

London Borough of Hammersmith & Fulham

Report to: Economy, Arts, Sports and Public Realm Policy & Accountability Committee

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Subject: 2023 Medium Term Financial Strategy (MTFS)

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SUMMARY

Cabinet will present their revenue budget and Council Tax proposals to Budget Council on 23 February 2023. In the face of worsening economic conditions and tightening financial constraints, the budget protects council services, particularly those that support the poorest and most vulnerable in society.

The London Borough of Hammersmith & Fulham (LBHF) is unique in providing free breakfasts to school children, abolishing home care charges, establishing a local Law Enforcement Team to keep our streets safe and clean, maintaining weekly bin collections across the borough, and stopping the use of bailiffs to collect Council Tax debt. Despite unprecedented levels of inflation eroding council spending power, the budget protects these key services.

The cost-of-living crisis is affecting residents across the borough. With rising inflation, energy bills, and food costs many residents will be struggling to get by, and in need of additional support. This is why the budget includes new provisions of nearly a million pounds to help tackle the increasing cost of living.

The Local Government Finance Act 1992 obliges the council to set a balanced budget, and this is what is proposed. Government resource assumptions that are used to calculate Government grant for LBHF, model the council increasing Council Tax by 2.99% in 2023/24. Over the last eight years, the council has cut or frozen Council Tax five times, with the Band D charge has reducing by 10% in real terms. As a result, Council Tax in LBHF is 35% lower than the London average. The council proposes to apply the 2.99% increase for 2023/24.

The government has modelled an adult social care precept since 2016/17. Government funding modelling assumes that this has been applied every year since its inception despite LBHF choosing to apply it for only two of the past eight years. Due to the

continued high levels of demand and inflationary pressures in the social care market and the government's continued failure to propose a long-term funding solution to social care funding, the council proposes to apply the 2% adult social care levy for 2023/24.

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

RECOMMENDATIONS

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

Wards Affected: All

Our values	Summary of how this report aligns to the H&F values
Being ruthlessly financially efficient	We need to always confirm that spend fits our council's priorities; challenge how much needs to be spent; and achieve results within agreed budgets. Finance is everyone's business and every penny counts.
Creating a compassionate council	As the Council's resources have been reduced, we have protected the services on which the most vulnerable residents rely. This budget continues all our previous policies to support residents and also proposes new spending on care packages for disabled children and additional resources to help residents through the cost-of-living crisis.
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. In addition, there will be increased investment in the Industrial Strategy Delivery and the development and promotion of the STEAM sector strategy.
Doing things with residents, not to them	The use of co-production across the Council is embedded and all service matters are developed with the engagement of residents. The Council is continuing the REAP Programme to improve residents' access to the services.
Taking pride in H&F	The budget proposals include significant investment in public realm services especially waste collection, street cleaning and open/park spaces. Our new waste contract includes provisions to tackle fly-tipping and collection of food waste.

Our values	Summary of how this report aligns to the H&F values
Rising to the challenge of the climate and ecological emergency	The Council has established a Climate Change Team and the Team has developed a Climate and Ecology Strategy (and is making a significant contribution to the international and national policy debates). It is also securing grants from national programmes to help with improvements of the thermal efficiency of Council properties and homes).

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

The Budget Requirement and Gap

- The gross General Fund budget¹ rolled forward from 2022/23 to 2023/24 is £539.6m of which a **net budget requirement of £166.6m** is funded from council resources (such as Council Tax and business rates) and general government grant.

Table 1 – Budget rolled forward from 2022/23

2022/23 Budgeted Expenditure	£m
Housing benefit payments	91.2
Social care and public health	118.1
Children's services	123.6
Economy	49.4
Environment (includes parking)	108.1
Corporate (Finance, Resources and council wide)	49.2
Gross budgeted expenditure	539.6
Less:	
Specific government grants (including housing benefits and dedicated schools grant)	(239.8)
Fees and charges	(68.0)
Contributions (e.g. health)	(47.0)
Other income (e.g. investment interest, rentals, and recharges)	(18.2)
Budget requirement rolled forward from 2022/23	166.6

- The budget proposals for 2023/24, and forecast to 2026/27, are summarised in Table 2. A balanced budget is projected for 2023/24 based on several key assumptions regarding resources and expenditure.

