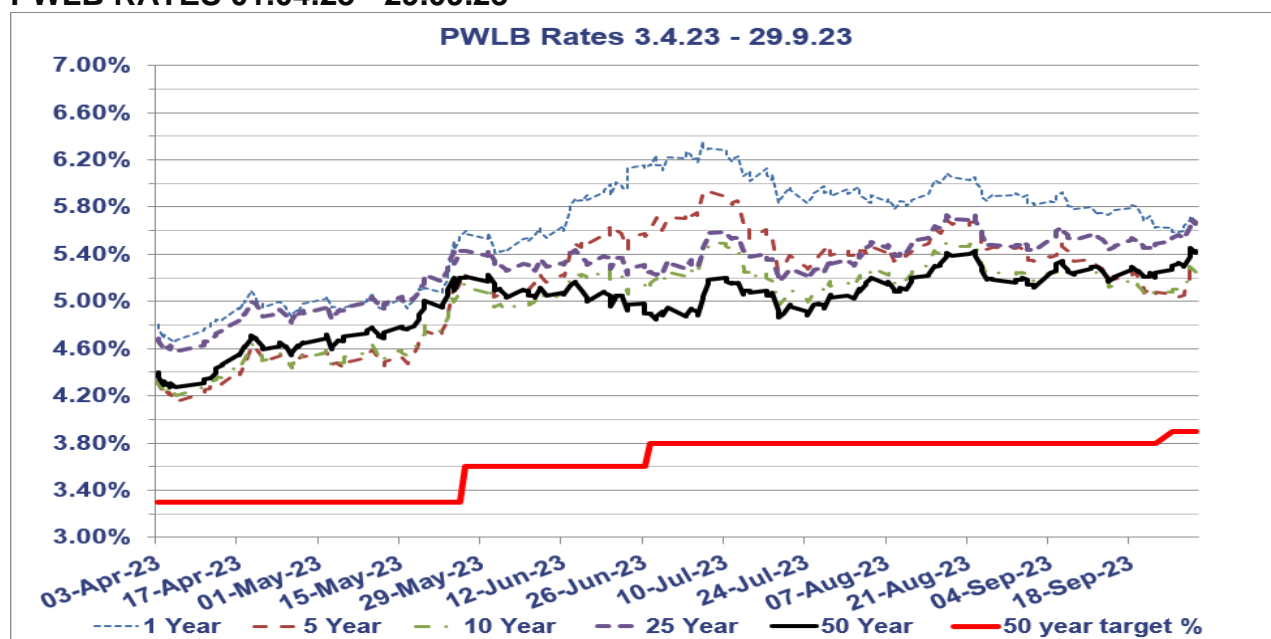
1. The first half of 2023/24 saw:
 - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
 - Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
 - CPI inflation falling from 8.7% in April to 6.7% in September, its lowest rate since February 2022, but still the highest in the G7.
 - Core CPI inflation declining to 6.1% in September from 7.1% in April and May, a then 31 years high.
 - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose by 7.8% for the period June to August, excluding bonuses).
2. The registering of 0% GDP for Q3 suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.
3. The fall in the composite Purchasing Managers Index from 48.6 in August to 46.7 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0% q/q rise in real GDP in the period July to September, being followed by a contraction in the next couple of quarters.
4. The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.
5. As the growing drag from higher interest rates intensifies over the next six months, Link believe the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of- living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. Link expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

6. The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.
7. But the cooling in labour market conditions still has not fed through to an easing in wage growth. The headline 3mth rate rose 7.8% for the period June to August, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular annual average total pay growth for the private sector was 7.1% in June to August 2023, for the public sector this was 12.5% and is the highest total pay annual growth rate since comparable records began in 2001. However, this is affected by the NHS and civil service one-off non-consolidated payments made in June, July and August 2023. The Bank of England's prediction was for private sector wage growth to fall to 6.9% in September.
8. CPI inflation declined from 6.8% in July to 6.7% in August and September, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.1%. That reverses all the rise since March.
9. In its latest monetary policy meeting on 14 December, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the stickiness of inflation.
10. Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. In terms of messaging, the Bank once again said that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures", citing the rise in global bond yields and the upside risks to inflation from "energy prices given events in the Middle East". So, like the Fed, the Bank is keeping the door open to the possibility of further rate hikes. However, it also repeated the phrase that policy will be "sufficiently restrictive for sufficiently long" and that the "MPC's projections indicate that monetary policy is likely to need to be restrictive for an extended period of time". Indeed, Governor Bailey was at pains in his press conference to drum home to markets that the Bank means business in squeezing inflation out of the economy.
11. This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash

inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates in the future.

12. In the table below, the rise in gilt yields across the curve as a whole in 2023/24, and therein PWLB rates, is clear to see.

PWLB RATES 01.04.23 - 29.09.23



HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.23 – 29.09.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.14%	4.20%	4.58%	4.27%
Date	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.51%	5.73%	5.45%
Date	06/07/2023	07/07/2023	22/08/2023	17/08/2023	28/09/2023
Average	5.62%	5.16%	5.01%	5.29%	5.00%
Spread	1.71%	1.79%	1.31%	1.15%	1.18%

13. The peak in medium to longer dated rates has generally arisen in August and September and has been primarily driven by continuing high UK inflation, concerns that gilt issuance may be too much for the market to absorb comfortably, and unfavourable movements in US Treasuries.
14. The S&P 500 and FTSE 100 have struggled to make much ground through 2023.

CENTRAL BANK CONCERNS

15. Currently, the Fed has pushed up US rates to a range of 5.25% to 5.5%, whilst the MPC followed by raising Bank Rate to 5.25%. EZ rates have also increased to 4% with further tightening a possibility.
16. Ultimately, however, from a UK perspective it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

Source: Link Asset Services

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 £245m. 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. Bank Rate is forecasted remain at 5.25% until June 2024, before falling to 5.00% in September 2024 and 4.50% in December 2024.
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	
2023/24 (residual)	5.30%
2024/25	4.70%
2025/26	3.20%
2026/27	3.00%
2027/28	3.25%
Years 6 to 10	3.25%
Years 10+	3.25%

Source: Link Asset Services

Investment time limits

6. This limit is set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment. For the year 2024/25, the proposed limit of investments for over 364 days is £120m as set out in the TMSS.

Investment Policy

7. The Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to assess continually and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
8. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Creditworthiness Policy

9. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:
 - It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security; and
 - It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
10. 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.
11. The Council takes into account the following relevant matters when proposing counterparties:
 - the financial position and jurisdiction of the institution;
 - the market pricing of credit default swaps¹ for the institution;

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.

- 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
 - Core Tier 1 capital ratios ².
12. 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 sell existing investments which would be liable to penalty clause.

Specified and Non-specified investments

13. 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.
14. 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;

default, bankruptcy, etc.). The price of the CDS gives an indication to the market's view of likelihood: the higher the price the more likely the credit event.

² The Tier 1 capital ratio is the ratio of a bank's core equity capital to its total risk-weighted assets (RWA). Risk-weighted assets are the total of all assets held by the bank weighted by credit risk according to a formula determined by the Regulator (usually the country's central bank). Most central Banks follow the Basel Committee on Banking Supervision (BCBS) guidelines in setting formulae for asset risk weights.

The Core Tier 1 ratios for the four UK banks that the Council uses are: Barclays: 10.2%, HSBC: 11.2%, Lloyds: 12.0% and RBS: 10.8%.

- The requirement 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;
 - 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.
15. All investments with local authorities will be subject to due diligence review of their accounts and financial health by the Director of Treasury and Pensions and agreed with the Director of Finance.
16. 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.

17. 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

18. 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

19. 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.

20. 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 tenure	Changes from the 2022/23 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-	£50m	5 years	Reduced from £100m
Covered Bonds	LT: AA+/Aa1/AA+	£50m	5 years	Reduced from £100m
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: £50M	3 years	Reduced from £100m
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	Maximum Individual Counterparty Investment Limit	Maximum tenure	Changes from the 2022/23 TMSS
	Fitch/Moody's/S&P	£m		
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-	£30m	3 years	No change
	ST: F2/P-2/A-2			
Sovereign approved list (AA- rated and above):	Australia, Belgium, Canada, Denmark, Finland, France, Germany, Netherlands, Norway, 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.

Due diligence: Due diligence will be carried out by officers where appropriate or in conjunction with the Council's treasury advisor. The Tri-Borough Director of Treasury and Pensions will authorise the investment on behalf of the authority.

CREDIT RATINGS

Moody's		S&P		Fitch		Description	
LT	ST	LT	ST	LT	ST		
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime	Investment Grade
Aa1		AA+		AA+			
Aa2		AA		AA			
Aa3		AA-		AA-			
A1		A+	A+	F1			
A2	A	A					
A3	A-	A-	F2				
Baa1	P-2	BBB+		BBB+	Lower medium grade		
Baa2	P-3	BBB	BBB				
Baa3		BBB-	BBB-				
Ba1	Not Prime	BB+	B	BB+	B	Speculative	Non Investment Grade
Ba2		BB		BB			
Ba3		BB-		BB-			
B1		B+		B+			
B2		B		B			
B3		B-		B-			
Caa1		C	CCC+	CCC	C	Substantial Risks	
Caa2			CCC	Extremely Speculative			
Caa3			CCC-	Default imminent with			
Ca			CC	little prospect for			
			C	recovery			
C		D		DDD		In Default	
				DD			
				D			

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 and 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	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 that the Bank Rate will remain at 5.25% until June 24 and then steadily decline. In regards to borrowing, rates will start to decline earlier from March 2024.
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	Around half of the councils funds are kept fully liquid in Money Market Funds, which offer same day accessibility for both deposits and withdrawals. The remainder of the funds are placed as fixed-term deposits for upto 1 year.
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 NatWest 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	NatWest 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.
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.
Tolerate	Do nothing because the cost outweighs the benefits and/or an element of the risk is outside our control.

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Full Council

Date: 28/02/2024

Subject: Pay Policy Statement 2024/25

Report of: Councillor Rowan Ree, Cabinet Member for Finance and Reform

Report author: Mary Lamont, Assistant Director, People & Talent

Responsible Director: Nicola Ellis, Strategic Director, Chief Operating Officer, Corporate Services

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.

The pay for all employees increased by a fixed sum of £2,352 between April 2022 and April 2023 (this being an average of 3.5% for senior staff and up to 10% for our lowest paid staff on Scales 1 to 3). This has helped to reduce the multiple the highest paid officer of the Council to the median salary to 4.8 (compared to 5.2 in the previous year and 5.9 across London Councils).

The Council acknowledges that benefits are an important part of a recruitment package and publishes, as a high-level summary, the wide range of benefits available to potential employees who may be considering a career with the Council.

During 2024 the Council will, for the first time, provide external access to its family friendly policy. This will help us attract the best talent, tackle the gender pay gap and allow potential employees to make informed decisions about their future.

RECOMMENDATIONS

1. That Council approve the pay policy statement for 2024/25 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 paragraph 11 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 approved by Sukvinder Kalsi, Strategic Director of Finance

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 Grant Deg, Assistant Director, Legal

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)
- Statutory guidance on the making and disclosure of Special Severance Payments by local authorities in England – 12 May 2022
- LBHF Council Pension Policy
- GLPC Salary Scales
- Benchmarking of Inner London Boroughs median pay multiples (contained in London Councils Chief Officer Pay and Benefits Survey 2023)

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 March 2023 this ratio was 4.8:1. This has decreased from the previous figure of 5.2:1 reported for March 2022. 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 4.8:1 has been compared to the position of other Inner London Boroughs. Their average, as reported in in London Councils Chief Officer Pay and Benefits Survey 2023, was 5.9:1. This suggests the Council's own position continues to be reasonable.
12. The Council acknowledges that benefits are an important part of a recruitment package. The Council publishes details of staff benefits on its Total Reward intranet page to ensure that all internal staff have access to the wide range of benefits the Council offers. In addition to this, the Council publishes, as a high-level summary, the wide range of benefits available to potential employees who may be considering a career with the Council.
13. Research has shown that although 84% of parents and prospective parents consider parental leave policies to be important when looking for work, 82% were concerned that asking about these at a job interview would jeopardise their chances of being hired. During 2024, the Council will provide external access to its family friendly policy. This will help us to attract the best talent, tackle the gender pay gap and allow potential employees to make informed decisions about their future. Our family friendly policy helps to make family lives easier by including information on the number of weeks leave that can be taken, qualifying periods for maternity, paternity and adoptive leave and much more.

Reasons for Decision

14. 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

15. 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 2024/25

APPENDIX 1: PAY POLICY STATEMENT 2024/25

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 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 Appendix 2.
- 3.6 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.
- 3.7 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 Korn Ferry/Hay job evaluation scheme.
- 3.8 The Act requires the Council to define its lowest paid employees.
- 3.9 The Council's lowest paid workers are defined as those on the lowest spinal column point of the NJC salary scales, which is Scale 1C spine point 2. This gives an annual salary of £27,306 based on the April 2023 rates for a standard working week of 36 hours.
- 3.10 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.
- 3.11 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.
- 3.12 Starting salaries within the evaluated grade for the role are determined by reference to market rates and an individual's existing salary. The default for starting salaries is on the bottom of the salary band. Approval is required, at Assistant Director level to appoint above the bottom of the salary band and only where justification has been provided to recognise market pressures.

- 3.13 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.
- 3.14 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, People and Talent, including the application of any Market Factor Supplements.
- 3.15 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.
- 3.16 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.
- 3.17 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 The Council publishes details of staff benefits on its Total Reward intranet page to ensure that all internal staff have access to the wide range of benefits the Council offers. In addition to this, the Council publishes, as a high-level summary, the wide range of benefits available to potential employees who may be considering a career with the Council.
- 4.3 Research by Mumsnet has shown that although 84% of parents and prospective parents consider parental leave policies to be important when looking for work, 82% were concerned that asking about these at a job interview would jeopardise their chances of being hired. During 2024, the Council will, for the first time, provide external access to its family friendly policy. This will help us to attract the best talent, help tackle the gender pay gap and allow potential employees to make informed decisions about their future. Our family friendly policy helps to make family lives easier by including information on the number of weeks leave that can be taken, qualifying periods for maternity, paternity and adoptive leave and much more.
- 4.4 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.

- 4.5 Professional fees and charges will be paid on behalf of employees who are required to be registered to undertake their role.
- 4.6 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.
- 4.7 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 Employees are entitled to join the Local Government Pension Scheme (LGPS) and will receive their pension at their normal retirement age, employees are entitled to take a reduced pension from age 55. Pension payments will also 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 and legislation.
- 5.2 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, whilst being in receipt of their LGPS pension. The Council retains the discretion to agree such arrangements in line with the LBHF Pension Fund Discretions Policy which is available [here](#).
- 5.3 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.
- 5.4 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, People and Talent. In May 2022, the Government issued guidance in connection with special severance payments for employees under section 26 of the Local Government Act 1999 as part of the best value regime for local authorities. Special severance payments are those payments over and above statutory or contractual entitlements and typically might be considered when settling a claim issued or proposed to be

issued in the Employment Tribunal, which the Council has considered. In order to obtain best value in the settlement of employment claims, LBHF's delegated authority is set out within the Scheme of Delegation contained in part 3 of the Constitution. The Council adheres to a strict best evaluation on a case-by-case basis which will continue to be robustly applied, as appropriate.

- 5.5 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, People and Talent.
- 5.6 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.
- 5.7 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, People and Talent.

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 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 4.8:1 (at March 2023).
- 6.4 Another important indicator is the pay multiple between the highest and lowest paid employees. The current multiple is 9.2:1 (at March 2023). A reduction since March 2022 which was 9.8:1

- 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.
- 7.5 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 and Disability Pay Gaps are calculated using the same method.
- 7.6 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 through 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, Strategic Director of Corporate Services and Assistant Director, People and Talent).
- 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.

