

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Full Council

Date: 23/02/2023

Subject: Revenue Budget and Council Tax Levels 2023/24

Report of: Leader of the Council – Councillor Stephen Cowan

Responsible Director: 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 of these services have been funded at a time of austerity within local government. Hammersmith & Fulham's General Grant from central government has reduced by 56% in real terms, from £164m in 2010/11 to £116m in 2023/24. The economic impact of the last few years has put further pressure on council finances. The challenge in setting this 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.

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, despite the difficult financial constraints, the council has found one million pounds for new provisions to help tackle the increasing cost of living.

The budget proposals for 2023/24 set out in the report:

- preserve front line services valued by residents/businesses/visitors
- ensure the continued delivery of key council priorities (e.g. free home care, weekly collection of waste)
- increase investment in services including fly tipping, food waste collection, continuation of free school breakfasts, temporary accommodation, care packages for disabled children and family hubs and measures for supporting residents during the cost-of-living crisis and through the Council Tax support scheme

- maintain the financial resilience of the council (and thus the continued provision of services in the future)

The council takes pride in having the third lowest Council Tax in the country, and in cutting or freezing Council Tax in five out of the last eight years. We also have one of the country's most progressive Council Tax Support Schemes, which reduces the burden of Council Tax on the most vulnerable and those least able to pay. In accordance with the Local Government Finance Act 1992 the council is required to set a balanced budget and the Government has assumed and directed local authorities to increase Council Tax by 4.99% (including the 2% adult social care precept) as part of the Local Government Finance Settlement.

Details on the following are set out in this report:

- Council tax levels
- Investment to safeguard services
- Proposals for efficiencies in the delivery of services
- Fees and charges (*with the majority being frozen*)
- Budget risks
- Reserves and balances
- Equalities Impact Assessments

RECOMMENDATIONS

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

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 set the council's own total net expenditure budget for 2023/24 at £132.627m
4. To approve **£10.651m** of new investment on key services for residents.
5. To approve fees and charges, as set out in paragraph 10, including freezing charges in adult social care, children's services, and general fund housing.
6. To note the budget projections to 2026/27 made by the Director of Finance in consultation with the Strategic Leadership Team.
7. To note the statement of the Director of Finance, under Section 25 of the Local Government Act 2003, regarding the adequacy of reserves and robustness of estimates (paragraph 37).

8. To approve the reserves strategy and realignment of reserves as set out in Appendix J and Appendix K.
9. To require all Directors to report on their projected financial position compared to their revenue estimates in accordance with the Corporate Revenue Monitoring Report timetable.
10. To authorise Directors to implement their service spending plans for 2023/24 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 2023/24 for each category of dwelling, as outlined in the table below and in full in Appendix A and calculated in accordance with Sections 31A to 49B of the Localism Act 2011.

Category of Dwelling	A	B	C	D	E	F	G	H
Ratio	6/9 £	7/9 £	8/9 £	1 £	11/9 £	13/9 £	15/9 £	18/9 £
a) H&F	581.23	678.11	774.98	871.86	1,065.59	1,259.34	1,453.10	1,743.72

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	289.43	337.66	385.90	434.14	530.62	627.09	723.57	868.28

13. That the overall Council Tax to be set at £1,306.00 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	581.23	678.11	774.98	871.86	1,065.59	1,259.34	1,453.09	1,743.72
b) GLA	289.43	337.66	385.90	434.14	530.62	627.09	723.57	868.28
c) Total	870.66	1,015.77	1,160.88	1,306.00	1,596.21	1,886.43	2,176.66	2,612.00

14. To authorise the Director of Finance to collect and recover National Non-Domestic Rate and Council Tax in accordance with the Local Government Finance Act 1988 (as amended), the Local Government Finance Act 1992 and the council's Scheme of Delegation.

Wards Affected: All

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

FINANCIAL IMPACT

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

LEGAL IMPLICATIONS

The council is obliged to set the Council Tax and a balanced budget for the forthcoming financial year in accordance with the provisions set out in the body of the report.