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

Table 2 – Budget summary

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
Base budget	166.6	164.9	163.2	161.5
Pay and price inflation	13.6	21.6	27.6	33.6
Additional pay inflation (on-going effect of award in 2022/23)	3.8	3.8	3.8	3.8
Additional investment in key services and priorities	10.7	16.7	22.7	28.7
Contribution to cost-of-living support (one-off) / Council Tax support scheme	0.9	0	0	0
Increase in the net cost of borrowing	0.6	1.0	1.0	1.0
Concessionary fares demand	(2.2)	1.1	3.1	3.1
Recognition of current income projection	(2.0)	(2.0)	(2.0)	(2.0)
Income from investment of cash balances (one off in 23/24)	(5.0)	0	0	0
Employee budget management	(2.5)	(2.5)	(2.5)	(2.5)
Reversal of employers National Insurance Contributions (1.25%)	(1.3)	(1.3)	(1.3)	(1.3)
Efficiencies and Savings Proposals	(2.9)	(4.0)	(4.8)	(5.5)
Contribution to contingencies	5.3	5.3	5.3	5.3
Gross budget requirement	185.6	204.7	216.2	225.8
General grants	(53.0)	(54.1)	(54.7)	(55.2)
Locally retained business rates	(59.4)	(59.5)	(60.7)	(61.9)
Council Tax (4.99% increase in year 1 assumed then freeze)	(73.3)	(73.9)	(74.6)	(75.2)
Gross budget gap – cumulative	0.0	17.1	26.1	33.2

Budget assumptions

Inflation

3. The Consumer Price Index (CPI) for October 2022 is 11.1%, its highest level for 40 years, in part due to the recovery from the pandemic, the impact of Brexit and recent global events such as the invasion of Ukraine. The Office of Budget Responsibility is forecasting inflation of 7.4% during 2023 which will impact both Hammersmith and

Fulham staff costs and suppliers. The 2023/24 budget includes a **£13.6m provision for inflation**. This allows for:

- Contract and external services inflation of £7.6m.
 - £6.0m provision for a 2023/24 pay award (this equates to a 5.0% pay award)
 - Beyond 2023/24, headroom of £8m per annum is modelled for future inflation in 2024/25 and a further £6m in 2025/26 and 2026/27.
4. The on-going impact of the pay award from April 2022 will cost £3.8m (this was funded from the one-off use of policy contingencies in 2022/23).
 5. In September 2022, a previously agreed 1.25% increase in employers' National Insurance Contributions was withdrawn by the Chancellor of the Exchequer, with effect from the 6th of November. The impact of this for the council is a reversal of the £1.3m set aside in the MTFs from 2023/24.
 6. A reduction of £2.5m is proposed on our employee spend (this is 2% of total estimated spend and represents about 40 posts). It is expected that this will be managed through natural turnover, management of recruitment and review of the use of agency staff. It is not expected that this will require any voluntary or compulsory redundancies.

Fees and Charges

7. For **fees and charges** levied by the council, the inflation assumption is:
 - 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 changed as appropriate, with due authorisations according to the Council constitution.
 - Parking charges and fines are to be set in line with transport policy objectives and not considered as part of the budget process.
 - A standard uplift of 10% is applied for other non-commercial and non-parking fees. The RPI indication for October 2022 was 14.2%.
 - The exceptions to these assumptions for this committee are attached in **Appendix 4**.

Other Measures

8. In addition, further short-term contributions of £2.2m are expected to arise 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 2023/24 as demand is forecast to return to pre pandemic levels and fares increase.
9. A further one-off saving £5.0m relating to income from investing cash balances as favourable interest rates is assumed (cash balances are expected to be a minimum of £250m during 2023/24 and lower than current levels of more than £300m). This income will be used to balance the budget in 2023/24 and is not expected to continue beyond 2023/24.

Government Grant Funding

10. **General government grant funding** of £53.0m is forecast for 2023/24. This is an increase of £7.8m from 2022/23, however historically, government funding has reduced by £48m from 2010/11 to 2023/24, which represents in real terms a cut of 56%. £5.1m of the increase is not new money but compensation for the government decision not to increase business rates. The level of compensation is linked to the standard CPI rate of inflation. The Revenue Support Grant has increased by £2.2m.
11. No grant allocations are confirmed beyond 2023/24 following the government decision to announce a single year local government finance settlement (LGFS). The lack of future certainty continues to undermine effective medium-term financial planning and the risk of future funding reform and levelling up remains.
12. Ringfenced grants, which can only be used for a specific purpose, are currently forecast to have increased by £3.245m from 2022/23 to 2023/24. This forecast will be updated as further announcements are confirmed. It is assumed that such grants will have a neutral impact on the budget requirement as they will be matched against spend commitments, particularly given the current inflation risks.
13. The 'services grant' which was first allocated in 2022/23 has reduced by over 44% in 2023/24. For modelling purposes the future grant forecast assumes that the services grant will be reduced for future years also. The future of the new homes bonus grant scheme is also uncertain, and the council's allocation has reduced by 43% in 2023/24 compared to 2022/23 and by 77% compared to 2021/22.
14. As part of the LGFS, the government calculated that Hammersmith & Fulham spending power will increase by 9.5% in 2023/24. The government spending power calculation also assumes that authorities will increase Council Tax (including the adult social care precept) by 4.99% and that business rates collection is not adversely impacted by rating appeals or lower collection rates experienced during the Covid-19 pandemic. Taking these into account the Hammersmith & Fulham calculation is that spending power has increased by 2.5%