APPENDIX 2 – Greater London Provincial Council (GLPC) Grades and Salaries and Hammersmith & Fulham Chief Officer Grades and Salaries

LBHF - GLPC SALARY SCALES 01/04/2023

This pay scale is aligned with the Greater London Provincial Council (GLPC) pay spine

Grade	01-Apr-22			Grade	01-Apr-23		
	Spine Point	Annual Salary	Hourly Rate		Spine Point	Annual Salary	Hourly Rate
Scale 1C	2	£24,954	£13.29	Scale 1C	2	£27,306	£14.55
	3	£25,359	£13.51		3	£27,711	£14.76
Scale 2	3	£25,359	£13.51	Scale 2	3	£27,711	£14.76
	4	£25,776	£13.73		4	£28,128	£14.98
Scale 3	5	£26,193	£13.95	Scale 3	5	£28,545	£15.21
	6	£26,625	£14.18		6	£28,977	£15.44
Scale 4	7	£27,060	£14.42	Scale 4	7	£29,412	£15.67
	8	£27,507	£14.65		8	£29,859	£15.91
	9	£27,957	£14.89		9	£30,309	£16.15
	10	£28,419	£15.14		10	£30,771	£16.39
Scale 5	12	£29,364	£15.64	Scale 5	12	£31,716	£16.90
	13	£29,853	£15.90		13	£32,205	£17.16
	14	£30,348	£16.17		14	£32,700	£17.42
	15	£30,852	£16.44		15	£33,204	£17.69
Scale 6	18	£32,418	£17.27	Scale 6	18	£34,770	£18.52
	19	£32,961	£17.56		19	£35,313	£18.81
	20	£33,510	£17.85		20	£35,862	£19.10
SO1	23	£35,223	£18.76	SO1	23	£37,575	£20.02
	24	£35,814	£19.08		24	£38,166	£20.33
	25	£36,417	£19.40		25	£38,769	£20.65
SO2	27	£37,653	£20.06	SO2	27	£40,005	£21.31
	28	£38,037	£20.26		28	£40,389	£21.52
	29	£38,934	£20.74		29	£41,286	£21.99
PO1	28	£38,037	£20.26	PO1	28	£40,389	£21.52
	29	£38,934	£20.74		29	£41,286	£21.99
	30	£39,615	£21.10		30	£41,967	£22.36
	31	£40,503	£21.58		31	£42,855	£22.83
PO2	30	£39,615	£21.10	PO2	30	£41,967	£22.36
	31	£40,503	£21.58		31	£42,855	£22.83
	32	£41,472	£22.09		32	£43,824	£23.35
	33	£42,510	£22.65		33	£44,862	£23.90
PO3	33	£42,510	£22.65	PO3	33	£44,862	£23.90
	34	£43,701	£23.28		34	£46,053	£24.53
	35	£44,691	£23.81		35	£47,043	£25.06
	36	£45,711	£24.35		36	£48,063	£25.60
PO4	36	£45,711	£24.35	PO4	36	£48,063	£25.60
	37	£46,719	£24.89		37	£49,071	£26.14
	38	£47,736	£25.43		38	£50,088	£26.68
	39	£48,747	£25.97		39	£51,099	£27.22
	39	£48,747	£25.97		39	£51,099	£27.22
	40	£49,707	£26.48		40	£52,059	£27.73
	41	£50,757	£27.04		41	£53,109	£28.29

PO5	42	£51,783	£27.59	PO5	42	£54,135	£28.84
PO6	41	£50,757	£27.04	PO6	41	£53,109	£28.29
	42	£51,783	£27.59		42	£54,135	£28.84
	43	£52,806	£28.13		43	£55,158	£29.38
	44	£53,799	£28.66		44	£56,151	£29.91
PO7	44	£53,799	£28.66	PO7	44	£56,151	£29.91
	45	£54,825	£29.21		45	£57,177	£30.46
	46	£55,845	£29.75		46	£58,197	£31.00
	47	£56,868	£30.29		47	£59,220	£31.55
PO8	46	£55,845	£29.75	PO8	46	£58,197	£31.00
	47	£56,868	£30.29		47	£59,220	£31.55
	48	£57,909	£30.85		48	£60,261	£32.10
	49	£58,995	£31.43		49	£61,347	£32.68
PO9	49	£58,995	£31.43	PO9	49	£61,347	£32.68
	50	£60,105	£32.02		50	£62,457	£33.27
	51	£61,206	£32.61		51	£63,582	£33.87
	52	£62,298	£33.19		52	£64,716	£34.48
PO10	51	£61,206	£32.61	PO10	51	£63,582	£33.87
	52	£62,298	£33.19		52	£64,716	£34.48
	53	£63,393	£33.77		53	£65,853	£35.08
	54	£64,482	£34.35		54	£66,984	£35.68

LBHF - CHIEF OFFICER PAY RANGES
01/04/2023

Grade	Minimum Salary	Maximum Salary
F	£67,839	£90,507
E	£90,510	£105,618
D	£105,621	£127,206
C	£127,209	£148,797
B	£148,800	£185,496
A	£190,893	£212,481

Report to: Full Council

Date: 28/02/2024

Subject: Dispensation of Absence

Report of: The Leader of the Council - Councillor Stephen Cowan

Report author: Kayode Adewumi, Assistant Director – Democratic, Registration and Coroner’s Services

Responsible Director: Nicola Ellis – Strategic Director, Chief Operating Officer, Corporate Services

SUMMARY

This report seeks approval of a special dispensation to be granted to Councillor Ann Rosenberg for non-attendance at meetings of the authority due to ill health.

RECOMMENDATIONS

1. That a special dispensation be granted to Councillor Ann Rosenberg for non-attendance at meetings of the authority due to ill health pursuant to Section 85(1) of the Local Government Act 1972.

Wards Affected: All

Our Values	Summary of how this report aligns to the H&F Values
Doing things with residents and not to them	Councillors have a key community leadership role to represent all constituents within their wards.
Building shared prosperity	The participation of all Councillor members in decision making and community engagement activities is line with the Council’s policies and priorities.

Financial Impact

The recommendations in this report have no direct financial impact.

Alex Pygram, Head of Finance – Corporate Services, 14/12/2023

Legal Implications

Section 85 (1) of the Local Government Act 1972 makes provision in relation to member attendance at meetings. It provides that if a member fails to attend qualifying meetings for a period of six consecutive months from the date of their last attendance, they shall cease to be a member of the authority unless, before the expiry of that period the authority has approved such non-attendance.

Grant Deg, Assistant Director, Legal Services, 21/12/2023

Background Papers Used in Preparing This Report - None

DETAILED ANALYSIS

Proposals and Analysis of Options

1. Section 85 (1) of the Local Government Act 1972 makes provision in relation to member attendance at meetings. It provides that if a member fails to attend qualifying meetings for a period of 6 consecutive months from the date of their last attendance, they shall cease to be a member of the authority unless, before the expiry of that period the authority has approved such non-attendance.
2. Councillor Rosenberg has not been able to attend a council meeting since the Housing and Homelessness Policy and Accountability Committee held on 14th November 2023 due to ill health.
3. To avoid disqualification, it would be reasonable to grant Councillor Rosenberg dispensation from non-attendance at meetings of the authority until she recovers and is able to attend meetings.

Consultation and Engagement

4. Both groups support this proposal.

Reasons for Decision

5. Section 85 (1) of the Local Government Act 1972 makes provision in relation to member attendance at meetings. If a member fails to attend qualifying meetings for a period of 6 consecutive months from the date of their last attendance, they shall cease to be a member of the authority unless, before the expiry of that period the authority has approved such non-attendance.

Equality Implications

6. There are no anticipated negative implications for groups with protected characteristics, under the Equality Act 2010, by these proposals.

Report to: Full Council

Date: 28/02/2024

Subject: Review of the Constitution

Report of: The Leader of the Council - Councillor Stephen Cowan

Report author: David Abbott, Head of Governance

Responsible Director: Grant Deg, Monitoring Officer

SUMMARY

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.

RECOMMENDATIONS

1. To approve the amendment to the terms of reference for the Wormwood Scrubs Charitable Trust Committee detailed in paragraph 5.
2. To approve the amendments to Contract Standing Orders detailed in Paragraphs 6, 7, and Appendix 1.
3. To approve the appointment of Deputy Electoral Registration Officers detailed in paragraphs 8 and 9.

Wards Affected: All

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 impact.

Alex Pygram, Head of Finance – Corporate Services, 01/02/2024

Verified by Andre Mark, Head of Finance – Strategic Planning and Investment, 02/02/2024

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.

Grant Deg, Assistant Director, Legal Services, 01/02/2023

Background Papers Used in Preparing This Report

None.

DETAILED ANALYSIS

Proposals and Analysis of Options

1. Each local authority is required to publish the arrangements it has made to discharge its functions in a 'constitution' prepared in accordance with Section 37 of the Local Government Act 2000. 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. Some of the content of the Constitution is required by law, the remainder is for the Council itself to determine.
2. The Constitution is reviewed at least annually to ensure it continues to promote timely, effective, transparent, and lawful decision making reflecting the arrangements Members have put in place for the running of the Council. The Constitution was last reviewed at the Full Council meeting on 24 February 2022.
3. In-year amendments were approved by Council to the Scheme of Delegation to Officers to reflect recent changes in organisational structure and changes to the responsibilities of Chief Officers.
4. 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.

Amendments to the Wormwood Scrubs Charitable Trust Committee Terms of Reference

5. Council is asked to approve the following amendment (underlined) to paragraph 4.4 of the Wormwood Scrubs Charitable Trust Committee's Terms of Reference. The amendment allows the Assistant Director responsible for Wormwood Scrubs to make financial decisions up to the threshold.

"4.4 Should a decision be required in the period between Committee meetings, the Director or Assistant Director responsible for Wormwood

Scrubs is authorised to make any decision with a financial consequence of up to £20,000.”

Amendments to Contract Standing Orders

6. On 1 January 2024, a new procurement regime ('the Provider Selection Regime') came into force for the procurement of health care services. This will affect procurement of health services which most frequently occurs in public health and in some areas of joint commissioning by adult and children's social care. Prior to the new regime coming into force, many of these contracts would have been repurchased under the Public Contracts Regulations 2015 as light touch services. With the coming into force of the Provider Selection Regime, the Council has more flexibility. It is not necessarily required to carry out a full procurement where it would not be proportionate to carry out a full procurement. It should be noted, however, that the new regime applies additional requirements to publish various notices and comply with standstill periods before making some awards and to keep records of decisions.
7. The introduction of the Provider Selection Regime necessitates changes to the Council's Contract Standing Orders. These changes are set out in Appendix 1.

Appointment of Deputy Electoral Registration Officers

8. To ensure there is capacity to undertake the full statutory duties of the Electoral Registration Officer, it is recommended that the Council appoints the following postholders as Deputy Electoral Registration Officers:
 - Assistant Director – Democratic, Registration and Coroner's Services
 - The Monitoring Officer
 - Electoral Services Manager
 - Deputy Electoral Services Manager
9. The appointment of Deputy Electoral Registration Officers provides a wider pool of resource and expertise to cover the required duties of the role of the Electoral Registration Officer. Responsibilities include compiling and maintaining the register of electors, undertaking an annual canvass of electors, issuing voters with an emergency Voter Authority Certificate, and ensuring electoral registration meets legislative requirements and Electoral Commission performance standards.

Reasons for Decision

10. 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.

LIST OF APPENDICES

Appendix 1 – Amendments to Contract Standing Orders

Contract Standing Orders

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Section A – Scope of the Contract Standing Orders

1. BASIC PRINCIPLES

- 1.1. These Contract Standing Orders (CSOs) are made pursuant to [section 135](#) of the Local Government Act 1972. They apply to all Council staff and external consultants with responsibility for letting contracts.
- 1.2. Words or phrases that begin with an initial capital letter, initialisms and acronyms are defined in [Appendix 1: GlossaryAppendix 1: Glossary](#).
- 1.3. Clear and consistent lines of management accountability must be demonstrable and enforced. We need to embed a new ruthlessly financially efficient mindset which shows we have zero tolerance, right across the Council, for non-compliance with Contract Standing Orders, Financial Regulations and controls.
- 1.4. Officers with responsibility for buying goods or purchasing services or procuring works, entering into concession arrangements, modifying or extending contracts or otherwise dealing with contract arrangements must comply with the minimum requirements established by these CSOs. The aims of these CSOs are to promote good purchasing practice, public accountability and transparency, to support the delivery of Council's objectives and priorities, to ensure that the Council obtains value for money, compliance with legislation and to deter corruption. Following the rules is the best defence against allegations that a decision has been made incorrectly or fraudulently. Failure to follow them may result in disciplinary action being taken or even criminal proceedings.
- 1.5. Every contract entered into by the Council must be in connection with a Council function and shall be procured in accordance with all relevant legislation including procurement Regulations. These CSOs have been written to reflect the current legislative requirements; however, in the event of any inconsistencies between these CSOs and the requirements of the Regulations the latter will take precedence.
- 1.6. Where you consider there is any ambiguity in these CSOs please let the Head of Procurement know, who will determine any such query following consultation with the Director of Resources.
- [1.7.](#) Each Strategic Leadership Team (SLT) Member must take immediate action in the event of breach of these CSOs by reporting this breach to the Head of Procurement. It will be the responsibility of the Head of Procurement to determine the nature of the breach. If it is deemed to be serious (e.g. involving a Key Decision, or where a corrupt/criminal act is suspected) the Head of Procurement will refer the matter to the Director of Audit, Fraud, Risk and Insurance for investigation with view to identifying the steps to be taken to avoid a recurrence and to ensure appropriate action is taken.
- [1.7.1.8.](#) [1.8 For the procurement of health care services \(regardless of contract value\), the rules set out in Appendix 10 apply.](#)

2. WHAT TRANSACTIONS DO THESE CONTRACT STANDING ORDERS APPLY TO?

- 2.1. These CSOs apply to all contractual arrangements made by, or on behalf of, the Council for the carrying out of works or for the supply of goods, materials or services. This includes all types of procurements, re-lets, direct awards, variations, novations, extensions and any other contractual transactions which the Council enters into.

- 2.2. However, they only apply where the Council is **providing** goods, works or services to another to the limited extent set out in [CSO 34](#). All the other provisions relate to where the Council is the purchaser.
- 2.3. These CSOs do not apply to contracts relating to:
 - 2.3.1. An employee's individual terms of employment,
 - 2.3.2. the acquisition, disposal, or transfer of land (to which Financial Regulations will still apply), or
 - 2.3.3. the making of grants.
- 2.4. Special cases, relating to the:
 - (a) engagement of solicitor/barristers, or adjudicators/arbitrators in construction disputes,
 - (b) supply of personal and social care services to a single individual,
 - (c) where the Council is **providing** goods and services to another,
 are set out in **Error! Reference source not found.**~~Section H~~ below. These special cases only have to comply with the provisions of **Error! Reference source not found.**~~Section H~~.

3. ESTIMATING CONTRACT VALUES

- 3.1. The procedures which apply to Contracts are different, depending on their value. Therefore, producing a contract estimate is the very first thing to do when considering if a contract needs to be put in place. For a High Value Contract you also need to ascertain whether the contract spend will be from Capital or Revenue.
- 3.2. The value of a Contract is the total estimated spend throughout the lifetime of the proposed contract including any anticipated extensions. It is not the annual value. See [Appendix 3](#) for more details on calculating the value of a contract.
- 3.3. Where the Contract is a concession contract (e.g. to run a café open to the public or other facility where service users are charged) special rules apply – see [Appendix 3](#).
- 3.4. For the purposes of these CSOs the procedures are split as follows:
 - 3.4.1. Low Value Contracts valued at below £50,000 – see [Section B](#);
 - 3.4.2. Medium Value Contracts valued at £50,000 up to the Services Threshold (currently £2143,904477¹) - see [Section C](#); and
 - 3.4.3. High Value Contracts valued at above the Services Threshold (currently £2143,904477) – see [Section D](#).
- 3.5. Where you know that there are, or will be, similar or recurrent transactions for the same goods, services or works the value of those similar/ recurrent transactions must be aggregated to determine the value of the overall transaction.
- 3.6. Estimates of contract value must not be manipulated by artificially dividing the contract requirement into smaller contracts or lots, whether or not this is done with the intention of avoiding competition or a particular decision-making route. However, having smaller contracts to make these genuinely attractive to suppliers based in the borough or other SMEs may be allowed, as would encouraging bidders on larger contracts to use local supply chain/labour as part of their bid;

¹ Enforced from 1 January 2024⁴⁰.

take advice from the Head of Procurement.

4. IDENTIFYING A BUSINESS NEED AND PROCUREMENT PRINCIPLES

- 4.1. Under the [Local Government \(Contracts\) Act 1997](#), local authorities can enter into contracts with third parties in connection with any of their functions. However, first the SLT Member must be able to demonstrate there is a business need for the proposed Contract.
- 4.2. Being Ruthlessly Financially Efficient means our three financial obsessions are:
 - 4.2.1. Necessity - what would happen if the spend isn't approved?
 - 4.2.2. Value for money - how much really needs to be spent and could this be a one-off cost?
 - 4.2.3. Collaboration - who is responsible? Can partners and other organisations share the costs?
- 4.3. Having identified a business need for works, goods or services, the SLT Member must consider whether:
 - 4.3.1. to seek a new contractual arrangement with an external provider; or
 - 4.3.2. to provide, deliver and manage the service or works or make the goods within the Council (i.e. an in-house delivery model); or
 - 4.3.3. to procure the services through arrangements made by another public sector provider;
 - 4.3.4. to enter into a shared service agreement; or
 - 4.3.5. the required goods, services or works are covered within the scope of any contractual arrangements the Council already has in place, provided that such Contract allows for extra goods, services or works to be included or added, and there is no breach of the Regulations (approval for a contract modification under these CSOs may also be required).
- 4.4. If a decision is made that the services, works or goods can be resourced in-house then in law there is no award of a Contract and so these CSOs no longer apply (although under Financial Regulations, other parts of the Constitution, or good governance practice, a formal approval report may still be required). Otherwise, the process followed must follow these CSOs, including that any Reports required must be prepared and submitted in accordance with these CSOs. [Report templates are available on the Intranet](#).
- 4.5. Unless otherwise agreed by the Head of Procurement, all procurement exercises over £10,000 will be undertaken using the Council's e-tendering system. This includes call-offs from Frameworks or DPS.
- 4.6. All procurements (including Quotes) must be carried out in a fair, open and transparent manner. All procurement exercises over £10,000 must have a fixed closing date, the same for every participant, set up on the capital e-sourcing system. The Head of Procurement will make appropriate arrangements for the opening of Tenders via capital e-sourcing, which includes the verification of the contract sum stated in each Tenderer's Form of Tender against other information submitted.
- 4.7. Where a procurement exercise is for a High Value Contract, a formal Tender Appraisal Panel (TAP) must be set up to ensure that the Council receives value for money and to demonstrate transparency.