In addition to the statutory provisions the council must also comply with general public law requirements and, in particular, it must take into account all relevant matters, ignore irrelevant matters and act reasonably and for the public good when setting the Council Tax and budget. The council should be satisfied that the proposals put forward are a reasonably prudent use of resources in both the short and long term and that the interests of Council Taxpayers and ratepayers on the one hand and the users of council services on the other are both 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 Director of Finance to report on the robustness of the estimates made for the purposes of budget calculations and the adequacy of the proposed financial reserves. The council must take these matters into account when making decisions about the budget calculations.

A public authority must, in the exercise of its functions, comply with the requirements of the Equality Act 2010 and in particular section 149, the Public Sector Equality Duty (“PSED”). Members need to consider this duty in relation to the present proposals. In addition, where specific budget proposals have a potential equalities impact these are considered and assessed by the relevant service as part of the final decision-making and implementation processes and changes made where appropriate.

The protected characteristics to which the PSED applies are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race/ ethnic/ national origin, sexual orientation, religion or belief and sex.

The PSED provides (so far as relevant) as follows:

(1) a public authority must, in the exercise of its functions, have due regard to the need to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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

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

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

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

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

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

(a) tackle prejudice, and

(b) promote understanding.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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BACKGROUND PAPERS USED IN PREPARING THIS REPORT

None.

BUDGET OVERVIEW

1. The continuing national economic conditions of high inflation and interest rates are presenting 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).

The budget proposals for 2023/24 set out in the report are intended to:

- preserve front line services valued by residents/businesses/visitors
 - ensure the continued delivery of the key priorities of the council (for example free home care, weekly collection of waste)
 - maintain the financial resilience of the council (and thus the continued provision of services in the future)
2. **The council has a successful track record of keeping Council Tax low, cutting or freezing Council Tax in five of the last eight years).** The current major national economic conditions of high inflation and interest rates have made a Council Tax increase in 2023/24 unavoidable and a 2.99% increase in the Hammersmith & Fulham element of Council Tax is proposed. 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 £23 per annum, or less than 50p per week, for 2023/24 (at Band D). The Council Tax charge for Hammersmith & Fulham is the third lowest in the country and 35% below the London average charge.
 3. **The council is also proposing to levy a 2% Adult Social Care precept** (again in line with Central Government funding assumptions). The increase is equivalent to £17 per annum, or less than 35p per week, 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, Hammersmith & Fulham was determined not to apply the levy despite the fact that 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.
 4. It is estimated that 47% of households 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).
 5. **General government grant funding** is due to increase by an estimated £7.9m from 2022/23 to 2023/24. £5.1m of the grant increase is not new money but

compensation for the government decision not to increase business rates. The Institute for Fiscal Studies (IFS) has stated that central government funding “is far from fully reversing the substantial cuts made to local government in the first half of the 2010s. Real-terms per capita spending by local government fell by more than 20% between 2009-10 and 2015-16”. The outlook beyond 2023-24 remains uncertain. Historically, overall government funding for H&F has reduced by £48m from 2010/11 to 2023/24 – a real terms funding cut of 56%.

6. **Investment of £10.7m** is being provided to meet the costs of statutory obligations, demographic, service and demand pressures and key resident priorities. The details are set out in paragraph 16 and Appendix C to this report, and key elements are summarised below:

- £4.1m for providing adult social care services (including hospital discharge and demographic growth)
- £1.7m for waste collection and street cleansing services (this will include fly tipping and food waste)
- £1.7m to support the continued provision of school meals to children.
- £0.5m for care packages for disabled children and family hubs

7. **Efficiencies and Savings of £2.9m** are proposed to balance the 2023/24 budget. The details are set out in paragraph 17 and Appendix C to this report, and key elements are summarised below:

- Improving the commissioning of services for children (£0.7m)
- Greater use of digital technology in adult social care services to reduce operational costs (£0.5m)
- Working with the NHS to improve hospital discharges and independent living (£0.5m)

8. A provision of £1.0m has been set aside to support residents on cost-of-living pressures and to consider further developing the Council Tax support scheme for those least able to afford Council Tax.