Council Tax

15. The Council is proud to have the third lowest Council Tax in the country, and to have cut or frozen Council Tax in five of the last eight years. LBHF also has one of the most progressive Council Tax support schemes in the country, with almost half of residents not paying the full amount, and those least able to pay facing no charge at all.
16. The current major national fiscal conditions of high inflation and interest rates have made a Council Tax increase in 2023/24 unavoidable and a 2.99% increase in the LBHF element of Council Tax is proposed. This level of Council Tax increase reflects the assumption that has been made by the government in the Autumn Statement on the 17 November by the Chancellor and assumed in the funding settlement for local authorities. The additional income will fund increasing costs and support investment in, and protect, key services for residents and strengthen future financial resilience. The

increase is equivalent to £25 for 2023/24 (at Band D). The Council Tax charge for LBHF is the third lowest in the country and 35% below the London average charge.

17. The council is also proposing to levy a 2% adult social care precept (again in line with government funding assumptions). The increase is equivalent to £16 per annum for 2023/24 (at Band D) and will be used to support Adult Social Care services. 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, the council were determined not to apply the levy despite the fact the council's funding from the 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.
18. As set out in table 4 below, it is estimated that 47% of residents will not be required to pay the full increase (as they will be supported through the single person household discounts, Council Tax support and exemptions).
19. Due to the anticipated impact of Covid-19 the budgeted Council Tax collection rate reduced from 97.5% in 2020/21 to 97% in 2021/22 and 2022/23. A 97% collection rate is modelled for 2023/24. For years beyond 2023/24 a tax freeze is modelled with the tax base increasing in line with trend data for increases in dwelling numbers.

Table 4: Liability for Council Tax at October 2022

Total dwellings in the borough	93,165
Reductions:	
Exemptions (mainly students, includes care leavers and vacant properties)	(3,871)
Council Tax support claimants (elderly & working age on low income)	(10,143)
Single person discount (25% discount)	(29,505)
Dwellings liable for 100% of Council Tax	49,646
	53%

Business Rates

20. The current estimate for business rates assumes that the business rates income will be the minimum guaranteed within the business rates retention system (the safety net threshold). The government have confirmed that they will compensate local authorities for all changes they make to the business rates system.
21. The forecast assumes that LBHF will receive the minimum amount guaranteed, the safety net threshold, by government. This is £59.4m for 2023/24. For years beyond 2023/24 a 2% inflationary increase to the safety net is modelled.
22. As part of the Autumn Statement the Chancellor of the Exchequer announced that a new temporary 50% business rates relief will apply for eligible retail, hospitality and leisure properties. In addition, a new 100% improvement relief will be available where

eligible improvements increase rateable value. There will also be a business rates freeze in 2023/24 (no increase in line with the multiplier). Local authorities will be compensated by the government for the resultant loss of income from these measures.

Investment, savings and risks

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

Investment

24. Additional investment of £10.7m is being provided following budget setting and review process. The investment proposals for this PAC are set out in Appendix 1 to this report and summarised in Tables 5 and 6.

Table 5: 2023/24 Investment Proposals

Proposal	£'m
Social Care (including hospital discharge and demographic growth)	4.1
Waste collection (fly tipping and food waste)	1.7
Free breakfasts (and extension for secondary schools)/Out of term support	1.7
Homelessness services (temporary accommodation)	0.9
Disabled children care packages/Care leavers and family hubs	0.5
Other policy priorities	1.3
Other unavoidable pressures (loss of advertising income, audit fees)	0.5
	10.7

Table 6: Categorisation of investment proposals

Analysis of Investment	£m
Increase in demand / demographic growth	6.9
Resident priority	2.4
Budget pressure	1.0
Government related/Other Public Bodies	0.4
Total	10.7

25. A provision of £0.9m has been set aside to support residents on the cost-of-living pressures and to consider further developing the Council Tax support scheme for those least able to afford Council Tax.