- 4.8. Social Value: there is an obligation on all local authorities to consider social value during the letting of all service contracts. This is set out in the [Public Services \(Social Value\) Act 2012](#). The Council's policy on Social Value must be complied with at all times. The Social Value Policy applies to new contract awards (inclusive of direct awards), contract variations, framework agreements and contracts proposed to be called off a Framework (where permitted by the framework rules).
- 4.9. **Local and SME/VCSE Provision²:** Where possible for Medium Value and High Value Contracts which are below the Relevant Thresholds, SLT Member shall consider whether or not to reserve the procurement to local businesses based within the Greater London area or UK-wide and/or Small and Medium sized Enterprises (SMEs) /Voluntary, Community and Social Enterprises (VCSEs) ("**Local and SME/VCSE Provision**") as follows:
- 4.9.1. Reserve the procurement by supplier location - this means running the procurement and specifying that only suppliers located in the Greater London area can bid. Supplier location is determined by where the supplier is based or established and has substantive business operations and not by location of corporate ownership.
- 4.9.2. Reserve the procurement for Small and Medium sized Enterprises (SMEs) /Voluntary, Community and Social Enterprises (VCSEs) - this means being able to run a competition and specify that only SMEs and VCSEs can bid.
- 4.10. The SLT Member shall consider the merits of local and/or SME/VCSE provision on a case-by-case basis and shall carry out a pre-procurement assessment and complete a checklist with an aim to :
- 4.10.1. assess the sector / market and consider the ability of the market to provide the quantity and quality of the services, goods or works required;
- 4.10.2. identify whether there is a market available locally and that it is of sufficient size to ensure that there are at least three companies capable of providing the services/goods/works locally;
- 4.10.3. identify and manage associated risks, including fraud and corruption.
- If the SLT Member's assessment concludes that the contract may be reserved to Local and/or SME/VCSE Provision the procedures set out in CSO 9 for Low Value Contracts and CSO 13 for Medium Value Contracts shall be followed when advertising.
- 4.11. The SLT Member may choose to award on the basis of locality or SME/VCSEs or both of these together. The procurement documentation must be clear about any intention to reserve the procurement, for example by including the standardised definitions of SME / VCSE and supplier location outlined in the Council's standard documentation.
- 4.12. The SLT Member may still choose to compete below threshold contracts on an open basis without any reservation for supplier type or supplier location.
- 4.13. In order to ensure value for money, SLT Members are not permitted to direct award when reserving procurements.

5. SLT MEMBERS' RESPONSIBILITIES

- 5.1. These CSOs must be strictly complied with; they are the Council's minimum requirements. A more thorough procedure may be appropriate for a particular

² Introduced to reflect PPN11/20 for Contracts above £50,000 and below the Relevant Threshold

Contract.

- 5.2. SLT Members have responsibility for all Contracts put in place within their Departments. **This includes seeking advice on the proposals in draft reports before they are sent to officers for statutory comments and implications.** Each SLT Member is accountable to the Cabinet for the performance of their duties in relation to procurement strategy, contract approval and management, including those matters set out in [Appendix 6](#). The following conditions must be observed:
- 5.2.1. all procurement exercises and awarded Contracts must be recorded on the e-tendering system;
 - 5.2.2. officers need to have training to ensure they know how to use the e-tendering system;
 - 5.2.3. ensuring appropriate arrangements are in place within his/her department for the storage of original Contracts not sealed as a Deed once completed (signed and dated). All original contracts exceeding £30,000 should be passed to Legal Services who will enter the details onto the Contracts Register and store the original contract offsite;
 - 5.2.4. an electronic copy of all completed contracts over £10,000 must be saved on the Corporate /Contracts Register.
- 5.3. The SLT Member can authorise any officer within their Department to act on their behalf. However, such authority will not affect their accountability for actions taken in their name. **As a result, these Contract Standing Orders are addressed throughout to the SLT Members. However, it is recognised that in practice these Contract Standing Orders will be implemented by staff (including consultants) within the SLT Member's department.**
- 5.4. Throughout the CSOs there are requirements for formal decisions to be taken. This is undertaken by preparing a report recommending a decision and this demonstrates an audit trail of the decision once taken. [Report templates are available on the Intranet](#). Various departments input into these reports and it is for the SLT Member to ensure that those departments are consulted. Implication sections from the consulted department cannot be inserted on their behalf and under no circumstances should Implication sections be amended by anyone other than the author of those comments. The Head of Procurement must be sent the report once finalised and approved.

6. CONFLICTS OF INTEREST

- 6.1. [Part 5 of the Constitution](#) incorporates Codes of Conduct of both Officers and Members, these state what interests are to be declared when the member is elected/ the officer is appointed and the need to keep these updated as circumstances change.
- 6.2. The need to ensure that any procurement process is conducted fairly means that extra responsibilities are put on those running a procurement. The SLT Member should ensure that for all procurements of Medium and High Value Contracts, including direct awards, all officers and consultants involved complete a declaration confirming they (or their spouse/partner) do not have pecuniary interests or non-pecuniary interest which could conflict with the interests of the Council in securing a fair procurement. The declarations should be saved on the e-tendering portal.
- 6.3. If a Member or an officer of the Council or a consultant working on the Council's

behalf becomes aware that a Contract in which they have an interest is being re-tendered or has been or is proposed to be entered into by the Council, they shall immediately give written notice to the Monitoring Officer. Such written notice is required, irrespective of whether the pecuniary interest is direct or indirect. Consideration will then be given as to the appropriate action.

- 6.4. The Monitoring Officer shall maintain a record of all declarations of interests notified by Members and officers.

7. PREVENTION OF CORRUPTION

- 7.1. All Council officers and Members must comply with the relevant [Code of Conduct](#) and the Council's anti-fraud and corruption strategy and must not invite or accept any gift or reward in respect of the award or performance of any Contract. It will be for the officer/ Member to prove that anything received was not received corruptly.
- 7.2. High standards of conduct during a procurement are obligatory. While in the normal course of events, gifts and hospitality from suppliers can be accepted provided that they are declared in accordance with the Gifts and Hospitality Policy, while a tender process is ongoing, such hospitality should be declined. Corrupt behaviour will lead to dismissal and can be fraud or another crime under the statutes referred to in 7.3. Such matters will be investigated and appropriate action taken, including legal proceedings.
- 7.3. The Assistant Director, Legal Services shall ensure that all contract conditions contain robust terms that will allow the Council to terminate a contract where there have been acts relating to fraud, bribery, or corruption as defined under the [Bribery Act 2010](#), and/or section 117(2) of the [Local Government Act 1972](#); and/or the contractor/supplier has committed an act which is an offence under the [Enterprise Act 2002](#). More information about the Bribery Act is available in the Council's Anti-Bribery Policy or speak to the Head of Fraud.

Section B – Low Value Contracts up to £50,000

8. LOW VALUE CONTRACTS

8.1. Contracts valued at up to £50,000 are to be procured and awarded as set out in this [Section B](#). However, there are special cases set out in [Section H](#).

8.1.1. Before any contract is considered the SLT Member must be satisfied there is a business need for the contract (see [CSO 4](#)). The SLT Member must also ensure that a contract estimate is calculated and recorded and be satisfied that the estimated contract value is below £50,000. If the contract value could be £50,000 or greater the process for Medium Value Contracts should be followed.

9. ADVERTISING PROCESS AND COMPETITION REQUIREMENT FOR ALL LOW VALUE CONTRACTS

9.1. The SLT Member is responsible for ensuring value for money in all procurement matters. The following competition requirements have been set considering the contract value and to achieve value for money. The SLT Member must meet these requirements for all Low Value Contracts:

Estimated Value	Advertising Requirement	Competition requirement ³
£1 to £10,000	None	Either: <ul style="list-style-type: none">• At least one written Quotation obtained with preference to sourcing from providers based in the borough; or• Call-off from suitable third party or Hammersmith & Fulham Framework or DPS (rules of the Framework or DPS to be followed).
£10,000 to £49,999	None	Either: <ul style="list-style-type: none">• Written Quotations or Tenders with a minimum of three companies invited to Quote or Tender through the e-tendering system with a preference to sourcing from providers based in the borough; or• Advertised opportunity inviting Quotations or Tenders – use e-tendering system and Contracts Finder (latter within 24 hours of appearing in e-tendering system); or• Call off from suitable third party or Hammersmith & Fulham Framework or DPS using the e-tendering system.

9.2. For recurring Low Value Contracts SLT Members may consider establishing an Approved List or Dynamic Purchasing System (subject to approval from the Head of Procurement and other appropriate approval) to reflect the aggregated estimated value of goods, work or services estimated as likely to be procured

³ If the Contract involves works to housing premises where the Council could make recovery of costs from leaseholders pursuant to s20 of the Landlord and Tenant Act 1985 the rights of the leaseholders must be taken into account when considering the competition for the works. Failure to consult as required by the Service Charges (Consultation Requirements) (England) Regulations 2003 means that the Council's ability to recover costs from leaseholders is limited to £100/£250 depending upon the proposed arrangement for delivering the Works. Take appropriate advice, especially where you are thinking of using a Framework, Approved List or DPS.

through the Approved List or DPS.

10. APPROVAL PROCESS FOR LOW VALUE CONTRACTS

- 10.1. SLT Members approve the award of all Low Value Contracts within their area, once [CSO 9](#) has been complied with.
- 10.2. The SLT Member must ensure that a written record is prepared of the procurement process followed, to accompany the request for approval of the award of contract, to include:
 - 10.2.1. a description of the competition process that was adopted and confirmation that this was in accordance with [CSO 9](#);
 - 10.2.2. a report on the results of the competition and the Quotations or Tenders received;
 - 10.2.3. the registered name of the contractor to be awarded the Contract;
 - 10.2.4. details of the contract price and relevant budget that will be funding the Contract;
 - 10.2.5. commencement and expiry dates.
- 10.3. Details of all contracts that have a value of £5,000 or greater must be published by the SLT Member in the Corporate Contracts Register on the e-tendering system in accordance with the [Transparency Regulations 2015](#) and the [Local Government Transparency Code 2015](#) published by the Department for Communities & Local Government.
- 10.4. In addition, an electronic copy of the completed (dated) Contract, where valued at £10,000 or more, must be uploaded to the Contracts Register along with a copy of the record referred to at [CSO 10.2](#).
- 10.5. Except for out of hours purchases or minor expenses, no telephone orders are to be placed for goods, works or services, unless otherwise agreed by the Head of Procurement. A purchase order number must be provided to the supplier at the time of the order.

Section C – Medium Value Contracts – £50,000 to Below Services Threshold

11. MEDIUM VALUE CONTRACTS

- 11.1. Contracts valued between £50,000 and the Services Threshold (currently £21~~43~~,904,477⁴) are to be procured and awarded as set out in this [Section C](#). However, there are special cases set out in [Section H](#).
- 11.2. Before any Medium Value Contract is considered the SLT Member must:
- 11.2.1. be satisfied there is a business need for the contract (see [CSO 4](#));
 - 11.2.2. ensure that a contract estimate is calculated and recorded and be satisfied that the estimated contract value is between £50,000 and the Services Threshold (currently £21~~43~~,904,477). If it could be greater the process for High Value Contracts should be followed;
 - 11.2.3. make an assessment in accordance with [CSO 4.9](#) to [CSO 4.13](#) as to whether the contract may be reserved to **Local and SME/VCSE suppliers**

12. PROCUREMENT STRATEGY FOR MEDIUM VALUE CONTRACTS

- 12.1. The SLT Member decides upon the most appropriate Procurement Strategy. Once the Procurement Strategy is decided upon, a Tender Appraisal Panel (TAP) must be established to take responsibility for managing all aspects of the procurement process. The provisions of paragraph ~~4039~~ of [Appendix 8](#) shall apply to the TAP and the Tender process.

13. ADVERTISING PROCESS AND COMPETITION REQUIREMENT FOR ALL MEDIUM VALUE CONTRACTS

- 13.1. The SLT Member is responsible for ensuring value for money in all procurement matters. The following competition requirements have been set in light of the contract value and in order to achieve value for money:

Type of Medium Value Contract	Competition requirement ⁵	Advertising Requirement
Supplies/Services	<ol style="list-style-type: none"> 1. Invitation without pre-qualification stage to submit Tenders. Where Local and SME/VCSE Provision is assessed and considered suitable, the procurement shall be reserved to local suppliers and/or SMEs/VCSEs 2. Call off from suitable third party or Hammersmith & Fulham Framework or DPS (rules of the Framework or DPS to be followed) 	For 1: Advertised opportunity – use capital e-sourcing and Contracts Finder (latter within 24 hours of appearing in e-tendering system)

⁴ Enforced from 1 January 202~~40~~.

⁵ If the Contract involves works to housing premises where the Council could make recovery of costs from leaseholders pursuant to s20 of the Landlord and Tenant Act 1985 the rights of the leaseholders must be taken into account when considering the competition for the works. Failure to consult as required by the Service Charges (Consultation Requirements) (England) Regulations 2003 means that the Council's ability to recover

Type of Medium Value Contract	Competition requirement ⁵	Advertising Requirement
Works and Maintenance Services for assets e.g. housing repairs and FM (except information technology)	<ol style="list-style-type: none"> 1. Invitation to submit Quotations through the e-tendering system (though Tenders can be invited where considered appropriate). Or 2. Call off from suitable third party or Hammersmith & Fulham Framework or DPS (rules of the Framework or DPS to be followed) 	<p>For 1: Advertised opportunity – use capital e-sourcing and Contracts Finder (latter within 24 hours of appearing in e-tendering system) Where Local and SME/VCSE Provision is assessed and considered suitable, the procurement shall be reserved to local suppliers;</p> <p>OR</p> <p>Invite at least four written Quotes or Tenders preferably from suppliers based in the borough</p> <p>For 2: Follow the rules of the Framework/DPS and use the e-tendering system for all mini-competitions</p>

- 13.2. The procurement process for all Medium Value Contracts must be run without any pre-selection (pre-qualification) stage. This is sometimes called open or single-stage tendering. However, the asking of questions during any Tender exercise about whether the provider meets the Council's minimum requirements of suitability, capability, legal status and financial standing (see reg 111 of the Regulations).

14. TENDER DOCUMENTATION

- 14.1. The SLT Member must prepare a specification and all appropriate Quote or Tender documentation using the Council's standard form documentation. Amendments to the Council's standard form documentation must be agreed with the Head of Procurement or, in appropriate cases, Assistant Director, Legal Services. The award criteria must relate specifically to the contract to be procured and shall be based on the most economically advantageous tender.
- 14.2. See also [Appendix 3](#) of these CSOs concerning the contents of the terms and conditions of contract.
- 14.3. For recurring Medium Value Contracts SLT Members may consider establishing a Council Framework or Dynamic Purchasing System subject to approval from the Head of Procurement and after appropriate approval to reflect the aggregated estimated value of goods, works or services to be placed through the Framework or DPS.
- 14.4. It is not anticipated that there will be interviews with tenderers on a Medium Value contract. However, if there are, full records of the interview must be kept and the

costs from leaseholders is limited to £100/£250 depending upon the proposed arrangement for delivering the works. Take appropriate advice, especially where you are thinking of using a Framework, Approved List or DPS.

purpose of the interviews and how they will be used in the evaluation process must be set out in the Invitation to Tender.

15. APPROVAL PROCESS FOR AWARD OF MEDIUM VALUE CONTRACTS

- 15.1. All contract awards over £100,000 must be submitted to the Contracts Assurance Board before being submitted for approval to the decision maker. The Contracts Assurance Board may:
 - 15.1.1. Recommend that the SLT member approve the report
 - 15.1.2. Provide advice and/or make recommendations to the report author and request an updated report for consideration
 - 15.1.3. Recommend that the SLT member does not approve the report where the Council's priorities are not achieved.
- 15.2. SLT Members approve the award of all Medium Value Contracts within their area, once CSO 13 has been complied with.
- 15.3. If the value of the Contract to be awarded is more than 10% higher than the initial estimated value of the Contract and over the Service Threshold, the SLT Member must consult the Head of Procurement before the decision is taken.
- 15.4. The SLT Member must prepare an award report in the standard form. [Report templates are available on the Intranet.](#)
- 15.5. The award report must contain the comments of the Director of Finance, the Director of Audit, Risk, Fraud and Insurance and the Assistant Director, Legal Services.
- 15.6. Provided that the SLT Member approves the award report the Contract shall be awarded by way of a notification via the e-tendering system and:
 - 15.6.1. Where the value of the contract is below £100,000, then unless the Assistant Director, Legal Services considers otherwise, it will be entered as a simple agreement signed by the relevant SLT Member (electronic signatures are permitted);
 - 15.6.2. Where the value of the contract is £100,000 or more, the Assistant Director, Legal Services will arrange for the Contract to be sealed on behalf of the Council where this is appropriate, and a link to the award report as published on the Council's website must be provided with the request for sealing.
- 15.7. For all Medium Value Contracts, the Contract documentation must be concluded (including the formal execution of contracts by both/ all parties) before its commencement. Only in exceptional circumstances, and then only with the written consent of the Assistant Director, Legal Services, may a contract commence on the basis of an exchange of correspondence.
- 15.8. An electronic copy of the completed (dated) Contract must be uploaded to the Contracts Register along with a copy of the award report. A Contract must be kept for six years after the end of the Contract.
- 15.9. Documents which relate to the procurement process should be kept for a minimum period of 12 months, provided there is no dispute about the award (these may be stored electronically).
- 15.10. The SLT officer must ensure a record is kept of:
 - 15.10.1. pre-tender market research (if any);

- 15.10.2. the subject-matter and value of the contract, Framework Agreement or DPS;
- 15.10.3. when a Local and SME/VCSE Provision has been identified a copy of the checklist completed prior to advertisement;
- 15.10.4. actions taken to identify and manage associated risks, including fraud and corruption;
- 15.10.5. where applicable, the results of the qualitative selection and reduction of numbers including supplier due diligence checks;
- 15.10.6. the names of the selected candidates or tenderers and the reasons for their selection;
- 15.10.7. the names of the rejected candidates or tenderers and the reasons for their rejection;
- 15.10.8. the name of the successful tenderer and the reasons why its tender was selected;
- 15.10.9. where applicable, the reasons why the contracting authority has decided not to award a contract or Framework Agreement or to establish a dynamic purchasing system;
- 15.10.10. where applicable, the reasons why means of communication other than electronic means have been used for the submission of tenders;
- 15.10.11. where applicable, conflicts of interests detected and subsequent measures taken;
- 15.10.12. clarification (and where appropriate post-tender negotiation) (to include minutes of meetings);
- 15.10.13. the contract documents;
- 15.10.14. simple and proportionate KPIs and data reporting mechanisms included in the contract;
- 15.10.15. post-contract evaluation and monitoring; and
- 15.10.16. written records of communications with Candidates and with the successful Candidate(s).