The council will continue to face significant future financial challenges and uncertainty beyond 2023/24 due to the national fiscal problems, future finance settlements and the long-term impact of more service demands due to the recent pandemic. Therefore an additional £5.3m will be retained in contingencies to safeguard and protect against those risks.

THE COUNCIL TAX REQUIREMENT

The council's current gross General Fund budget rolled forward to 2023/24 is £539.6m, of which £166.6m (the budget requirement) is funded from council resources (such as Council Tax and business rates) and general government grant.

Table 1: 2023/24 Base Budget Requirement

Budgeted expenditure 2022/23	£m
Housing benefit payments	91.2
Departmental budgets (after transfer of on-going developer contributions to fund law enforcement team)	448.4
Gross budgeted expenditure	539.6
Less:	
Specific government grant (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, recharges)	(18.2)
Base budget requirement rolled forward to 2023/24	166.6

9. The Band D Council Tax charge is calculated by dividing the Council Tax requirement by the Council Tax base¹. The determination of the 2023/24 Council Tax requirement is set out in Table 2. The medium-term forecast, to 2026/27 is set out in Appendix B.

Table 2: The Council Tax Requirement

	£m
Base gross budget rolled forward from 2022/23	166.6
Plus/minus:	
Pay and price inflation	13.6
Additional investment in key services and priorities	10.7
Contribution to contingencies	5.3
Employee costs (on-going effect of award in 2022/23)	3.8
Cost of living (one-off) / Council Tax support scheme	1.0
Increase in the net cost of borrowing	0.6
Efficiencies and savings proposals	(2.9)
Recognition of current income projection	(2.0)
Income from investment of cash balances (one off in 23/24)	(5.0)
Employee budget management	(2.5)
Reduction in concessionary fares contribution (one off)	(2.2)
Reversal of Employers National Insurance Contributions (1.25%)	(1.3)
Gross budget requirement	
General grants	(53.1)
Net budget requirement for 2023/24	132.6
Less:	
Locally retained business rates	(59.4)
2023/24 Council Tax requirement (including the adult social care	73.2

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

Inflation

10. Inflation has been consistently high during 2022/23 (reaching 10.5% in December 2022, and the highest level for 40 years). The Office of Budget Responsibility is forecasting inflation of 7.4% during 2023 and the proposed budget for 2023/24 includes provision for both pay and price inflation as follows:
- Contracted inflation of £7.6m.
 - Pay inflation of £6.0m.

Employee Spend

11. There are several impacts on the employee budgets proposed for 2023/24 and these are summarised below:
12. 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).
13. 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 2022. This will save the council an estimated £1.3m in 2023/24.
14. A reduction of £2.5m is proposed on 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.

Investment

15. Additional investment of £10.7m is being provided following the budget setting and review process. The investment proposals are detailed in Appendix C and summarised in Tables 3 and 4.

Table 3: 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
Continuing free breakfast meals in all primaries & free lunches in secondaries where we currently operate the scheme / 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 (see Appendix C)	1.3

Other unavoidable pressures (loss of advertising income, audit fees)	0.5
	10.7

Table 4: 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

16. A provision of £1.0m 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

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

Table 5: 2023/24 savings proposals.

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)

Table 6: Categorisation of 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)

INCOME GENERATION (FEES AND CHARGES AND OTHER MEASURES)

Fees and Charges

18. 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 10% is applied for other non-commercial and non-parking fees. The RPI indication for December 2022 is 13.4%.
19. The current proposed exceptions to the standard 10% increase and policies above are set out in Appendix F.

Other Measures

20. In addition, a further short-term saving of £2.2m (for 2023/24) will arise relating to the contributions to the concessionary fares scheme (freedom pass). This is due to lower usage during lockdown and impact on passenger usage of public transport in response to the pandemic. This is not expected to continue beyond 2023/24.
21. A further one-off saving of £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, DEVELOPER AND BUSINESS RATES FUNDING

22. The government funding receivable is detailed in Appendix E. However historically, government funding has reduced by £48m from 2010/11 to 2023/24, which represents in real terms a cut of 56%. The estimated cash increase in 2023/24 general grant is £7.9m of which £5.1m is compensation for the government decision not to increase business rates. The level of compensation is linked to the standard Consumer Price Index (CPI) rate of inflation. Revenue Support Grant has increased by £2.2m.
23. The 2023/24 local government finance settlement is a single year settlement with no grant allocations confirmed beyond next year. The lack of future certainty continues to undermine effective medium-term financial planning. The risk of future funding reform and levelling up remains. 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, included within Appendix B, 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.