Savings and Income Generation

26. After ten years of austerity, it is increasingly difficult to identify and deliver substantive savings. However, further savings are necessary if the financial challenge of real terms government funding cuts, unfunded burdens, inflation, and demand and growth pressures is to be met and the council has been able to find these. In the future, the council must consider all available options to operate within the funding available to it.
27. The proposed savings (including additional income) for 2023/24 are set out in Table 7. The savings proposals for this PAC are set out in Appendix 1 to this report.

Table 7: 2023/24 firm savings and additional income

Proposal	£m
Improving commissioning of children's services	(0.7)
Greater use of digital technologies to improve support and services in social care (e.g. timely return of equipment)	(0.5)
Working with NHS to improve hospital discharge and independent living)	(0.4)
Resident Engagement and Access Programme	(0.2)
Lower waste tonnages (impact of awareness programmes)	(0.2)
Joint commissioning of extra care services	(0.2)
Other (mainly social care procurement, Direct Payments)	(0.7)
Total savings	(2.9)

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

Table 8: Categorisation of 2023/24 savings

Savings categories	£m
Commercialisation / income	(0.1)
Procurement / commissioning	(0.9)
Service reconfiguration	(1.5)
Service rationalisation/budget reduced in line with spend	(0.2)
Prevention	(0.2)
Total savings	(2.9)

Risk and financial resilience

29. An updated reserves strategy and action plan will be included within the suite of finance reports presented to Budget Council.
30. The current reserves forecast is set out in Table 9 and models a fall in overall general fund reserves and balances to £76.1m by 2027/28. This assumes a balanced budget is set each year with no further call on reserves.

Table 9 – Reserves and general balances - cash flow forecast to 2027/28

	April 2023 £m	April 2024 £m	April 2025 £m	April 2026 £m	April 2027 £m
Opening Balances					
General balance (recommended range £19m - £25m)	23.3	23.3	23.3	23.3	23.3
Earmarked reserves – unrestricted	41.7	40.7	43.2	43.2	43.2
Earmarked reserves – restricted	7.5	7.5	7.5	7.5	7.5
Sub-total	72.5	71.5	74.0	74.0	74.0
Covid related	2.3	2.1	2.1	2.1	2.1
Total	74.8	73.6	76.1	76.1	76.1
<i>Developer contributions</i>	46.0				

31. The Covid-19 pandemic has emphasised that councils need an adequate safety net to manage increased levels of financial risk. The experience of several councils over recent years, including Thurrock, Croydon, and Bexley in London, has shown the difficulties that can arise when reserves are not maintained at a sufficient level. The Council’s reserve forecast includes a general balance of £23.3m at the start of 2023/24 which represents 4.3% (equivalent to 16 days spend) of the Council’s gross spend of £539.6m. The Director of Finance has recommended that the optimal range for the general balance is between £19m and £25m.

Key Risks

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

Departmental risks for the services covered by this PAC are set out in Appendix 2.

33. Reserves are also a key enabler for future service transformation. The financial challenge facing the council will require investment to deliver future efficiencies to enable the council to balance the budget in future years.

Comments of the Strategic Director of Environment on the Budget Proposals

Strategic service context

34. The Environment department is responsible for the delivery of a wide range of universal services to the residents of Hammersmith & Fulham including:
- Public Realm - Highways, Transport, Parking, Street Environment Services, Climate Change
 - Safer Neighbourhoods and Regulatory Services - Community Safety, Regulatory Services, Building Control, Technical Support
 - Leisure, Sport and Culture - Libraries, Parks, Cemeteries, Leisure Centres, Sports Bookings, Events and Filming; and
 - Resident Services - Customer Services, Benefits and Revenues.
35. The Environment department continues to review and challenge current service delivery models and budgets, to ensure that services are effective and efficient, and reflect the council's priorities. Some notable examples are highlighted below:
- Actively working with the council's Contract Assurance Board to reprocure and review some of our major external service contracts. For example, selecting a new waste and street cleansing contractor following a full reprocurement process on the open market (£15m annual contract value), that both protects current service levels and also provides for new services (such as food waste collections).
 - Securing the continuation of a reduced waste disposal fee for recycling (saving £0.3m annually) and insourcing the sports bookings service.
 - Maximising external income. Targeting £12m in commercial income from a broad range of services, including commercial waste, highways, sports bookings and leisure centres, building control, events, filming and markets.
 - Tackling crime and antisocial behaviour through the Law Enforcement Team and Gangs Unit, at no extra cost to residents (£2.2m annual funding from secured developer contributions)
 - Tackling the Climate Change emergency by securing the biggest grant awarded to date by The Office of Zero Emission Vehicles for the installation of more than 2,000 electric vehicle charging points across the borough (£4.2m)
 - Implementing the council's ethical debt policy to support those unable to pay their council tax, helping them get into a position where they can pay rather than sending in bailiffs.
 - Continuing our programmes of service improvement. For example, investing in technology to improve resident experience and access to our services (notably via the Resident Experience and Access Programme which will save more than £0.8m per year while improving residents' access to key council services) and restructuring a number of services such as environmental health and regulatory services.