Section D – High Value Contracts – over the Services Threshold

16. HIGH VALUE CONTRACTS

- 16.1. Contracts valued over the Services Threshold (currently £21^{43,904,477}⁶) are to be procured and awarded as set out in this [Section D](#). However, there are special cases set out in [Section H](#).
- 16.2. Before any High Value Contract is considered the SLT Member must be satisfied there is a business need for the contract (see [CSO 4](#)). The SLT Member must also ensure that a contract estimate is calculated and recorded, which will determine the process to be followed to approve the procurement strategy and the contract award.

17. PREPARING FOR HIGH VALUE CONTRACTS – SERVICE REVIEW TEAM

- 17.1. For every High Value Contract, the SLT Member shall establish a Service Review Team comprising:
 - 17.1.1. Contract Officer,
 - 17.1.2. client-side officers,
 - 17.1.3. relevant stakeholders, and
 - 17.1.4. relevant professional officers (including legal, finance, procurement, IT and HR as appropriate) including external advisers as applicable and warranted.
- 17.2. The Service Review Team shall take responsibility for all pre-procurement related activity as set out in [Appendix 8](#) including:
 - 17.2.1. carrying out preliminary market consultation and consultation, and coming to a decision as to whether a new contract arrangement is to be procured or that the business need is to be met within the Council;
 - 17.2.2. researching available Frameworks and DPS, or considering whether an existing contract can be varied to add in the new business need (advice to be taken from the Head of Procurement in these cases, and the Assistant Director, Legal Services if appropriate);
 - 17.2.3. developing the Procurement Strategy;
 - 17.2.4. identifying whether the Contract will be paid for from Capital or Revenue;
 - 17.2.5. for High Value Contracts for works which are below Works Threshold only, make an assessment in accordance with CSO 4.10 to 4.13 as to whether the contract may be reserved to **Local and SME/VCSE suppliers**; and
 - 17.2.6. maintaining records of all internal and external meetings.

18. PROCUREMENT STRATEGY APPROVAL PROCESS FOR HIGH VALUE CONTRACTS

- 18.1. Prior to starting any tendering exercise for a High Value Contract, the Service Review Team must prepare a report ([template on the Intranet](#)) for approval of the Procurement Strategy for the procurement. This is submitted as follows:

⁶ Enforced from 1 January 202⁴⁰

Capital Contracts	Procurement Strategy Approval
Services Threshold (currently £21 43,904477 ⁷) to £1.5m	SLT Member in consultation with the relevant Cabinet Member
£1,500,001 - £5m	The relevant Cabinet Member
In excess of £5m	Cabinet

Revenue Contracts	Procurement Strategy Approval
Services Threshold (currently £21 43,904477) to £500,000	SLT Member in consultation with the relevant Cabinet Member
£500,001-£5m	The relevant Cabinet Member
In excess of £5m	Cabinet

- 18.2. All procurement strategies must be submitted to the Contracts Assurance Board before being submitted for approval to the decision maker in accordance with CSO 18.1. Where the procurement strategy concerns a contract with estimate value in excess of £300,000 in value or the expenditure is otherwise significant, then it is a Key Decision (see Article 12 of the [Constitution](#)) and the report must be submitted to Committee Services for publication on the Council's website.

19. ADVERTISING PROCESS FOR HIGH VALUE CONTRACTS

- 19.1. The SLT Member is responsible for ensuring value for money in all procurement matters. The SLT Member will use the methods for selecting potential bidders as set out below in the relevant table. All processes (including call- offs from Frameworks or a DPS) must be run through the Council's e-tendering system, unless the Head of Procurement agrees otherwise. The process must be set out in the Procurement Strategy.

Requirements for "Supply and Service" Contracts (excluding "Social and Other Specific Services")

Value	Competition requirement	Advertising requirement
Above Services Threshold (currently £21 43,904477)	Either: 1. Use of an existing Framework or DPS which is compliant with the Regulations; or 2. Procedure selected in accordance with the Regulations as approved through the Procurement Strategy.	For 1, Follow the rules of the Framework/DPS and use the e-tendering system for all mini-competitions For 2, all of the following: <ul style="list-style-type: none"> Contracts Finder Contract Notice published in Find a Tender Service Opportunity listing on the e-tendering system webpage Trade Journal (if SRT decides)

⁷ Enforced from 1 January 202~~40~~.

Requirements for “Social and Other Specific Services” as defined in Schedule 3 of the Regulations

Value	Competition requirement	Advertising requirement
From Services Threshold (currently £21 ^{43,904477} ⁸) – up to the “Social and Other Specific Services” Threshold	<p>Either:</p> <ol style="list-style-type: none"> 1. The use of a suitable Framework or DPS; <p>OR (<i>if not appropriate</i>)</p> <ol style="list-style-type: none"> 2. Either a single-stage (open) Tender procedure or two-stage (with pre-qualification stage) Tender procedure as set out in the Procurement Strategy. Where Local and SME/VCSE Provision is assessed and considered suitable, the procurement shall be reserved to local suppliers and/or SMEs/VCSEs 	<p>For 1:</p> <p>Follow the rules of the Framework/DPS and use the e-tendering system for all mini-competitions</p> <p>For 2, all of the following:</p> <ul style="list-style-type: none"> • Contracts Finder • Opportunity listing on the e-tendering system webpage • Trade Journal (if TAP decides)
From the “Social and Other Specific Services” Threshold and above	<p>Either:</p> <ol style="list-style-type: none"> 1. Use of an existing Framework or DPS which is compliant with the Regulations; <p>OR (<i>if not appropriate</i>)</p> <ol style="list-style-type: none"> 2. Procedure selected in accordance with the Regulations (regs 74-77) as approved through the Procurement Strategy. 	<p>For 1:</p> <p>Follow the rules of the Framework/DPS and use the e-tendering system for all mini-competitions</p> <p>For 2, all of the following:</p> <ul style="list-style-type: none"> • Contracts Finder • Contract Notice published in Find a Tender Service • Opportunity listing on the e-tendering system webpage • Trade Journal (if TAP decides)

⁸ Enforced from 1 January 2024⁴⁰.

Requirements for Works contracts (meeting the definition in the Regulations)

Value	Competition requirement	Advertising Requirement
From Services Threshold (currently £21,43,904,477 ⁹) to Works Threshold (currently £5,372,36,609,937)	<p>Either:</p> <ol style="list-style-type: none"> the use of a suitable Framework or DPS; <p>OR (<i>if not appropriate</i>)</p> <ol style="list-style-type: none"> Either a single-stage (open) tender procedure or two-stage (with pre-qualification stage) tender procedure as set out in the Procurement Strategy and where Local and SME/VCSE Provision is assessed and considered suitable, the procurement shall be reserved to local suppliers; 	<p>For 1:</p> <p>Follow the rules of the Framework/DPS and use the e-tendering system for all mini-competitions</p> <p>For 2:</p> <ul style="list-style-type: none"> Contracts Finder Opportunity listing on the e-tendering system webpage Trade Journal (if TAP decides)
Above Works threshold (currently £5,372,36,609,937)	<p>Either:</p> <ol style="list-style-type: none"> Use of an existing Framework or DPS which is compliant with the Regulations; or Procedure selected in accordance with the Regulations as approved through the Procurement Strategy. 	<p>For 1:</p> <p>Follow the rules of the Framework/DPS and use the e-tendering system for all mini-competitions</p> <p>For 2:</p> <ul style="list-style-type: none"> Contracts Finder Contract Notice published in Find a Tender Service Opportunity listing on the e-tendering system webpage Trade Journal (if TAP decides).

- 19.2. If the Contract involves works to housing premises where the Council could make recovery of costs from leaseholders pursuant to s20 of the [Landlord and Tenant Act 1985](#) the rights of the leaseholders must be taken into account when considering the competition for the works. Failure to consult as required by the [Service Charges \(Consultation Requirements\) \(England\) Regulations 2003](#) means that the Council's ability to recover costs from leaseholders is limited to £100/£250 depending upon the proposed arrangement for delivering the works. Take appropriate advice from the appropriate Solicitor.

⁹ Enforced from 1 January 2024⁴⁰.

Establishing a Tender Appraisal Panel

- 19.3. Once approval for Procurement Strategy is granted in accordance with [CSO 18](#), a Tender Appraisal Panel (TAP) shall be established to take responsibility for managing all aspects of the procurement process. This may be the same membership as the SRT or may be different.
- 19.4. The provisions of [paragraph 4039](#) of [Appendix 8](#) apply to the TAP.

20. TENDER PROCESS

- 20.1. [Appendix 8](#) shall apply to the Tender process.
- 20.2. Unless the Assistant Director, Legal Services agrees otherwise the TAP shall use the Council's standard documentation for the tender and contract documentation.
- 20.3. Unless the Head of Procurement agrees otherwise:
- 20.3.1. the time limits for submission of selection questionnaires (as applicable) and Tenders are as set out in [Appendix 7](#);
- 20.3.2. all Tenders and Responses to Mini-Competition must be received through the Council's e-tendering system; and
- 20.3.3. the contract terms shall comply with the provisions of [Appendix 3, section 2](#).

21. APPROVAL PROCESS FOR CONTRACT AWARD OF HIGH VALUE CONTRACTS

- 21.1. The TAP shall prepare an award report for all High Value Contracts and submit the report for decision as follows:

Capital Contracts	Contract Award Approval
Services Threshold (currently £21 43,904477) up to £1.5m	SLT Member in consultation with the relevant Cabinet Member
£1.5m and above	The relevant Cabinet Member
Revenue	Contract Award Approval
Services Threshold (currently £21 43,904477 ¹⁰) up to £0.5m	SLT Member in consultation with the relevant Cabinet Member
£0.5m and above	The relevant Cabinet Member

- 21.2. If the value of the Contract to be awarded is more than 10% higher than the initial estimated value of the Contract and over £10,000,000 approval must be sought from Cabinet.
- 21.3. The TAP shall prepare an award report in the standard form. [Report templates are](#)

¹⁰ Enforced from 1 January 202~~40~~.

[available on the Intranet.](#)

- 21.4. The award report must contain the comments of the Director of Finance, the Head of Procurement, the Director of Audit, Risk, Fraud and Insurance Manager and the Assistant Director, Legal Services.
- 21.5. All contract awards over £100,000 must be submitted to the Contracts Assurance Board before being submitted for approval to the decision maker as set out in 21.1.
- 21.6. Once the award decision has been made the service should ensure that the supplier is set up on the Council's finance system. If the contract is awarded to a new supplier, the service should request a new supplier set-up which will be approved by Procurement on receipt of the final award report. All service areas should raise purchase orders and approve invoices to pay suppliers through self-service on the Council's finance system. Officers should not undertake this for anyone outside of their own team area. This way the approval goes to the responsible budget holder and the right teams can complete the good receipting when service or goods are received. No orders should be made without providing a valid purchase order, without this there is no approval to spend and the supplier will not be paid.
- 21.7. Where the award report concerns the award of contract in excess of £300,000 in value or the expenditure is otherwise significant, then it is a Key Decision (see Article 12 of the [Constitution](#)) and must be submitted to Committee Services for publication on the Council's website. The award decision cannot be implemented without the expiry of the call-in period for that decision as shown on the website AND (if a Regulated Contract) expiry of the Standstill Period (see [Appendix 8](#)).
- 21.8. Provided that the report has been approved in accordance with this [CSO 21](#) and any Standstill Period has expired, the TAP shall ensure that the Contract is entered into and arrange for the Assistant Director, Legal Services to seal the Contract on behalf of the Council.
- 21.9. For all High Value Contracts, the Contract documentation must be concluded (including the formal execution of contracts by all parties) before its commencement. Only in exceptional circumstances, and then only with the written consent of the Assistant Director, Legal Services, may a contract commence based on an exchange of correspondence or letter of intent.
- 21.10. An electronic copy of the completed (dated) Contract must be uploaded to the Contracts Register along with a copy of the award report.

Section E – Waiver

22. GROUNDS FOR WAIVER

- 22.1. In the event that any requirement of these CSOs cannot be complied with, and this is for one of the reasons set out in [22.3](#) below, the SLT Member may apply for a waiver of the relevant CSO.
- 22.2. It should be noted a waiver cannot be sought in relation to any legal requirements contained in the Regulations or other legislation.**
- 22.3. A waiver can only be granted where one of the following grounds applies:
- 22.3.1. Where the works, services, or supplies can only be supplied by a particular economic operator for any of the following reasons:
- 22.3.1.1. the procurement relates to a unique work or intellectual property rights of the provider; or
- 22.3.1.2. competition is absent for technical reasons; or
- 22.3.1.3. where there is no reasonable alternative or substitute in the market;
- provided that the reasons for the absence of competition is not due to an artificial narrowing of the Council's requirements;
- 22.3.2. the contract is for works, goods or services that are required in circumstances of extreme urgency that could not reasonably have been foreseen; or
- 22.3.3. the circumstances of the proposed contract are covered by legislative exemptions; or
- 22.3.4. the procurement will be run as Collaborative Procurement or other partnership arrangement with another public body, and the procurement procedures of that other public body will apply (see further [CSO 32](#));
- 22.3.5. The Council has no influence over supplier selection because:
- 22.3.5.1. The procurement activity is grant funded and the supplier is named as a condition of that funding; or
- 22.3.5.2. Where the Council is matching grant funding and the original grant has been given conditional on the use of a named supplier;
- 22.3.6. there are other circumstances which are genuinely exceptional.

23. AUTHORISING A WAIVER

- 23.1. The SLT Member shall prepare a waiver report in the standard form as set out below and submit the report to the appropriate decision maker as follows:

Contract Value	Form of request	Comments required from	Decision Maker
Waiver in relation to Low and Medium Value Contract	Waiver Request Form	No comments required	Assistant Director procurement and commercial on recommendation of the Contract Assurance Board

Waiver in relation to High Value Contracts	Waiver Request Form	Assistant Director, Legal Services	For service contracts, S151 Officer on recommendation of the Contract Assurance Board For works contracts up to £5,37236,609937, Assistant Director procurement and commercial and above that, S151 Officer on recommendation of the Contract Assurance Board
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- 23.2. The [Waiver Request Form](#) shall **ONLY** seek a waiver of the relevant CSO and shall not include any other recommendations. A subsequent procurement strategy approval or award report will follow the provisions of CSOs as applicable.
- 23.3. Retrospective waivers cannot be granted but will be noted. This noting, along with the Award Report will enable you to set up the supplier on the financial system.
- 23.4. The Head of Procurement shall submit all waiver requests to the Contracts Assurance Board to make a recommendation to the decision maker.
- 23.5. A record of the decision and reasons will be kept by the Procurement team. A report on all waivers shall be submitted to SLT quarterly and reviewed annually by the Audit Committee.

Section F - Post Award/In-contract Decisions

24.

25. S (VARIATIONS) AND NOVATIONS

25.1. Approval must be sought for all variations, modifications and any novations to Contracts in accordance with this [CSO 24](#). **Note: extensions are dealt with in [CSO 25](#).**

25.2. The only exception to this is:

- (a) if the change is in relation to a construction contract where provisional sums have been allowed for in the contract sum and the change relates to instructing the expenditure required against those provisional sums, in which case the provisions of the contract should be followed; or
- (b) the contract is a term Contract allowing repeated orders for works, goods or services over its term, in which case the placing of an order is not modification of the Contract where it is within the scope of that Contract and its order process and any advertised estimated contract value for the whole Contract is not exceeded (though new budgetary approval may still be required).

25.3. Modifications (except extensions) of Low and Medium Value Contracts, PLUS High Value works contract below the Works Threshold

25.3.1. For all Low and Medium Value Contracts, and High Value Works Contracts below the Works Threshold (currently £5,37236,609937) where the proposed change in value is not modifying the current value by +/-10% or more, the SLT Member must be able to demonstrate the type of modification was provided for in the original contract¹¹ and:

- 25.3.1.1. that the cumulative value of the modification plus any other previous modifications do not increase the total contract value so that it exceeds the Relevant Thresholds; or
- 25.3.1.2. for construction or highways works only, that the works are covered by a contingency sum which was authorised as part of the award of the contract, provided that the contract was awarded in accordance with these Contract Standing Orders.

25.3.2. For all Low and Medium Value Contracts or High Value Works Contracts below the Works Threshold (currently £5,37236,609937), where the proposed change in value is modifying the current value by +/-10% or more, approval shall be sought from the relevant SLT Member in consultation with the relevant Cabinet Member in accordance with [CSO 24.3.4](#) below

25.3.3. The SLT Member shall prepare a record demonstrating that:

- 25.3.3.1. [CSO 25.3.1.224.3.1](#) has been complied with; and
- 25.3.3.2. where CSO [25.3.1.224.3.1.2](#) is relied upon, confirmation of the previous approval for the Contract; and
- 25.3.3.3. details of the relevant budget for the modification.