24. As set out in Appendix I the government calculate that Hammersmith & Fulham spending power has increased 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%.
25. 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.
26. The business rates forecast is summarised in Appendix H. As part of the Autumn 2022 Budget the Chancellor of the Exchequer announced that a new temporary 50% business rates relief will apply for eligible retail, hospitality, and leisure properties for 2022/23. In addition, a new 100% improvement relief will be available where eligible improvements increase rateable value. There will also be a business rates freeze in 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.
27. The forecast assumes that Hammersmith & Fulham 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.
28. 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.
29. 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.
30. 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.

31. 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.
32. 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.

HAMMERSMITH AND FULHAM'S COUNCIL TAX REQUIREMENT

33. On 9th January 2023, Council agreed a Council Tax base of 83,936 equivalent Band D properties for 2023/24. Therefore, the council's element of the Council Tax for Band D properties can be calculated as followed:

<u>Total Council Tax Requirement</u>	=	<u>£73,180,441</u>	=	£871.86	Band
D					
Tax Base (Band D equivalent)		83.936			

34. 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.
35. As set out below just over half of dwellings in Hammersmith & Fulham are liable for 100% Council Tax with exemptions/discounts for Council Tax support claimants, students, care leavers and single person households.

Table 9: Liability for Council Tax

Total dwellings in the borough	93,165
Reductions:	
Exemptions (mainly students, includes care leavers)	(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%

PRECEPTOR'S (Greater London Authority) COUNCIL TAX REQUIREMENT

36. The Greater London Authority's (GLA) precept is also funded from Council Tax. The following table analyses the total amount to be funded and the resulting proposed overall Band D Council Tax level. The Mayor is consulting on budget

proposals for a provisional Band D charge of £434.14. This is subject to formal approval by the Mayor following the London Assembly meeting of 23 February. The preceptors budget requirement will be amended should there be a change to the Mayor’s proposed Band D charge.

$\frac{\text{Preceptor's Budget Requirement}}{\text{Tax Base (Band D equivalent)}} = \frac{\underline{\pounds 36,439,975}}{83,936} = \pounds 434.14 \text{ Band D}$

37. The proposed GLA charge represents an increase of £38.55 (9.7%), compared to 2022/23. This includes a £15 increase in the police precept, £3.55 for the London Fire Commissioner and a £20 increase for Transport for London. There is no cash increase for either GLA, Mayor or GLA: Assembly, although their council tax requirements do increase by ².

OVERALL COUNCIL TAX REQUIREMENT 2023/24

38. The overall amount to be met from the Council Tax is £109.620m. This will provide a balanced budget.

Table 10: Overall 2023/24 Council Tax requirement

London Borough of Hammersmith & Fulham	£73,180,441
Greater London Authority (proposed)	£36,439,975
Total requirement for Council Tax	£109,620,416

39. 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.
40. 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:

$\frac{\text{Total Council Tax Requirement}}{\text{Tax Base (Band D equivalent)}} = \frac{\underline{\pounds 109,620,416}}{83,936} = \pounds 1,306.00 \text{ Band D}$

² Source: [The Mayor's Budget for 2023/24 - Explanation of proposals](#)