36. As well as maximising efficiency from current service budgets, the Environment department is helping to mitigate the significant medium-term financial challenges faced by the council by minimising the need for new budget growth.

Financial Performance

37. The Environment department continues to have a strong financial management record including reacting to in-year spending pressures as necessary. Spending in 2021/22 was under budget (£0.067m underspend compared to the budget, excluding Parking services), allowing for a positive contribution to council balances. For 2022/23 the department is facing financial challenges relating to the cost-of-living crisis (particularly relating to high inflation on external contracts and rising energy costs), and also relating to vital works on Hammersmith Bridge to ensure the bridge can be reopened to traffic at the earliest opportunity (works being undertaken at risk as funding has not yet been confirmed by the Department for Transport). Officers are working hard to balance the year-end outturn in line with budget (forecast overspend of 6% at month 6). It is expected that the cost-of-living crisis will continue to have a major impact on both the demand for the department's services and its budget in 2023/24.

Budget 2023/24

38. The Environment department revenue budget for 2023/24 is summarised at directorate level in the table below.

Table 10 – Environment department budget 2023/24

Service	Expenditure £000	Income £000	Net Budget £000
Public Realm	50,606	(9,302)	41,303
Safer Neighbourhoods and Regulatory Services	17,740	(8,673)	9,067
Leisure, Sport and Culture	10,262	(4,059)	6,203
Resident Services	17,824	(6,874)	10,950
Total	96,431	(28,908)	67,523

39. The net budget is £67.523m and will ensure the continued investment of resources in key services for residents. In particular, the following matters should be noted:
- additional investment of £1.7m will be made in the new waste and street cleansing contract, following expiration of the existing contract. Service costs have increased due to a number of factors, including inflationary pressures on all operational costs, extra resource requirements from additional services (such as food waste collections) and growth in the number of properties in the borough (meaning increased waste collection requirements). None of the existing services residents currently enjoy will be lost in the new contract, and at least weekly bin collections will be maintained.
 - contractual inflation on externally provided services has been allowed for in the budget (£1.4m in total). It should be noted that inflation is continuing to rise at

unprecedented levels, and so a significant budget risk exists in relation to this for 2023/24. The council will continue to work with contractors and suppliers to minimise any adverse impact and secure agreement to temporarily vary contract conditions where possible.

- savings of £0.5m will contribute to the setting of a balanced budget for the council (details in Appendix 1). These are intended to preserve and improve front line services and will be delivered through the transformation and reconfiguration of services, procurement savings and increased income generation.

Environment fees and charges

40. The Environment department provides an extensive range of services to local businesses and residents that are chargeable, such as commercial waste, building control, licensing, and leisure centres. The department is proposing the recommended council inflationary uplift of up to 10% on fees and charges from April 2023, except for the commercial fees and charges relevant to this PAC set out in Appendix 4. Statutory charges which the department cannot influence, will be set according to the relevant statute. Where proposed changes require consultation under statute, this will be undertaken, as necessary.

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

41. The Economy Department provides a diverse range of services to the residents of Hammersmith & Fulham within the General Fund including:
- Housing Solutions and Management – Homelessness Prevention and Assessment, Allocations and Lettings, Rough Sleeping reduction, Housing Strategy
 - Planning – Planning policy, statutory and non-statutory plans, planning research, planning application advice and assessment, pre-application advice, design and access, infrastructure planning, management of the section 106 programme and Community Infrastructure Levy (CIL); Planning secured for over 900 new homes (65% affordable), as well as new schools and education facilities, community space, public realm, office and commercial.
 - Regeneration & Development – development of new affordable housing, regeneration of existing assets, construction started on the Hartopp and Lannoy site delivering 134 (112 of which are affordable) operationally net zero carbon homes
 - Economic Development & Adult Learning – delivery of the borough’s Industrial Strategy that provides the overarching framework for making H&F a global economic hotspot for the benefit of our residents. This includes: Business and Enterprise, Employment and Skills, Imperial College partnership – Upstream, Adult Learning & Skills
 - Property & Asset Management - support the delivery of key projects and programmes, Business Development, Asset Management and Data Compliance, Corporate Assets, Facilities Management, Health & Safety