¹¹ Regulation 72 Public Contract Regulations may be used as a guide in determining whether or not to modify these contracts. See Appendix 6

25.3.4. The SLT Member (in consultation with the Cabinet Member where CSO 24.3.2 applies) may then approve the modification subject to compliance with Financial Regulations.

25.4. Modifications of Above Threshold Contracts (Regulated Contracts)

25.4.1. Modification of an Above Threshold Contract, or one that has become Above Threshold when previous modifications and extensions are taken into account, are only permitted in accordance with [regulation 72](#) of the Regulations. See **Error! Reference source not found.**~~Appendix 6~~ for details of the exemptions granted by [regulation 72](#). A new procurement procedure in accordance with these CSOs is required for modifications which are not permitted under [regulation 72](#).

25.4.2. Modifications to all contracts that are Above Threshold must first be referred to the Assistant Director, Legal Services and the Head of Procurement to ascertain whether the modification is permissible under the Regulations.

25.4.3. Where the assessment under [CSO 25.4.1](#)~~24.4.1~~ determines that the proposed modification is permitted under regulation 72, the SLT Member must prepare a report ([report template on the Intranet](#)) explaining: :

25.4.3.1. how the modification is permitted under [regulation 72](#) of the PCR; and

25.4.3.2. details of the relevant budget for the modification.

25.4.4. The SLT Member submits the report for decision by the relevant decision maker as follows:

Type of Above Threshold (Regulated) Contract	Total Contract Value (aggregated with the previous modifications and extensions)	Decision Maker
Capital	Services Threshold (currently £21 43,904,477 ¹²) to £1.5m	Relevant SLT Member
Capital	£1.5m and above where the value of the proposed modifications is less than +/-10% of the current contract value	Relevant SLT Member in consultation with the relevant Cabinet Member
Capital	£1.5m and above where the value of the proposed modification represents +/- 10% or more of the current contract value	Relevant Cabinet Member
Revenue	Services Threshold (currently £21 43,904,477) up to £0.5m	Relevant SLT Member

¹² Enforced from 1 January 202~~40~~⁴⁹.

Type of Above Threshold (Regulated) Contract	Total Contract Value (aggregated with the previous modifications and extensions)	Decision Maker
Revenue	Above £0.5m where the value of the proposed modification represents +/- 10% or more of the current contract value	The relevant Cabinet Member
Revenue	Above £0.5m where the value of the proposed modification is less than +/- 10% of the current contract value	Relevant SLT Member in consultation with the relevant Cabinet Member

25.5. Novations

- 25.5.1. A novation is where a contract is to be transferred from one provider to another. It is more common where there is business reorganisation or amalgamation within a wider group of companies. It is often the provider who approaches the Council asking for approval to a novation, and at this point legal advice should be taken immediately. Officers should not authorise invoices received from a new provider in relation to the same service until the novation has been formally approved and implemented (normally a deed of novation is required).
- 25.5.2. A novation of an Above Threshold Contract, or one that has become Above Threshold when previous modifications and extensions are taken into account, is permissible if it falls within regulation [72\(1\)\(d\)](#) of the PCR¹³.
- 25.5.3. Where a new provider is proposed to replace the one to which the Contract was initially awarded, the SLT Member should follow [CSO 25.324.3](#) or [25.424.4](#) as applicable to the value of the Contract as if the novation is a modification of the Contract.
- 25.5.4. All novations will require legal advice, regardless of value, the cost of which must be recovered from the party requesting the novation. An undertaking to pay the legal fees is required at the beginning of the discussions.

26. CONTRACT EXTENSIONS

- 26.1. All contracts (irrespective of value) where the award of contract decision referred to provision for a contract extension AND the contract terms made explicit provision for an extension shall be approved by the relevant SLT Member. All contract extensions that do not meet the criteria will be treated as contract modifications (CSO 24).
- 26.2. All contract extensions with a value over £100,000 must be considered at the Contracts Assurance Board before being submitted for approval to the relevant

¹³ See [Error! Reference source not found.](#) [Appendix 6](#)

SLT Member.

- 26.3. An extension to an Above Threshold Contract, or one that has become Above Threshold when previous modifications and extensions are taken into account, is only permissible under this [CSO 25](#) if:

26.3.1. the Contract includes a clear and unambiguous extension provision to extend the contract term on the same terms and conditions and the price for the extension is either included in the Contract or the price is calculable with reference to review provisions within the Contract ([reg 72\(1\)\(a\)](#) of the Regulations), OR

26.3.2. one of the other [regulation 72](#) exemptions applies (see further [Appendix 6](#)).

In any event, legal advice must be sought as set out for modifications of Above Threshold Contracts in [CSO 24.4](#). In all cases evidence of contractor performance, Value for Money and benchmarking must accompany a request for an extension.

27. CONTRACT TERMINATION PROVISIONS

- 27.1. Where the SLT Member considers that there is a need to prematurely terminate a Contract (or part of a Contract), the advice of the Assistant Director, Legal Services must be obtained.
- 27.2. A report is prepared incorporating the legal advice, and the decision to terminate is taken by:

Contract Value (including previous modifications and extensions)	Authorised Person
Up to £1,500,000	SLT member in consultation with relevant Cabinet Member
£1,500,000 up to £5,000,000	The Cabinet Member(s)
Over £5,000,000	Cabinet

28. CONTRACT MANAGEMENT

- 28.1. For all High Value Contracts or contracts which are considered high risk, a Contract Manager must be identified during the tender period and their details **must** be added to the corporate Contract Register under the entry for the relevant contract. Where the contract is considered high risk the need for a specific Contract Manager will be considered at the Contracts Assurance Board.
- 28.2. The Contract Manager must:
- 28.2.1. undertake appropriate risk assessments that have considered service continuity, health and safety, fraud and Information management risks;
 - 28.2.2. maintain a risk register during the contract period;
 - 28.2.3. ensure appropriate contingency measures are in place for identified risks;
 - 28.2.4. escalate high risks to their Head of Service or Director and the relevant departmental management team;
 - 28.2.5. formally review monthly and regularly monitor and report to the Corporate Procurement Team on:
 - 28.2.5.1. a Contractor's performance;

- 28.2.5.2. the regularity of meetings held with the Contractor;
 - 28.2.5.3. risk management and any issues arisen (for example, reported fraud, information loss or breach of security, service continuity (credit worthiness), significant health and safety incidents) that have identified and how these are being addressed;
 - 28.2.5.4. compliance with specification and contract costs and identifying as early as possible any potential over-spends;
 - 28.2.5.5. any Best Value requirements;
 - 28.2.5.6. user satisfaction; and
 - 28.2.5.7. the data quality and supplier information ensuring that it is fit for purpose.
- 28.2.6. Budget holders must check that services, goods and works have been delivered to the required standard before goods are 'received' and invoices approved. Officers checking and approving invoices must ensure invoices are in line with agreed contracts and should challenge suppliers and contractors where necessary before any payments are made and ensure that any penalties or rebates are claimed.

28.3. Post-Contract Monitoring, Evaluation and Review

All Above Threshold Contracts, or Contracts which are high risk, are subject to a post award:

- 28.3.1. audit or review at least once during the contract term; and
- 28.3.2. a review evaluating the extent to which the purchasing need and the contract objectives are met by the contract. This should be undertaken normally when the contract is completed. Where the contract is to be re-let, a provisional report should also be available early enough to inform the approach to re-letting of the subsequent contract.

Section G - Frameworks and Dynamic Purchasing Systems (DPS)

29. FRAMEWORKS AND DPS

Calling Off from Frameworks and DPS:

- 29.1. The availability of a Framework or DPS should be considered as early as possible in the procurement planning process, once the business need has been established.
- 29.2. A Call-Off Contract from a Framework Agreement or DPS is still a Contract governed by these CSOs and should follow the process set out in these CSOs for identifying the business need, approval of Procurement Strategy and award of contracts, unless a waiver has been granted. However, the competition process must be as set out in the relevant Framework or DPS.
- 29.3. Legal advice must be obtained in relation to any Above Threshold Contract which is proposed to be called off from a third-party Framework or DPS, to ensure that the Framework / DPS was set up in a way that is compliant with the Regulations and that its proposed use is within the scope of the Framework or DPS.

Setting up a Council Framework Agreement or DPS

- 29.4. The SLT Member may decide to establish a Framework or DPS that the Council will call off from (and from which other public bodies may be entitled to call off - i.e. the Council would be the lead authority for the Framework). Where this is proposed the SLT Member shall follow the CSOs in the same way as usual, while recognising that the Council Framework or DPS may be with a single supplier or multi-supplier.
- 29.5. In order to assess the value of the Framework or DPS for the purpose of ascertaining which procedure to follow under these CSOs, the value of the Framework or DPS shall take into account the total estimated value of all anticipated Call-Off Contracts, including by any third parties eligible to use the Council Framework Agreement/DPS.
- 29.6. A Call-Off Contract from a Council Framework Agreement or DPS is also governed by the CSOs. The SLT Member should consider what call offs are likely and as applicable seek authorisation for the awarding first Call-Off Contract, at the same time that the award decision is taken to appoint providers to the Framework Agreement.
- 29.7. If other contracting authorities may purchase through the Framework Agreement, include in the award report to appoint to the Framework /DPS an additional approval for the Council to enter into any ancillary documentation such as Access Agreements if applicable.

Section H - Special procedures

30. JOINT VENTURES

- 30.1. When appointing a joint venture partner, the advice of the Assistant Director, Legal Services must be sought.
- 30.2. These CSOs must be followed for the selection of the joint venture partner and any contracts which are subsequently awarded to the joint venture. Financial Regulations must also be complied with. There is also a requirement in [part 3 of the Constitution](#) for participation in a company to be approved by Full Council.

31. UTILITY PROCUREMENT

- 31.1. Due to the volatility of the energy market, prices of water, diesel, electricity, gas, oil and petroleum fluctuate on a daily basis and the sums quoted by Central Purchasing Bodies in this sector require immediate acceptance. In order to achieve the best value for the Council all decisions relating to energy procurement including the Procurement Strategy, award and/or the variation of contracts may be approved jointly by the Director of Finance and the Assistant Director for Operations. All decisions relating to the award of or variation of energy related contracts will be reported to the Cabinet Member for Finance and Commercial Services for information purposes only.

32. APPOINTMENT OF EXTERNAL SOLICITORS, COUNSEL, EXPERTS WITHIN LEGAL PROCEEDINGS AND ARBITRATORS /ADJUDICATORS

- 32.1. The Assistant Director, Legal Services commissions all external solicitors, Counsel, experts within Legal Proceedings (actual or contemplated) and arbitrators /adjudicators.
- 32.2. The engagement of barristers, experts and adjudicators/arbitrators in construction disputes shall be subject to completion of a formal letter, contract of appointment or brief. The barrister, expert or arbitrator /adjudicator or chambers must either be named in the relevant Contract or be on an approved list maintained by the Assistant Director, Legal Services for this purpose and the appointment shall be approved by the Assistant Director, Legal Services. Where there is no approved list, then the Assistant Director, Legal Services will determine the method of selection, likely to be appointed from a list maintained by a third party.
- 32.3. The engagement of external solicitors shall be made via the London Boroughs Legal Alliance Solicitors Framework, following a mini-competition exercise. In appropriate cases the Assistant Director, Legal Services may dispense with the requirement. Appointment shall be made by formal letter or appointment contract, once approved by the Assistant Director, Legal Services. In exceptional cases the Assistant Director, Legal Services may authorise the use of external solicitors not on the London Boroughs Legal Alliance Solicitors Framework.

33. PARTNERSHIP WORKING AND COLLABORATIVE PROCUREMENT

- 33.1. Partnership working with other local authorities or public bodies can achieve better results in a procurement process than the Council working alone. This goes wider than using a Framework or DPS set up by another public body, but also covers the forming a joint company/ shared service (see [CSO 32.4](#) below) or conducting a Collaborative Procurement.

- 33.2. There are various models for running a Collaborative Procurement, so legal and procurement advice should be sought at the earliest opportunity. Examples include:
- 33.2.1. a common SQ stage and specification but then the procurement diverging,
 - 33.2.2. jointly establishing a Framework or DPS for the participants to use,
 - 33.2.3. another local authority conducting a procurement on behalf of a wider group and appointing a provider, so that the Council will only have a contractual relationship with the lead authority and not the provider,
 - 33.2.4. a full partnership where all the participating local authorities are jointly contracting with the chosen provider.
- 33.3. In nearly every case, the Collaborative Procurement will need to proceed with one of the participants as a lead contracting authority. In recognition of this, use of another public authority's contract procedures is a specific ground for waiving the Council's own CSOs (see [Section E](#)).
- 33.4. The Regulations at [regulation 12](#) recognise two other models under which public authorities can work together without needing to comply with the Regulations. One is the formation of a joint "in-house" company and the other a co-operation model in the public interest. Legal advice must be taken at the earliest opportunity if either of these are being considered. Where one of these exemptions applies, a waiver of the competition requirements of these CSOs may be available under the "legislative exemption" ground (see [Section E](#)).

34. SOCIAL CARE, SPOT/BLOCK PURCHASING OF DOMICILIARY CARE AND RESIDENTIAL AND NURSING CARE

- 34.1. The Council has certain statutory duties to provide, or arrange to provide, practical help or care services to individuals within the community or in a residential setting. Such arrangements may be made through existing Frameworks that the Council can call-off from (sometimes called umbrella agreements), through a block Contract (where the Council has contracted to purchase a block of hours of care/bed spaces without naming the individuals) or spot purchased for a particular individual or group of individuals.
- 34.2. Block Contracts and any Hammersmith & Fulham Frameworks need to be procured in accordance with these CSOs. However, provided that the relevant value is below the Relevant Threshold, neither spot purchasing nor the placement of an individual into a setting in accordance with a block contract or Framework are covered by these CSOs and a waiver is not required. However, the placement must be recorded in writing, incorporating a care plan for the individual.
- 34.3. The Council will maintain information on home care providers and providers of supported living, residential and nursing care placements that can be used for the spot purchase of care services. Such providers, whether or not covered by a block contract or Framework, must have met the minimum national standards laid down by the Care Quality Commission and any additional standards put in place by the Council.

35. COUNCIL SUPPLYING GOODS OR SERVICES TO OTHER BODIES

- 35.1. These Contract Standing Orders do not apply to the putting in place of arrangements, whereby the Council provides goods or services to other public bodies except to the limited extent set out in this [CSO 34](#). Where this is proposed,

legal advice must be taken at the earliest opportunity, particularly around the contract terms proposed by the purchaser and the risks (such as unlimited liability) that the Council is expected to take on under these terms. Financial Regulations must also be complied with.

- 35.2. Prepayment should be sought wherever possible, otherwise invoices must be raised promptly following provision of the good or service and in accordance with established payment terms. Early and prompt action must be taken to collect debts and recover any arrears in accordance with Council's Income Management policy.
- 35.3. Approval for the Council entering into the arrangement shall be taken by the SLT Member.

Appendix 1: Glossary

Defined term	Definition/description
Above Threshold Contract	A Contract or Framework with a value above the Relevant Threshold set under the Regulations.
Access Agreement	An agreement providing access to one party to call off a Framework or DPS owned or operated by another party.
Approved List	A list of approved providers described on the e-tendering system who have expressed an interest in carrying out services, supply of goods or works. It is only permissible to use it for Low and Medium Value Contracts. An Approved List is usually set up for a specific period of time and purpose following a public advertisement. Admission to the Approved List shall be on the basis that the Council's minimum requirements in terms of finance, references, Health & Safety, diversity and environmental considerations are met. The Approved List shall not contain details of schedules of rates and admission has to be free (in accordance with section 21 of the Local Government Act 1988). Approved Lists may then be used for the purpose of inviting a Quotation or Quotations.
Assistant Director, Legal Services	The Assistant Director, Legal Services of the Council having overall responsibility for the provision of legal advice in relation to all the Council's functions or such others authorised by him/her.
Award Criteria	The evaluation criteria applied during a Tender process in order to determine the most economically advantageous tenderer, using a combination of price and quality.
Below Threshold	A Contract or Framework or DPS with a value below the Relevant Threshold set under the Regulations (see Appendix 2).
Best Value Duty	The duty on local authorities to secure continuous improvement in the way in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness, as set out in the Local Government Act 1999.
Business Case	A document used to obtain management commitment and approval for investment in business change, which alters the way that suppliers are selected and goods and services are purchased, or how the Council delivers a service. It provides a framework for planning and management of this change and ongoing identification of risks. The viability of the resulting project will be judged on the contents of the Business Case.
Cabinet	The executive committee of the Council, made up of all the Cabinet Members.
Cabinet Member	A member of the Cabinet as appointed by the Leader.
Call-Off Contract	A Contract which is called off from a Framework or DPS.
Capital Contract	A Contract involving Capital Expenditure
Capital Expenditure	Expenditure incurred in acquiring, constructing or enhancing property, plant or equipment, but excludes day to day servicing, repairs and maintenance.

Defined term	Definition/description
Central Purchasing Body	As defined in the Regulations, being another contracting authority which: <ul style="list-style-type: none"> • acquires goods or services intended for one or more contracting authorities; • awards public contracts intended for one or more contracting authorities; or • concludes Frameworks for work, goods or services intended for one or more contracting authorities.
Code of Conduct for Members	The code regulating conduct of members of the Council forming part of the Council's constitutional document.
Code of Conduct for Officers	The code regulating conduct of officers forming part of the Council's constitutional document.
Collaborative Procurement	A procurement exercise run jointly with other public bodies and in which the Council participates.
Contract	A binding agreement made between two or more parties for the supply of goods or services or the delivery of works, which is intended to be enforceable at law, and to which these CSOs apply pursuant to CSO 2.
Contract Manager	The Council officer who manages a Contract awarded by the Council.
Contract Notice	An "advertisement" published in the Find a Tender Service (FTS) in accordance with these CSOs and the Regulations seeking Tenders or expressions of interest from candidates to tender for works, supplies or services. A Contract Notice must be published in the Find a Tender Service (FTS) where the thresholds are exceeded.
Contract Officer	An officer of the Council designated by the SLT Member to deal with procurement of a specific contract.
Contract Register	A register of the contracts in place across the Council in excess of £5,000 to include an electronic copy of the Contract if valued at £10,000 or more, forming part of the e-tendering system.
Contract Standing Orders (CSO or CSOs)	This set of rules forming part of the Council's constitutional document.
Deed	The legal term for a particular form of Contract with particular requirements as to its execution (i.e. signature). The execution of a Contract as a deed extends the limitation period from 6 years to 12 years. All contracts with a value of £100,000 or more must be executed as deeds and sealed by the Council.
Dynamic Purchasing System or DPS	Defined in the Regulations as a type of Approved List. Prices have not been provided but those on the DPS have fulfilled minimum standards. Unlike a standard Approved List it can be used for High Value Call-Off Contracts. A dynamic purchasing system must remain open to new applicants to join at any time and "mini-competition" exercises have to be carried out to place specific contracts.
Estimated Value	The value of the Contract as estimated by the SLT Member in line with Appendix 3.
e-tendering system	The electronic procurement system approved for use by the Section 151 Officer for the management of all procurement activity across the Council.

Defined term	Definition/description
Financial Regulations	The financial regulations approved by the Council and issued by the Section 151 Officer forming part of the Council's constitutional document.
Framework	A contractual arrangement (let in accordance with regulation 33 of the Regulations unless the value of all purchases through the Framework is estimated to be Below Threshold) that can be up to 4 years in duration and provides a mechanism for the Council to place individual Call Off Contracts for goods, works or services.
Head of Procurement	The Officer of the Council having overall responsibility for procurement.
High Value Contract	A Contract where the estimated value (or subsequent to a procurement exercise, the actual value) is above the Services Threshold (currently £21 43 ,904477).
Innovation Partnership	To be used in specific situations set out in regulation 31 of the Regulations.
Invitation to Tender	Invitation to tender documents in the form required by these CSOs or published on the Council's intranet.
Low Value Contract	A Contract where the estimated value (or subsequent to a procurement exercise, the actual value) is less than £50,000.
Medium Value Contract	A Contract where the estimated value (or subsequent to a procurement exercise, the actual value) is from £50,000 up to (but not including) the Services Threshold (currently £21 43 ,904477).
Minimum Standards Questionnaire	A questionnaire used with a single-stage procurement pursuant to section 111 of the Regulations, such questionnaire is returned with the main Tender and is used to assess suitability, capability, legal status and financial standing.
Modification	An amendment to a Contract whether requiring new, additional or amended services, supplies or works.
Nominated Supplier and Nominated Subcontractor	Those persons or organisations specified by the Council in a Contract for the discharge of any part of that Contract.

Defined term	Definition/description
Non-commercial Considerations	<p>Matters designated as such under section 17 of the Local Government Act 1988, i.e.:</p> <ul style="list-style-type: none"> • Whether the terms on which contractors' contract with their sub-contractors constitute, in the case of contracts with individuals, contracts for the provision by them as self-employed persons of their services only. • Any involvement of the business activities or interests of contractors with irrelevant fields of government policy. • The conduct of contractors or workers in industrial disputes between them or any involvement of the business activities of contractors in industrial disputes between other persons. • The country or territory of origin of supplies to, or the location in any country or territory of the business activities or interests of, contractors. • Any political, industrial or sectarian affiliations or interests of contractors or their directors, partners or employees. • Financial support or lack of financial support by contractors for any institution to or from which the authority gives or withholds support. • Use or non-use by contractors of technical or professional services provided by the authority under the Building Act 1984. <p>Note: the duty not to have regard to non-commercial considerations is modified to the extent that the Council considers this necessary or expedient in order to comply with its duties under the Public Services (Social Value) Act and the PSED.</p>
Parent Company Guarantee	<p>A guarantee which binds the parent of a subsidiary company as follows: If the subsidiary company fails to do what it has promised under a contract with the Council, under the terms of the guarantee, can require the parent company to do so instead or pay money in lieu.</p>
PCR or Regulations	<p>The Public Contracts Regulations 2015 SI 2015/112 effective date 26 February 2015 (which implements the EU Directive 2014/24/EU into UK law) as amended or replaced including amendments introduced by the Public Procurement (Amendment etc.) (EU Exit) Regulations 2020.</p>

Defined term	Definition/description
Public Sector Equality Duty (PSED) and Protected Characteristics	<p>The Public Sector Equality Duty or PSED covers the following characteristics (known as Protected Characteristics):</p> <ul style="list-style-type: none"> • Age • Disability • Gender reassignment • Pregnancy and maternity • Race • Religion or belief • Sex (gender) • Sexual orientation • Marriage and civil partnership (not always relevant to the duty) <p>The Council is subject to the Public Sector Equality Duty and must, in the exercise of its functions, have due regard to the need to:</p> <ul style="list-style-type: none"> • eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act; • advance equality of opportunity between people who share a protected characteristic and those who do not; and • foster good relations between people who share a protected characteristic and those who do not. <p>The Equality Act 2010 states that meeting different needs involves taking steps to take account of disabled people's disabilities. It describes fostering good relations as tackling prejudice and promoting understanding between people from different groups. It states that compliance with the duty may involve treating some people more favourably than others.</p>
Quotation	A quotation of a price for the provision of services, works or supplies without assessment of any quality aspects.
Quote	An invitation-only procurement route whereby the Council seeks Quotations.
Regulated Procurement	A procurement exercise for a Contract, Framework or DPS that has an estimated value that is Above Threshold and that are subject to the full extent of PCR 2015.
Regulation 84 Report	The report required under regulation 84 of the PCR.
Relevant Threshold	The relevant threshold above which the Contract is to be procured as required under the PCR, as set out in Appendix 2 ,
Service Review Team	The team established to undertake the service review of a High Value Contract (see CSO 17.1).
Services Threshold (currently £2143,904477)	The threshold for proposed contracts for services (except Social and Other Specific Services) and supplies set under the PCR, as set out in 0.
SLT Member	Officers who are a member of the Strategic Leadership Team.
Social and Other Specific Services	Are described in Appendix 2 .

Defined term	Definition/description
Social and other Specific Services Threshold (currently £663,540)	The threshold for Social and Other Specific Services set under the PCR as set out in Appendix 2 .
Standstill Period	For Above Threshold Contracts, the period of ten days set out in the PCR after notification of an award decision to Tenderers, during which the Contract must not be formally awarded.
Tender	A tenderer's proposal submitted in response to an invitation from the Council to be assessed on the basis of a combination of price and quality.
Tender Appraisal Panel (TAP)	A panel constituted to manage all Tender processes (as described in paragraph 4039 of Appendix 8).
Unregulated Procurement	A procurement exercise for a Below Threshold Contract (or, unusually, an Above Threshold Contract for which an exemption is available) and so is not subject to the full extent of PCR.
Value for Money	Value for money is not the lowest possible price; it requires assessment of goods or services that fully meet the Council's needs, combined with the level of quality required, delivery at the time you need it, and at an appropriate price.
Works	Are described in Schedule 2 of the Regulations.
Works Threshold (currently £5,372,366,609,937)	The threshold for Works set under the PCR, as set out in Appendix 2

Appendix 2: Relevant Thresholds

The Public Contracts Regulations 2015 and the Concession Contracts Regulations 2016 apply to Contracts when the estimated value equals or exceeds the Relevant Threshold.

The Relevant Thresholds for the purposes of the Public Contracts Regulations 2015 as of 1 January 2020 are as follows:

Contract Type	Threshold
Contracts for the supply of goods (including installation) Contracts for the provision of services	£21 43 , 904 477 ("Services Threshold")
Contracts for the supply of Works	£5,3 72 36 , 609 937 ("Works Threshold")
Contracts for the provision of Social and Other Specific Services the "Social and Specific Services" Threshold including: Health, social and related services Administrative social, educational, healthcare and cultural services Compulsory social security services Benefit Services Other community, social and personal services including services furnished by trade unions, political organisations, youth associations and other membership organisation services Religious services Hotel and restaurant services Legal services, to the extent not excluded by regulation 10(1)(d) Other administrative services and government services Provision of services to the community Investigation and security services International services Postal services International services; and Miscellaneous services (see schedule 3 of the PCR for more details)	£663,540

The Relevant Threshold for the purposes of the Concession Contracts Regulations 2016 as of 1 January 2020 is £5,3~~72~~~~36~~,~~609~~~~937~~.

Appendix 3: Contract Value and Contracts Requirements

1. TOTAL VALUE OF A CONTRACT

- 1.1. The total value of the Contract is the whole of the value or estimated value (in money or equivalent value) excluding VAT. It should include all money to be paid whether in instalments or whether it is paid or received by the Council (though see below for concession contracts). The total value of the contract is calculated from the start date of the contract to its conclusion, including any extensions provisions.
- 1.2. The total value shall be calculated as follows:
 - 1.2.1. Where the contract is for a fixed period, by taking the total price to be paid or which might be paid during the whole of the period.
 - 1.2.2. Where the purchase involves recurrent transactions for the same type of item, by aggregating the value of those transactions over the term of the Contract this may be by assessing how many orders are likely to be placed during a 12-month period and multiplying it by the number of years of the term.
 - 1.2.3. For pilots which may be rolled out in the event of a successful pilot, the value shall be the total value of the pilot and the roll out.
 - 1.2.4. For Nominated Suppliers and Sub-contractors, the total value shall be the value of that part of the main contract to be fulfilled by the Nominated Supplier or Sub-contractor.
 - 1.2.5. Where an in-house service provider is tendering, by taking into account redundancy and similar/associated costs if they are not successful.
- 1.3. For concessions contracts, the estimated contract value must be based on the estimated turnover to be generated by the Contractor over the term of the Contract excluding VAT. This means that the value is the total estimated turnover (income) generated by the Contractor throughout the lifetime of the proposed concession contract including any potential extensions (net of value added tax). It is incorrect to use only the value of any payment made by the Council to the concessionaire to estimate the value of a concession contract.

2. CONTRACT REQUIREMENTS

- 2.1. All Contracts shall be in writing and in a format approved by the Assistant Director, Legal Services. They must not include non-commercial Considerations. Irrespective of value, they must clearly specify:
 - 2.1.1. the works, goods, materials or services to be carried out, furnished or provided (description and quality),
 - 2.1.2. the price or rates to be paid, together with a statement of any discounts or other deductions (amount and timing) which apply,
 - 2.1.3. the time, or times, within which the contract is to be performed, and
 - 2.1.4. all other contractual terms, which will be based upon:
 - 2.1.4.1. the Council's standard terms & conditions; or
 - 2.1.4.2. standard terms and conditions issued by a relevant professional body (e.g. JCT or NEC in relation to construction related works);

or

- 2.1.4.3. bespoke terms & conditions drafted by the Assistant Director, Legal Services.

- 2.2. In addition, every Contract of purchase over £25,000 must also as a minimum state clearly:
 - 2.2.1. that the contractor may not assign or sub-contract without prior written consent of a SLT Member (and where it is a “sub-contract”, written consent of a contract administrator)
 - 2.2.2. any insurance requirements
 - 2.2.3. health and safety requirements
 - 2.2.4. ombudsman requirements
 - 2.2.5. Freedom of Information Act obligations
 - 2.2.6. Civil Contingencies Act 2004 requirements
 - 2.2.7. business continuity if relevant;
 - 2.2.8. data protection requirements, if relevant
 - 2.2.9. that charter standards are to be met, if relevant
 - 2.2.10. equalities and other diversity related requirements
 - 2.2.11. (where agents are used to let contracts) that agents must comply with the Council’s CSOs relating to contracts
 - 2.2.12. Provisions which comply with CSO 7.3
 - 2.2.13. a right of access to relevant documentation and records of the contractor for monitoring and audit purposes, if relevant.
- 2.3. Where it is proposed to use a supplier’s own terms, the advice, and for high value contracts the agreement, of the Assistant Director, Legal Services must be sought in relation to any terms and conditions which differ from the Council’s standard terms.
- 2.4. Payment terms
 - 2.4.1. In accordance with regulation 113 of the PCR 2015, the Council must pay undisputed invoices to contractors within 30 days. The Council must also require in its contracts that all contractors pass on to their subcontractors no less favourable payment terms than they receive from the Council.
 - 2.4.2. The Council is Living Wage Foundation accredited. The accreditation requires that all contractors/subcontractors working on Council contracts are paid in line with or above the [London Living Wage Foundation rates](#).
 - 2.4.3. Tenderers will be required to demonstrate how they will allow the Council to monitor the timescales within which they pay their subcontractors.

Appendix 4: Summary of Approvals

The following is a summary of the approval processes for pre-procurement strategy and contract awards.

Type of contract	Value	Procurement Strategy	Award Approval
All Low Value and Medium Value contract (i.e. below Services Threshold)	Up to Services Threshold (currently £21 43 , 904 477)	Not required	SLT Member
Revenue Contracts	From Services Threshold (currently £21 43 , 904 477) up to £0.5m	Chief Executive/SLT member in consultation with Cabinet Member	CSLT member in consultation with Cabinet Member
Revenue Contracts	£0.5m to £5m	Cabinet Member	Cabinet Member
Revenue Contracts	Over £5m	Cabinet	Cabinet Member
Capital Contracts	From Services Threshold (currently £21 43 , 904 477) to £1.5m	SLT member in consultation with Cabinet Member	SLT member in consultation with Cabinet Member
Capital Contracts	£1.5m - £5m	Cabinet Member	Cabinet Member
Capital Contracts	Over £5m	Cabinet	Cabinet Member

Note: an approval of an award of contract shall also by implication include approval for the Council to enter into the following associated documents:

1. Access Agreements where (a) the Council is the Framework owner and uses Access Agreements to enable other public bodies to join, or (b) which the Council needs to enter into in order to use a third-party Framework
2. Performance bonds and parent company guarantees
3. Collateral warranties with sub-contractors of the appointed supplier

Table 2: Approval levels for waivers, modifications, extensions, and terminations

The following is a summary of the approval processes for Waivers, Contract Modifications, Extensions and Terminations.

Type of contract	Value	Modifications	Extensions	Terminations	Waiver
All Low Value and Medium Value contracts	Up to Services Threshold (currently £21 43 ⁵ ,904477)	SLT Member	Chief Executive/SLT Member	SLT Member in consultation with the Cabinet Member	Assistant Director procurement and commercial on recommendation of the Contracts Assurance Board
Revenue Contracts	Services Threshold (currently £21 43 ⁵ ,904477) to £0.5m	SLT Member	Chief Executive/SLT Member in consultation with the Cabinet Member	SLT member in consultation with relevant Cabinet Member, the s151 Officer and Assistant Director, Legal Services	For works contracts up to £5.3 7236 ⁷²³⁶ ,609937, Assistant Director procurement and commercial on recommendation of the Contracts Assurance Board.
Revenue Contracts	£0.5m to £1.5m	SLT Member in consultation with the Cabinet Member (<i>the total value of the contract is not modified by +/- 10% or more</i>) Cabinet Member (<i>the total value of the contract is modified by +/- 10% or more</i>)	The Cabinet Member	SLT member in consultation with relevant Cabinet Member, the s151 Officer and Assistant Director, Legal Services	For works contracts up to £5.3 7236 ⁷²³⁶ ,609937, Assistant Director procurement and commercial on recommendation of the Contracts Assurance Board.
Revenue Contracts	£1.5m to £5m	SLT Member in consultation with the Cabinet Member (<i>the total value of the contract is not modified by +/- 10% or more</i>) Cabinet Member (<i>the total value of the contract is modified by +/- 10% or more</i>)	The Cabinet Member	The Cabinet Member(s)	For works contracts up to £5.3 7236 ⁷²³⁶ ,609937, Assistant Director procurement and commercial on recommendation of the Contracts Assurance Board.