42. Other housing services are provided by the Economy department but paid for by the Housing Revenue Account.
43. The majority of what is provided are statutory services although all services are vital to delivering the council's priorities for residents particularly building shared prosperity, creating a compassionate council, and taking pride in Hammersmith & Fulham. The department has a leading role in the partnering work required to deliver the council's ambitions for climate and bio-diversity change. Co-production arrangements with residents and businesses are strong, supported by well-established systems across the management of estates, major developments and our Industrial Strategy.
44. Recent successes within the department include:
- Over the last three years the department has successfully negotiated and entered into new S106 agreements to fund community and other infrastructure benefits in the borough to the value of £97.8m
 - Maintaining excellent planning performance with 100% of major applications and over 90% of minor and other applications dealt within time limits, far exceeding government targets of 60% and 70% respectively
 - Adopted new supplementary planning guidance to facilitate the provision of more affordable workspace for small businesses
 - Co-produced designs for three housing developments which reduce carbon emissions by over 80% compared with typical housing standards and meet the Passivhaus classic standard. The impact of this will see residents save between 50% and 60% on energy bills.
 - Secured planning consent for 134 new homes at the site of the former Hartopp and Lannoy Points; 84% of the new homes will be affordable. Alongside this, submitted planning applications for 73 new homes at Lillie Road and Farm Lane.
 - Leveraged over £85m in grant and other subsidy to contribute to the development programme ensuring 65% of homes in our council-led development programme will be affordable.
 - Housing Solutions has maintained the lowest level of rough sleeping in West London and has no families in Bed and Breakfast accommodation
 - H&F is seen as a flagship within London for Afghan and Ukrainian refugee support
 - Our Industrial Strategy, launched in 2017, has resulted in:
 - 6,500 new jobs in science, tech, engineering, medicine and media
 - £5.2 billion in investment for high growth sectors
 - 196,000 square metres of specialist business space including laboratories
 - 69,000 square metres of affordable workspace
 - Start-ups and scale-ups have attracted more than £2.7 billion in investment
 - The Council has put in place a pioneering partnership with Barcelona City Council and the 22@Network BCN innovation district
 - Our Adult Learning & Skills service delivers over 450 courses in 14 subject areas with a learner achievement rate of 94%; 72% of learners progress into full or part-time work
45. Demands on the general fund are minimised by the high levels of income secured across service areas, strategic management of the council's land and asset portfolio

and associated capital investment. There is a strong track record of financial efficiency to deliver savings and a balanced budget.

46. This report considers those services provided from general fund budgets but excludes Housing Solutions which is considered separately by the Housing & Homelessness Policy & Accountability Committee. The gross general fund expenditure budget excluding Housing Solutions is £22.1m. After allowance for income of £23.4m, the net income budget is £1.3m. Despite the currently limited opportunity for significant savings, the Economy Department plans to deliver General Fund revenue savings of £0.014m. The report also describes where areas of permanent growth of £1.386m are necessary to balance the budget for 2023/24 and the key financial risks for each service area in delivering continuing services and new priorities for residents.
47. It is important to note that savings have been delivered through careful service review and re-design, income maximisation and policy development. In line with administration policy, there have been no reductions in services.
48. Careful financial management linked to wider strategic planning and efforts to support local recovery from the pandemic and cost of living crisis will help the Economy Department to continue to deliver all its services and its performance and improvement priorities in 2023/24. These include:

Planning

- Maximising contributions negotiated from developers: Planning negotiates on average £33m of Section 106 and £8m of CIL income for residents each year
- Supporting the delivery of economic recovery, new housing, and our response to climate and biodiversity change through new developments, wider masterplans, and planning policy

Property and Asset Management

- Facilities Management will continue to ensure Covid safety across multiple sites and work with colleagues to implement Hello Hybrid Futures.
 - The Commercial Property team will review the estate to maximise commercial returns, transform our office accommodation solution and develop plans to deliver carbon net zero by 2030. By maximising and reviewing the use of council property, savings of £4.2m have been identified from reducing office space at Shortlands and Clockworks no longer required.
 - Continuing to deliver the Civic Campus programme in collaboration with colleagues across the council.
49. S106 and wider government grants will also contribute to delivering benefits under regeneration and economic development services:
 - Delivery of new homes, public and community infrastructure in 2022/23, under the Building Homes and Communities Strategy Schemes designed and built directly by the council and co-produced with the local community.
 - Ongoing construction of phase 1 of Education City, which will deliver 30 affordable homes, a new primary school, youth zone and office.

- Greater support for businesses, local workforces and residents through a refreshed Industrial Strategy and delivery plan that advances Hammersmith & Fulham as a world-class destination to do business, and which ensures opportunities for all, including via enhanced training and employment opportunities for local residents and stronger links between anchor institutions and our communities.
- Continued delivery and development of the borough's arts and culture offer. This builds on our partnering approach and 10-year programme established following our London Borough of Culture award in 2020. It is delivered at no cost to the general fund with a budget of £0.285m secured for 2022/23 made up of S106, GLA and other grant income.

Economy Inflation

50. Due to increases in the costs of energy supplying council buildings, an inflationary uplift of £130,000 is required.

Economy Savings Proposals

51. The Economy Department plans to deliver further General Fund revenue savings of £0.014m in 2023/24. These savings should be seen in the context of the department having delivered £0.841m of savings in the current financial year and having a net income budget of £1.3m.

- **Review of General Fund and Section 106 funding of staffing costs (£14,000)** – this relates to a review of Section 106 funding of senior management posts. Reductions in senior management posts have been key to delivering savings to date within the department. Currently, £0.45m of staffing costs are funded from Section 106 and CIL monies.

Economy Growth Requests

52. Opportunities to mitigate budget growth have been identified, however, the following matters will require additional budget provision in 2023/24:

- **Industrial Strategy delivery (£125,000) (Planning and Economic Development)** - Specialist and sectorial expertise to support development of the refreshed Strategy: content, design, marketing and engagement.
- **H&F Promotion and Economic Internationalisation (£40,000) (Economic Development)** - Support for the promotion of H&F as a global node of innovation and the attraction of knowledge sector companies, including the development of STEAM sector strategies.
- **High Streets Strategies and Management plans (£95,000) (Planning)** - Manifesto commitment to support changing role and vitality of town centres - specialist support for co-production of strategies and action plans for 3 main centres and 7-10 local centres
- **Property Transformation Team (£161,000) (Property)** – the team will deliver additional income streams from commercial, corporate and community assets.

- **Decarbonisation Programme Team (£151,000) (Property)** – the team will support the delivery of the council's decarbonisation plans for corporate buildings.

Key Service Areas - Planning, Regeneration and Economic Development

53. The Planning service provides an integrated policy function for planning, transportation and the environment, assesses all applications for planning permission, leads on infrastructure planning and the management and implementation of the s106 programme and Community Infrastructure Levy. The service costs the council £1.5m per annum but generates significant income for the wider council through negotiating on average £33m of Section 106 and £8m of CIL income each year.
54. Planning will not be delivering savings but was allocated temporary growth of £0.35m in 22/23 and this will be removed from the service from 23/24.

Planning, Regeneration and Economic Development Risks – Planning

55. The inherent volatility of planning income means it is difficult to predict future income due to several factors including:
 - Uncertainty regarding changes to the statutory charging schedule, and pipeline of non-statutory pre-application advice and Planning Performance Agreement fees in an unstable economic climate.
 - Economic factors such as impact of economic recession, local and wider market conditions
 - Changes in legislation e.g. permitted development rights, use classes order, Planning Performance Agreement regulation. Continued government changes to the planning system creating uncertainty. These include continued delays and uncertainty regarding the publication of the draft Planning Act, uncertainty arising from the impact of the Levelling Up Bill and the recent publication of draft changes to the National Planning Policy Framework
 - Availability of development sites in the borough
 - Developers' behaviour such as by-passing the pre-application process and responding to housing supply
 - Cost and supply of materials and labour pressures impacting adversely on the delivery of schemes
 - Government schemes to encourage house building
 - Adverse weather conditions affecting build programmes and completion dates.
 - The impact of the Covid-19 pandemic
 - Availability of investor finance, levels of developer/investor confidence.
56. The fall in the total number of applications in recent years and the growth in complexity of applications are impacting adversely on projected fee income. This is understood to be most recently due to the impact of Covid-19 but also trends in the wider economy and a deterioration in the buoyancy of the development industry. This trend is likely to continue, with the prospect of recession and the

resulting effect on market confidence, resulting in shortfalls in income from planning fees. The risk for 2023/24 based on the latest forecast is £1.2m.

57. Other risks include the unbudgeted costs of producing Supplementary Planning Documents and costs arising from future public inquiries and judicial reviews. The risk of an overspend against the budget of £0.4m is based on the latest forecast.