Type of contract	Value	Modifications	Extensions	Terminations	Waiver
Revenue Contracts	Over £5m	SLT Member in consultation with the Cabinet Member <i>(the total value of the contract is not modified by +/- 10% or more)</i> Cabinet Member <i>(the total value of the contract is modified by +/- 10% or more)</i>	The Cabinet Member	Cabinet	For works contracts up to £5,372,366,609,937, Assistant Director procurement and commercial on recommendation of the Contracts Assurance Board. For works contracts over £5,372,366,609,937 and for all other high value contracts S151 Officer on recommendation of the Contracts Assurance Board
Capital Contracts	Services Threshold (currently £2143,904,477) to £1.5m	SLT Member	Chief Executive/SLT Member in consultation with the Cabinet Member	SLT member in consultation with relevant Cabinet Member, the s151 Officer and Assistant Director, Legal Services	S151 Officer on recommendation of the Contracts Assurance Board
Capital Contracts	£1.5m - £5m	SLT Member in consultation with the Cabinet Member (the total value of the contract is not modified by +/- 10%) Cabinet Member (the total value of the contract is modified by +/- 10%)	The Cabinet Member	The Cabinet Member(s)	S151 Officer on recommendation of the Contracts Assurance Board
Capital Contracts	Over £5m	SLT Member in consultation with the Cabinet Member (the total value of the contract is not modified by +/- 10%) Cabinet Member (the total value of the contract is modified by +/- 10%)	The Cabinet Member	Cabinet	S151 Officer on recommendation of the Contracts Assurance Board

Appendix 5: SLT Members responsibilities

The SLT Member's responsibilities referred to in [CSO 5](#) are as follows:

- to ensure compliance with legislation and Council Policy;
- to ensure value for money in all procurement and contract matters;
- to ensure compliance with these CSOs and the Financial Regulations;
- to maintain a departmental register of decisions taken for contract-related activities;
- to ensure that all relevant staff are familiar with the provisions of these CSOs, Financial Regulations and the Council's e-tendering system and that they receive adequate training on their operation;
- to ensure compliance with any guidelines issued in respect of these CSOs;
- to take immediate action in the event of a breach of these CSOs or within his or her area;
- to keep proper records of all contracts, tenders, etc. including electronic data files (where electronic tendering systems are used), minutes of tender evaluation panels and other meetings;
- to keep appropriate departmental records of all contracts awarded (using the Council's e-tendering system¹) where these have a total value of £5,000 and over (in keeping with the statutory requirements on transparency);
- the safekeeping of all original contracts which have been completed by signature and where the value is below £100,000. For contracts which exceed this figure an electronic copy of the sealed contractual paperwork is uploaded on the Council's Contracts Register or passed to the Procurement Team for upload in the Contracts Register (and thereafter safekeeping);
- comply with these CSOs, Financial Regulations, Codes of Conduct and with all UK and European Union binding legal requirements and must also:
 - keep the records required by [regulation 84](#) of the PCR and [CSO 18](#);
 - ensure that Tender procedures are conducted in accordance with procedures set out in the Invitation to Tender;
 - ensure that agents, consultants, and contractual partners acting on their behalf also comply; and
 - take all necessary legal, financial and professional advice.

In addition, no member or officer may accept any form of hospitality from any candidate during a procurement competition (or similar exercise). Hospitality from suppliers, service providers or contractors who have or may have in the future current contracts with the Council may only be accepted in accordance with the "Guidance on Gifts and Hospitality" which forms part of the Council's Constitution (for members) and "Policy and Procedure for: Acceptance of Gifts and Hospitality by Employees: Guidance on the receipt of gifts, benefits and hospitality" that is part of the Council's Personnel Procedures (for officers). For both members and officers the appropriate Register of Gifts and Hospitality should be completed in accordance with this guidance.

Appendix 6: Modifications and regulation 72 of the PCR

Some modifications to Contracts are permissible if they can be said to be covered by one or more of the following safe harbours:

Regulation of the PCR	Scenario	Criteria
Reg 72(1)(a)	Where the initial documents set out that it is possible for the Council to modify the terms of the contract or Framework Agreement.	This ability to modify must be written in <u>clear, precise and unequivocal review clauses</u> in the initial documents provided that the clauses state the scope and nature of possible modifications or options and do not provide for modifications which would alter the overall nature of the Contract/Framework Agreement.
Reg 72(1)(b)	Where additional works, services and/or suppliers have become necessary for the contractor to perform its obligations under the contract/Framework Agreements.	To rely on this, it must be shown that it is not possible to change contractor because: A) economic and technical reasoning applies such as interchangeability, or interoperability with existing equipment, services or installations procured under the initial procurement and B) this would cause ' <u>significant inconvenience</u> ' or ' <u>substantial duplication of costs</u> ' for the Council. In addition, the value of the additional works, services and/or suppliers required cannot exceed 50% of the value of the original Contract. Finally, a notice must be published accordance with regulation 51 of the PCR.
Reg 72(1)(c)	Where an unforeseeable circumstance has arisen	This can only be relied upon where: <ul style="list-style-type: none"> • where the need for the change has been brought about by circumstances which a diligent contracting authority could not have foreseen; and • the modification does not change the overall nature of the contract; and • any increase in price caused by this modification cannot exceed 50% of the value of the original contract. Finally, a notice must be published accordance with regulation 51 of the PCR.

Regulation of the PCR	Scenario	Criteria
Reg 72(1)(d)	Where a new contractor replaces the original as a result of corporate restructuring, a takeover, merger, acquisition, or insolvency	<p>Provided that:</p> <ul style="list-style-type: none"> the contract includes an unequivocal review clause permitting the transfer; and the transfer is as a consequence of universal or partial succession into the position of the initial contractor following corporate restructuring including takeover, merger, acquisition or insolvency of another economic operator that fulfils the criteria for qualitative selection initially established; and this does not result in other substantial modifications to the contract and not aimed at circumventing the PCR.
Reg 72(1)(e)	Where the modification is not substantial	<p>A substantial modification is one which:</p> <ul style="list-style-type: none"> A) Renders the contract/framework materially different in character; or B) Would have attracted additional bids or an alternative bid pool during the procurement process or would have meant the council could have accepted another bid; or C) Makes the agreement more favourable to the contractor in a way that was not provided for in the original documentation; or D) Where the scope of the contract/framework is extended considerably; or E) Where a new contractor replaces the original for reasons not set out in regulation 72(1)(d) above.
Reg 72(1)(f)	Low value modification	<p>Where:</p> <ul style="list-style-type: none"> the value of the modification will not exceed certain thresholds; and the modification does not exceed 10% of the original contract value for services and supplies and 15% of the original contract value for works contracts. <p>Provided always that the nature of the contract is not changed.</p> <p>When considering the value any modifications made should be considered so that the cumulative value must comply with the above.</p>

Appendix 7: Time Limits for Procurements

The following time limits apply to Above Threshold procurements.

Procedure	Minimum time limits	Days	Days if Council accepts electronic submission of tenders	Days if PIN is used (in addition to a contract notice)	Days if all reductions apply (electronic tenders and PIN)
Open (Regulation 27)	Minimum time for receipt of tenders from date contract notice sent	35	30	15	N/A
Restricted (Regulation 28)	Minimum time for receipt of requests to tender (SQ response) from the date the contract notice sent	30	N/A	N/A	N/A
Restricted (Regulation 28)	Minimum time for receipt of tenders from the date the invitation to tender sent	30	25	10	5
Competitive negotiated (Regulation 29)	Minimum time for receipt of requests to tender (SQ response) from the date the contract notice sent	30	N/A	N/A	N/A
Competitive negotiated (Regulation 29)	Minimum time for receipt of initial tenders from the date the invitation to tender sent	30	25	10	5
Competitive dialogue and Innovation partnership (Regulation 30 and 31)	Minimum time for receipt of requests to participate in dialogue or negotiate from the date the contract notice sent	30	N/A	N/A	N/A
Competitive dialogue and Innovation partnership (Regulation 30 and 31)	Minimum time for receipt of tenders from the date the invitation to tender sent	No minimum. Timescale determined by contracting authority.	N/A	N/A	N/A

Appendix 8: Procurement process step by step for High Value procurements

Glossary of specific terms

Set out below are some specific terms which apply to this Appendix.

Term	Description
Competitive Dialogue Procedure	To be used in specific situations set out in Regulation 30 of the PCR.
Competitive Procedure with Negotiation	To be used in specific situations set out in Regulation 29 of the PCR.
Negotiated Procedure without prior publication	Used in exceptional circumstances. Refer to Regulation 32 of the PCR.
SQ or Selection Questionnaire	An application form used for admission to a DPS or an Approved List or in response to an invitation to Tender where pre-qualification is being used.
Prior Information Notice	A notice that is published in Find a Tender Service (FTS) advising the market of the intention to start tendering within the next 12 months. It may be used to seek the views from interested parties on proposed packaging arrangements, or (in certain circumstances) as a call for competition.
Restricted procedure	Two stage process defined in the PCR Reg 28 that involves a pre- qualification assessment of all candidates responding to a Contract Notice prior to deciding who will be invited to tender.
Select list	A list of those to be invited to Tender compiled following expressions of interest received from external organisations who have responded by submission of an SQ to an: <ul style="list-style-type: none"> • Advertisement appearing in a local newspaper and/or trade journal (if considered appropriate); and/or • Publication on the Council's website; and/or • Contracts Finder advert; and/or • Find a Tender Service (FTS) Contract Notice (except for non-priority [Part B] services – a Voluntary FTS Contract Notice may be considered), if the estimated value is above threshold
Dynamic Purchasing System	To be used in specific situations set out in Regulation 34 of the PCR.

36. PRELIMINARY MARKET CONSULTATIONS (REGULATION 40 AND 41 OF THE PCR)

- 36.1. The SRT may arrange a preliminary market testing exercise where:
 - 36.1.1. potential suppliers and others are consulted with prior to the issue of the Invitation to Tender in general terms about the nature, level, broad estimated value and standard of the supply, contract packaging and other relevant matters provided this does not have the effect of distorting competition and does not result in a violation of the principles of non-discrimination and transparency, and
 - 36.1.2. may, where an existing contract exists, obtain from the current service provider information on service delivery aspects.
- 36.2. Where technical advice on the preparation of contract documentation is sought from any organisation or person(s) who may have a commercial interest in bidding, arrangements must be put in place so not as to prejudice the outcome by distorting competition and/or compromising the equal treatment of all potential Candidates. Where there is potential that the process may be distorted or compromised then advice from the Head of Procurement and the Assistant Director, Legal Services must be sought.
- 36.3. You should consider the use of a PIN notice to draw the market consultation to the alteration of potential respondents. The Council's e-tendering system must be used when a Prior Information Notice (PIN) is issued.

37. PROCUREMENT STRATEGY

- 37.1. For High Value Contracts, the SRT shall prepare the [Procurement Strategy](#) for approval by the relevant SLT Member. Where the proposed Contract relates to a new service or initiative or the purchase or construction of a new asset, the [Procurement Strategy](#) must also include a Business Case.
- 37.2. The [Procurement Strategy](#) must cover:
 - 37.2.1. **Procurement method:** consider what procurement method is most likely to achieve the purchasing objectives, including:
 - 37.2.1.1. internal provision ("make decision"); or
 - 37.2.1.2. external sourcing ("buy decision"); and/or
 - 37.2.1.3. collaboration (including a joint working arrangement between the Council and other local authorities) with other purchasers, partnering and long-term relationships; and/or
 - 37.2.1.4. the use of a DPS or Framework already let by the Council, or a DPS or Framework let by another Central Purchasing Body and which has been awarded on the basis that it can be used by others in particular the Council;
- 37.3. Where paragraph 37.2.1.4 applies, as part of its report seeking approval the SLT Member shall provide evidence that:
 - 37.3.1. the Council is within the class of persons eligible to call off from the DPS or Framework;
 - 37.3.2. the goods, works or services required to be procured are within the scope of the DPS or Framework;

- 37.3.3. the call off procedures required under the rules of the DPS Framework or have been established and will be followed, and that a fair and transparent process will be used;
- 37.3.4. the Assistant Director, Legal Services has reviewed the proposed call off terms and conditions (to the extent that they are specified by the DPS or Framework) to ensure that they do not compromise the Council's interests.
- 37.4. In general, the SLT Member shall ensure that the report seeking approval for the [Procurement Strategy](#) includes:
- 37.4.1. **Contract Period:** this should include any potential extensions and/or break periods. If the Contract is a Framework Agreement then the Contract Period shall not exceed 4 years.
- 37.4.2. **Contract Value:** the estimated Contract value. Ensuring that there is an estimating process which sets out the initial Contract estimate, revised estimates and tender estimate. Such estimates must reflect current or expected market values and must not be over or under inflated as a means of avoiding the requirements of either or both the PCR or these CSOs.
- 37.4.3. **Expenditure:** appraise the need for the expenditure and its priority and identify the relevant budget and confirm that:
- 37.4.3.1. there is approval for the expenditure in accordance with Financial Regulations; and
- 37.4.3.2. for non-procurement related issues, the appropriate approvals, for example, those found in Financial Regulations have been complied with;
- 37.4.4. **Consultation:** consultation undertaken with service users (as may be appropriate) about the proposed procurement method, contract standards and also performance and user satisfaction monitoring.
- 37.4.5. **Options:** consider the needs of the business and sourcing possibilities. This includes options for extension.
- 37.4.6. **Procurement Process:** take into account any procurement guidance issued by the Head of Procurement, and/or the Chief Executive (or any other officer they nominate). Depending on whether the Contract Value is:
- 37.4.6.1. Below the Relevant Threshold for supplies/services in which case the procurement shall be an open procedure;
- 37.4.6.2. above the Relevant Threshold for supplies/services or all High Value Contracts for works in which case decide on the most appropriate process:
- open procedure; or
 - restricted procedure; or
 - light touch arrangement (applicable only to social and other specified services); or
 - only with the Head of Procurement's prior approval:
 - competitive dialogue; or
 - competitive procedure with negotiation; or
 - innovation partnership; or

- use of the negotiated procedure without prior publication (direct award) and
 - whether the procurement competition will include an electronic auction (including reverse).
- 37.4.7. **Advertising Process:** in accordance with CSO 18 agree the appropriate advertising process.
- 37.4.8. **Local and SME/VCSE provision:** For below Threshold Social and Other Specific Services and Works Contracts, in accordance with [CSO 4.9](#) to [CSO 4.13](#) assess the contract may be reserved to Local and SME/VCSE suppliers.
- 37.4.9. **Contract packaging** - consideration of whether the Contract can be divided into separate lots and if the contract is not divided reasons as to why not should be recorded in the [Regulation 84](#) Report and [Procurement Strategy](#).
- 37.4.10. **Establishing a Framework Agreement:** where the [Procurement Strategy](#) relates to the establishment of a framework for other public sector bodies to purchase through, the Strategy must show how it will ensure compliance with the Local Authorities (Goods and Services) Act 1970 and/or the Local Government Act 2003 as appropriate and must be approved by the Head of Procurement.
- 37.4.11. **Preliminary Market Consultations:** consider the outcome of any preliminary market consultations aimed at ensuring the draft specification and the terms & conditions are achievable at realistic costs to the Council.
- 37.4.12. **Tender documentation:** The SRT shall in the Procurement Strategy report:
- 37.4.12.1. detail the main provisions contained in the draft specification and ascertain what the relevant standards (may be referenced to a corresponding British standard) which apply to the subject matter of the contract. Such standards must comply with [regulation 42](#) of the PCR. The SRT must conclude those standards that are necessary properly to describe the required quality.
 - 37.4.12.2. detail how the procurement shall ensure stimulation of the market and to ensure sufficient tenders are received;
 - 37.4.12.3. define the objectives of the purchase and, where appropriate, ensure that they meet the requirements of the Council;
 - 37.4.12.4. identify any significant variations to the Council's standard terms and conditions;
 - 37.4.12.5. identify the Award Criteria to be used (not just the split between price: quality) and the reasoning for the recommendation ensuring the optimum combination of whole life cost and quality;
 - 37.4.12.6. securing wider social, economic and environmental benefits for the community for all contracts (services, works, supplies, concession etc). Including specifically for service contracts

how the proposed tender documents meet the statutory requirements contained in the Public Services (Social Value) Act 2012 and the Council's policy on social value;

37.4.12.7. consider, where it is appropriate, the Council's responsibilities under the Civil Contingency Act in terms of potential emergencies and the continuity of high priority services; and

37.4.12.8. other legislation relating to the contract.

37.4.13. **Data Protection:** The SRT should consider what personal data will be collected or processed as part of the contract. A Data Protection/ Privacy Impact Assessment should be carried out and reference should be made to the guidance provided by the Information team within the Council.

37.4.14. **Special Conditions:** The SRT shall consider special conditions relating to the performance of a contract in accordance with [regulation 70](#) of the PCR. These may include economic, innovation-related, environmental, social or employment-related considerations.

38. AWARD CRITERIA

38.1.1. In accordance with the PCR all award criteria and sub-criteria relating to the award must be clearly published and refer only to relevant considerations.

38.1.2. The award of all High Value Contracts must be on the basis of the most economically advantageous tender. The recommended quality:price ratio is 60:40. Deviations from this split can be proposed but justification to changes should be included in the award approval report submitted.

38.1.3. The award criteria must be published as part of the tender documentation.

38.1.4. Evaluation must only be made using the published criteria and sub-criteria. Criteria may include:

- Price
- Quality of service
- Quality of goods
- Whole-life running costs
- Whole life cycle costs
- Technical merit
- Cost effectiveness
- Quality
- Delivery date
- Long-term relationships
- Safety
- After-sales services
- Technical assistance
- Partnering arrangements
- Social value
- Relevant environmental considerations
- Aesthetic and functional characteristics (including security and control features)
- Any other relevant matter

- 38.2. Social value must form part of evaluation of the award criteria for any High Value Contract. A minimum of 10% of the overall score shall be attributed to social value in accordance with the Council's Social Value Policy.
- 38.3. Award Criteria and sub-criteria must be designed to secure an outcome giving best value for money for the Council. The Award Criteria and selection criteria must not include:
 - 38.3.1. Non-commercial Considerations; or
 - 38.3.2. matters which discriminate against suppliers from or signatories to the Government Procurement Agreement.
- 38.4. The Award Criteria must be set out in the [Procurement Strategy](#).

39. CONTRACT PACKAGING – CONSIDERATION OF DIVIDING INTO LOTS

- 39.1. In accordance with [regulation 46](#) of the PCR, the Council may decide to divide the procurement competition into separate lots. However, where the decision of the Council is not to subdivide into lots that decision must be recorded in:
 - 39.1.1. the [Regulation 84](#) Report if the Contract is Above Threshold; and/or
 - 39.1.2. the Procurement Strategy.
- 39.2. However, the consideration must not be to enter into separate Contracts, nor select a method of calculating the total value, in order to avoid the requirements of the PCR or to minimise the application of these CSOs (otherwise known as disaggregation).

40. TENDER APPRAISAL PANEL

- 40.1. The TAP may be similar in its composition to that of the SRT. It will ensure that the procurement exercise is managed in accordance with existing legislative requirements and the Procurement Strategy that has been approved by the Council. Its roles include finalising all final documentation required to undertake a procurement exercise, with appropriate legal and procurement advice it also conducts evaluations at qualification and/or award stages.
- 40.2. The TAP will be chaired by the SLT Member or his/her delegated deputy (or where there are several departments involved, in the department with the highest spend), with a senior sponsor, and include relevant stakeholders (e.g. Contract Officer). It will consult and engage relevant professional officers including but not limited to legal, finance, procurement, IT and HR. It will also commission additional expertise where this is warranted. It will be responsible for:
 - 40.2.1. ensuring a contract is put in place in accordance with legal requirements,
 - 40.2.2. meeting required deadlines and service requirements,
 - 40.2.3. obtaining value for money, and
 - 40.2.4. meeting the agreed objectives set out in the Procurement Strategy.
- 40.3. In most instances the TAP will identify and appoint a Contract Officer who will be responsible for the day to day running of the procurement exercise. The Contract Officer will be a member of the TAP.
- 40.4. Before beginning the tendering process, the Contract Officer responsible for it must, in a manner commensurate with the complexity and value of the project:
 - 40.4.1. act on the agreed recommendations set out in the agreed Procurement

Strategy;

- 40.4.2. take into account any procurement guidance issued;
- 40.4.3. assess the risks associated with the procurement and how to manage them; and
- 40.4.4. have due regard to the Council's Social Value responsibilities under the Public Services (Social Value) Act 2012 and Public Sector Equality Duty arising from the Equality Act 2010 and other relevant legislation.

- 40.5. The TAP shall appoint the appropriate professional officers (and in most instances this will include the Contract Officer) to evaluate expressions of interest or tenders received. These professional officers will individually score the submissions received and award marks (where appropriate) against the pre- published criteria set out in the Procurement Strategy. All evaluators are required to record their individual scores in the Council's e-tendering system. The TAP⁵ will then consider these individual scores and shall arrive at and agree a consensus score for all criteria during the moderation meeting. The moderation meeting is chaired by the Head of Procurement or a delegated (procurement) officer. The TAP shall not adopt, as a methodology, an average scoring arrangement.
- 40.6. The TAP will keep accurate records of all meetings, retain appropriate documentation and maintain proper records for transparency and audit purposes as set out in [regulation 84](#) of the PCR (where applicable) and paragraph [4847](#) below.
- 40.7. The TAP will undertake post-project reviews where required. It will implement any corporate or collaboration requirements including supporting arrangements around any agreed approval processes and participating in any audits.
- 40.8. The TAP and appropriate SLT Member shall be responsible for ensuring that all persons or bodies invited to tender for the supply of goods, services or works to the Council have been suitably assessed and meet the PCR.

41. TENDER DOCUMENTATION

- 41.1. At the point of advertising the opportunity (for single-stage tendering) or when inviting Tenders after pre-qualification, all tender documentation must be complete and available on the Council's e-tendering portal for access by all economic operators who express interest in the project. This Invitation to Tender comprises at least the following:
 - 41.1.1. the specification;
 - 41.1.2. the invitation to tender containing instructions on the process;
 - 41.1.3. the draft contract;
 - 41.1.4. the form of tender;
 - 41.1.5. response requirements; and
 - 41.1.6. the Award Criteria.
- 41.2. Where an open procedure is used, the Invitation to Tender shall also include a Minimum Standards Questionnaire.
- 41.3. The TAP shall be responsible for preparing the Invitation to Tender documentation.

42. INVITATION TO TENDER/QUOTE

- 42.1. High Value Contracts are awarded on the basis of the most economically advantageous tender, and tenderers must be informed of the evaluation model and award criteria in the Invitation to Tender documents. The subsequent evaluations must be carried out in accordance with them.
- 42.2. The Invitation to Tender shall state that no Tender will be considered unless it is received by the date and time stipulated in the Invitation to Tender. No Tender delivered in contravention of this clause shall be considered.
- 42.3. All Invitations to Tender instructions shall be on the Council's Standard Form.
- 42.4. All candidates invited to tender or quote must: (a) be issued with the same information, (b) at the same time and (c) subject to the same conditions. Any supplementary information must be given on the same basis.

43. PRE-QUALIFICATION STAGE

- 43.1. Where a pre-qualification stage applies, the government's SQ Form shall be used, together with appropriate service-specific questions. This must be published through the e-tendering system together with a methodology for evaluating the SQ responses and a draft specification. However, if the High Value Contract is also above the Threshold, then the Award Criteria for the Tender stage(s) must also be published, together with the draft contract and method statement questions that are used to evaluate against the Award Criteria. See also paragraph 43 below for conduct of this shortlisting stage.

44. SHORTLISTING

- 44.1. The shortlisting of economic operators applies where expressions of interest have been sought using either the restricted procedure, or light touch procedure, competitive procedure with negotiation, or competitive dialogue procedure.
- 44.2. The TAP is responsible for shortlisting of economic operators.
- 44.3. The form of selection questionnaire is included on the Council's e-tendering system and should not be amended. Only additional questions can be included. The selection questionnaire is backward looking and should not include any questions about the provision of the project to the Council, but instead should ask about current capacity and standing. Information sought at selection stage cannot be re-sought (or re-used) at tendering stage.
- 44.4. The TAP will agree the methodology for selecting economic operators to invite to tender and this shall be set out in the SQ Guidance documentation.
- 44.5. The TAP shall arrive at a consensus decision on which economic operators to invite to tender.
- 44.6. Where an economic operator is a subsidiary of a parent company, and:
 - 44.6.1. there is some concern about the financial stability of the economic operator; and/or
 - 44.6.2. the award of the Contract is based on an evaluation of the parent company, then the TAP must consult the Director of Finance about the use of a Parent Company Guarantee.
- 44.7. There is no requirement to obtain a bond from a candidate unless the TAP

considers it an appropriate way to mitigate risks identified during the procurement process.

45. SUBMISSION, RECEIPT AND OPENING OF TENDERS:

- 45.1. Unless otherwise agreed by the Head of Procurement, all Quotations and Tenders must be received through the Council's e-tendering system.
- 45.2. The Head of Procurement will be responsible for the verification of all tenders and quotations that have been submitted electronically through the e-tendering system.
- 45.3. Any Quotation or Tender received after the date and time for its return cannot and must not be accepted. Late tenderers will be advised that their Tender has been rejected because it was received after the date and time scheduled for its return.
- 45.4. The Contract Officer must not disclose the names of tenderers or candidates to any Council staff not involved in the procurement process.

46. EVALUATION AND AWARD OF CONTRACTS

- 46.1. The TAP will take responsibility for the evaluation of all tenders received and the arrival of the final consensus scores.
- 46.2. In accordance with statutory requirements contained in the PCR the confidentiality of Quotations, Tenders and the identity of Candidates must be preserved at all times, and information about one Candidate's response must not be given to another Candidate. Where questions are received prior to the return of tenders, then the Contract Officer shall anonymise both the question(s) and response(s) and forward to all tenderers for information, unless the questions are tenderer-specific.
- 46.3. In accordance with [42.141.1](#) above, where a Contract is to be awarded on the basis of the most economically advantageous tender received, the evaluations must be carried out in accordance with the pre-published evaluation model and award criteria.
- 46.4. [Regulation 56\(4\)](#) of the PCR provides the Council with discretion to accept Tenders that appear to be incomplete or erroneous or where specific documents are missing provided that such requests are made in full compliance with the principles of equal treatment and transparency. These omissions and or errors must be resolved in order to evaluate all Tenders on an equal and transparent basis
- 46.5. The arithmetic in compliant Tenders must be checked. If arithmetical errors are found they should be notified to the tenderer, who should be requested explain the discrepancy. Such a discrepancy may, in certain circumstances, be acceptable under [regulation 56](#) of the PCR, otherwise the tender must be required to confirm or withdraw their tender. Alternatively, if the rates in the Tender, rather than the overall price, were stated within the Invitation to Tender as being dominant, an amended Tender price may be requested to accord with the rates given by the tenderer.
- 46.6. The Council has a statutory duty under [regulation 69](#) of the PCR to investigate any tender that appears to be abnormally low.
- 46.7. Where the tender recommended for acceptance is more than 10% below the estimate, a report in accordance with these CSOs the awarding report required in accordance with these CSOs shall explain the reasons for the difference and confirm that the contractor has provided written confirmation that they are able to fulfil the contract for their tendered sum.

- 46.8. SLT Members shall ensure that submitted tender prices or rates are compared with any pre-tender estimates and that any discrepancies are examined and resolved satisfactorily. Details of correspondence needs to be kept on the project file, and this information needs to be recorded in decision award reports (to SLT Members, Cabinet Member Decisions or Cabinet Reports).
- 46.9. As soon as possible after the contract has been awarded the Council must send a contract award notice to the Find a Tender Service. In accordance with the PCR this must be done within 30 days. The only exception is any contract that is Below Threshold.

47. POST-TENDER

- 47.1. Post-tender clarification must only be conducted in accordance with the guidance issued by the Head of Procurement and/or the Assistant Director, Legal Services, both of whom must be consulted wherever it is proposed to enter into such post-tender clarifications.
- 47.2. Negotiation is not permitted post tender (or final tender in the case of a CPN).
- 47.3. Where tenders are received above the approved budget, the Officer may consider adjusting the specification and **all the candidates** must be asked to re-submit based on an amended specification in order, to bring the cost within budget. However, where it is identified that there needs to be a fundamental change to the specification (or contract terms), the Contract must not be awarded but retendered in accordance with the PCR.

48. AWARD OF CONTRACT

- 48.1. This shall be communicated through the e-tendering system using a formal letter of award. For Above Threshold Contracts, it must first be preceded by the standstill process referred to in paragraph 48.1.1.

49. RECORDS AND DEBRIEFING CANDIDATES

49.1. Standstill Period and Debriefing

- 49.1.1. The requirements of Reg 55 and Reg 86 of the PCR shall be complied with for all Above Threshold Contracts. See further paragraph 50.
- 49.1.2. For Below Threshold Contracts, debriefing may be conducted after award notification.

49.2. Report of procurement process

- 49.2.1. Regulations 83 and 84 of the PCR provides a statutory framework for the retention of contract documentation and a requirement to develop a contemporaneous report detailing the decisions taken during all procurement processes above the thresholds. This must be complied with for Above Threshold Procurements.

50. RECORD RETENTION

- 50.1. A Contract must be kept for six years (12 years if the Contract is a deed) after the final settlement of the Contract.
- 50.2. Documents which relate to the procurement process should be kept for a minimum period of 12 months, provided there is no dispute about the award (these may be stored electronically).

51. DEBRIEFING OF CANDIDATES – REGULATED PROCUREMENTS

- 51.1. Where a tendering exercise is regulated by the provisions of the PCR, Candidates must be simultaneously notified (in writing) and as soon as possible after any decision has been made in connection with their exclusion from the process or the outcome of the award decision is known. The process is set out in [regulation 55](#) of the PCR and must be strictly adhered to. There is a similar process in the [Concession Contracts Regulations 2016](#).
- 51.2. Where the Council has applied a quality-price award criteria it has a statutory duty to inform the unsuccessful candidates of the relative advantages of the successful tenderer. This is usually carried out as part of the statutory cooling-off period after the award decision has been made. For tenders that are subject to the PCR there are strict rules that the Council must comply with and advice on their application must be sought from the Head of Procurement and/or the Assistant Director, Legal Services.
- 51.3. The process shall be communicated in writing only and at no time will any officer of the Council be engaged in a verbal debrief with the unsuccessful candidates.

Appendix 9: Report Templates

Report templates, the procurement strategy template, and the waiver form template are available on the Council's intranet (for internal use only):

<https://officesharedservice.sharepoint.com/sites/Governance/SitePages/Reports.aspx#templates>

Appendix 10: Procurement of Health Care Services

1. From 1st January 2024¹⁴, the procurement of health care services must be carried out as follows when existing service contracts are coming to an end, changing considerably or being awarded for the first time –

2. Decision Whether to Carry out a Procurement

- Category 1. Decide whether to continue with the existing provider. You can do this where the incumbent is the only viable provider (Category 1A¹⁵), alternative providers are already available via patient choice (Category 1B¹⁶) or where the incumbent is doing a good job, is likely to continue doing so and the services are not changing (Category 1C¹⁷).
- Category 2. Decide whether the existing arrangements need to change considerably, the incumbent is no longer able or wants to provide the services or we want to use a different provider and that provider can be identified without running a competitive process¹⁸.
- Category 3. If we cannot identify a provider or need to test the market, a Competitive Process must be carried out¹⁹.

3. Publication of Decision Whether to Carry Out a Procurement

The SLT Member must ensure that decisions are made transparently by publishing relevant notices and observing standstill periods as required by the Regulations.

4. Recording Internally the Decision-Making Process and Rationale

It is the responsibility of the SLT Member to ensure that a record is kept of all the information required by the relevant regulations. This includes, amongst other information, -

¹⁴ Health Care Services (Provider Selection Regime) Regulations 2023 SI 2023/1348

¹⁵ Use Direct Award Process A by awarding the contract without a competition and publishing a notice with the information required by Schedule 2 of the relevant regulations.

¹⁶ Use Direct Award Process B by awarding the contract without a competition and publishing a notice with the information required by Schedule 2

¹⁷ Use Direct Award Process C by taking into account the Key Criteria and applying the Basic Selection Criteria to decide we are content that the existing provider is satisfying the original contract and will likely satisfy the proposed contract to a sufficient standard, publish a notice of intention to make the award to the existing provider including the information set out in Schedule 3 of the relevant regulations.

¹⁸ Use the Most Suitable Provider Process by publishing a notice of intention to follow the process with all the information required by Regulation 5 of the relevant regulations, identify potential providers, assesses them, chooses the most suitable provider and publishes a notice of intention to award.

¹⁹ Use the Competitive Process set out in Regulation 11 of the relevant regulations by determining the award criteria, publishing a notice inviting offers to provide the services, assess the offers, make a decision as to the successful provider.

- a) The decision-making process followed, including the identity of individuals making decisions
- b) The description of the way in which the Key Criteria²⁰ were taken into account and the Basic Selection Criteria were assessed when making a decision
- c) Where the competitive process was followed, the description of the way in which the Key Criteria were taken into account, the Basic Selection Criteria²¹ were assessed and contract or framework award criteria were evaluated when making a decision
- d) The reasons for decisions made under the relevant regulations
- e) Declared conflicts or potential conflicts of interest
- f) How any conflicts or potential conflicts of interest were managed for each decision
- g) Where a procurement is abandoned, the date on which it is abandoned.

5 Modification of Health Care Contracts

Modifications to contracts originally awarded under the direct award procedure A or B – where the modification does not materially alter the character of the contract the modification is permitted. If that modification is attributable to a decision of the authority and the cumulative change in the lifetime value of the contract since it was entered into is 500k or more the modification is still permitted but the authority must publish a transparency notice.

Modification of a health care contract under direct award process C, the Most Suitable Provider Process or the Competitive Process or to contracts that were originally awarded under the Public Contracts Regulations 2015 are permissible where –

- (a) The modification is clearly and unambiguously provided for in the contract or framework;
- (b) The modification is solely a change in the identity of the provider due to succession into the position of the provider following corporate changes including takeover, merger, acquisition or insolvency and the authority is satisfied that the provider meets the Basic Selection Criteria
- (c) The modification is made in response to external factors beyond the control of the authority and the provider including but not limited to –
 - (i) changes in patient or service user volume or
 - (ii) changes in prices in accordance with a formula provided for in the contract documents which do not render the contract or framework agreement materially different in character
- (d) The modification is attributable to a decision of the authority and does not materially alter the character of the contract or framework agreement and the cumulative change in the lifetime value of the contract or framework agreement is under 500k or under 25%.

6 Modifications That Are Not Permitted

Modifications must not render the contract or framework materially different in

²⁰ 'Key Criteria' are quality and innovation, value, integration, collaboration and service sustainability, improving access, reducing health inequalities and facilitating choice and social value (see regulation 5 for full description)

²¹ 'Basic Selection Criteria' may related to a) suitability to pursue a particular activity b) economic and financial standing c) technical ability (see regulation 19(3) and Schedule 16 for a full description)

character.

Modifications are not permitted where the original contract was awarded following direct award process 1C, the most suitable provider process, or the competitive process (including framework agreements), or where the original contract was awarded under the Public Contracts Regulations 2015 and where

- the decision to make the modification is attributable to the relevant authority and it represents (i) a cumulative change of 25% or more in the lifetime value of the original contract or framework agreement and (ii) £500,000 or more compared to the lifetime value of the original contract or framework agreement (when it was entered into).

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and the cumulative change in the lifetime value of the contract or framework agreement is below £500,000 or less than 25% of the lifetime value of the original contract or framework.

7 Urgent Awards or Modifications

Where there are grounds to do so under the Regulations, an award or modification can be made without satisfying one of the requirements set out above. First, a waiver must be approved by the appropriate decision maker.

8 Framework Agreements

The SLT Member must ensure that a Competitive Process is followed in order to conclude a Framework for Health Care Services.

9 Summary of Approvals (see Appendix 4)

See Appendix 4