Risk mitigation – Planning

58. The following activities that will help mitigate the risks to Planning have been implemented:

- A full review of discretionary planning advice charges has been undertaken and informed by benchmarking across London. Revised and simplified charging rates came into effect in April 2021. These are kept under review and will also be subject to annual fee increases in line with the corporate approach to fees and charges.
- Large schemes are subject to Planning Performance Agreements negotiated with developers. These are billed in advance on a milestone instalment basis. The debt monitoring and recovery system has been robustly improved and whilst this has not generated additional income, it has reduced the pressure to make bad debt provision in future years and virtually eliminates the bad debt risk.
- Mayoral CIL - under Regulation 61 of the Community Infrastructure Levy (CIL) Regulations 2010 (as amended), the council as a collecting authority can and is using CIL proceeds to cover administrative expenses incurred in collecting CIL up to specified limits, currently this is 4% of CIL collected in each year by collecting authorities.
- A more commercial approach to non-statutory planning fees and maximising cost recovery and alternative income sources from developers has helped mitigate against reductions in income.

Planning, Regeneration and Economic Development Risks – Economic Development and Adult Learning

59. The Economic Development service is responsible for the delivery of key elements of the council's Economic Growth priorities. Following a staffing restructure implemented in 2021/22, no further efficiencies have been identified for next year. As a result of efficiencies made in previous years, the service is almost entirely self-funding (from Section 106, grant and fee income).
60. The Adult Learning & Skills Service (ALSS) income projection this year has continued to be adversely impacted by Covid-19 and the need for social distancing. The service has managed this reduction through successfully moving to online delivery of a significant number of courses and flexing the use of sessional staff. From 2023/24 onwards, the budget risk, after taking account of mitigations, is expected to be immaterial.
61. A review of GLA grant funding is expected to impact from the beginning of the 2022/23 academic year. Including a potential clawback relating to course under-delivery in the current academic year, ALSS faces a risk of c£0.250m in 2022/23.

Risk mitigation - Economic Development and Adult Learning

62. Economic Development and Adult Learning Services are proactively working to ensure the services offered match available resources. Contingency plans are in place to continue to manage the risks set out.

Risks and Mitigation – Regeneration & Development

63. The Development team leads a complex programme of regeneration and development schemes across the borough that aims to build 1,800 homes over the next 8 years. The schemes will provide much needed new housing supply, new community assets, and support long term income to the General Fund and HRA. The assumption is that a significant proportion of the team's staff costs will be capitalised but there is a risk that some costs intended to be funded from capital may fall to revenue where schemes do not proceed or where schemes are still at an early feasibility stage.
64. There is a risk of a potential revenue impact from the council's strategic regeneration and housing development initiatives, where significant spend has been incurred but schemes are yet to physically start on site. Officers are currently developing approaches to mitigate the risk to minimise any potential abortive costs. One key approach is continued engagement with residents and key interest groups in the borough to ensure they are well informed of proposals and able to co-produce schemes with the council. Each scheme is subject to pre-application planning advice throughout the design evolution to reduce the risk of non-compliant schemes and all are managed through the development gateway process which ensures projects remain viable and deliverable.

Key Service Area – Property and Asset Management

65. The Civic Campus will be a key area of delivery over the next 12 months. The Civic Campus will provide 200 good quality new homes, of which 52% will be affordable. It will also become a new civic and cultural destination, improving the public realm, Grade II listed Town Hall, and acting as a catalyst for the wider King Street area at a time when high streets are struggling. It will provide new local amenities for residents, a new multi-screen cinema, café/restaurant, retail and public event spaces including affordable space for start-ups businesses. The building work is progressing well on site and activity will focus on maximising the commercial opportunities presented by the Civic Campus and aligning the operational support functions required to deliver these and also how the space at the Town Hall matches the vision of Hello Hybrid Futures and the new ways of working for staff.
66. The General Fund budget for Property and Asset Management is mainly made up of Facilities Management (FM) and Corporate Buildings costs. The service also generates £1m in rental income each year. The service is lean in terms of staffing establishment and the budgets available for repairs and maintenance of corporate buildings. The FM team ensure that all corporate buildings are safe and set up for agile working.

67. Additional capacity has been built into the team to review the organisation’s property needs and ensure that the estate operates in the most Ruthlessly Financially Efficient way possible and that we have appropriate plans in place to achieve the council’s carbon net zero targets across the estate by 2030.

Property and Asset Management – risks and mitigation

68. The impact of the cost-of-living crisis is expected to have a limited effect on revenue generation within the commercial property portfolio (retail and business estates) however, there is a pre-existing risk relating to income of £0.3m from corporate buildings and this will be closely monitored during the coming year.

Equality Implications

69. A draft Equality Impact Analysis (EIA), which assesses the impacts on equality of the main items in the budget proposals relevant to this PAC, is attached as Appendix 3. A final EIA will be reported to Budget council in February 2023.

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

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

List of Appendices:

- Appendix 1 – Savings and investment proposals
- Appendix 2 – Risks
- Appendix 3 – Draft Equality Impact Assessment
- Appendix 4 – Fees & charges not increasing at the standard rate