CONSULTATION

Non-Domestic Ratepayers

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

Policy and Accountability (PAC) Committees

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

VIEWS OF THE DIRECTOR OF FINANCE

The robustness of the budget estimates

43. Under Section 25 of the Local Government Act 2003, the Director of Finance is required to include, in the budget report, a view of the robustness of the 2023/24 estimates.
44. Budget estimates are exactly that, estimates of spending and income at a point in time. This statement about the robustness of estimates cannot give a guaranteed assurance about the budget but gives Members reasonable assurances that the budget has been based on the best available information and assumptions. For the reasons set out below the Director of Finance, is satisfied with the accuracy and robustness of the estimates included in this report:
 - The budget proposals have been developed following guidance from the Director of Finance and have been through a robust process of development and challenge with the Strategic Leadership Team, service directors and managers and Cabinet Members.
 - 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 2023/24 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 2019 triennial pension review.
 - Service managers have made reasonable assumptions about growth pressures which, where not manageable within current budgets, have resulted in additional investment.
 - Rigorous mechanisms will be in place to monitor sensitive areas of expenditure and the delivery of savings. The council recognises that it faces an increasing financial challenge due to the combination of the impact of the Covid-19 pandemic, government grant funding cuts of £48m over the past 12 years, new burdens from government, demographic trends including increasing demand and complexity and cost of that demand. The latest current year Corporate Revenue Monitoring Report (month 6) forecasts an overspend of £2.1m,

reducing to £0.6m should current mitigating actions be delivered, and contingency be used. However the forecast includes a net improvement in expected parking income of £2.0m and this is recognised within the 2023/24 budget proposals.

- Key risks have been identified and considered.
- Prudent assumptions have been made about interest rates payable and the budget proposals are joined up with the requirements of the Prudential Code and Treasury Management Strategy. The revenue effects of the capital programme are reflected in the budget with an increase of £0.6m in the revenue net cost of borrowing.
- The recommendations regarding fees and charges are in line with the assumptions in the budget.
- A review with the Strategic Leadership Team of proposed savings and their achievability has taken place.
- Cabinet Members have reviewed and challenged all budget proposals. In addition, the relevant Policy and Accountability Committees have scrutinised the budget proposals.
- There are appropriate management and monitoring arrangements for the delivery of savings programmes.
- A prudent approach has been adopted on the local share of business rates income receivable, particularly considering the impact of Covid-19, budgeting at the safety net.

Risk, revenue balances and earmarked reserves

45. Under Section 25 of the Local Government Act 2003, the Director of Finance is required to include, in budget reports, views of the adequacy of the balances and reserves the budget provides for in light of the medium-term risks facing the authority.
46. The key financial risks that face the council have been identified in Appendix D and the 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.
47. 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.

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

General fund balances

49. The council's general balance is budgeted to be £23.3m at the start of 2023/24. This equates to 4.1% (15 days spend) of the council's gross budget of £565.1m. This is well within the medium-term optimal range of £19m to £25m set as part of the council's reserves strategy (Appendix J). The Director of Finance considers that this optimal range is sufficient to allow for the risks identified and to support effective medium-term financial planning.
50. General balances are forecast to remain within the optimum range in 2024/25.

Earmarked reserves

51. The council holds a number of earmarked reserves. The latest forecast to 2027/28 is summarised in Table 11 and detailed in Appendix K. It is the view of the Director of Finance that such reserves are adequate to deal with anticipated risks and liabilities.

Table 11: Reserves and general balances - cash flow forecast to 2027/28

	2023 £m	2024 £m	2025 £m	2026 £m	2027 £m
Opening balance at 1st April					
General balances	23.3				
Earmarked reserves – unrestricted	51.1				
Covid-19 related	7.4				
Earmarked reserves – restricted	7.6				
Subtotal	89.4	74.8	73.6	76.1	76.1
Forecast movement	(14.6)	(1.2)	2.5	0	0
Budgeted contribution	0	0	0	0	0
Closing balance at 31st March	74.8	73.6	76.1	76.1	76.1
Revenue developer contributions	46.0	Subject to separate monitoring and approval			

52. The existing commitments are detailed in Appendix J and include the planned investment of earmarked reserves on council priorities (for example the Civic Campus, implementing the IT strategy and Resident Experience and Access Programme). Allowance is made within the reserves forecast for the estimated 2023/24 revenue budget overspend (after allowance for the delivery of in-year action plans) of £2.1m at month 6.

53. The Director of Finance considers that current reserves are adequate to deal with anticipated risks and liabilities. Reserves can only be spent once and need careful management and review to safeguard future financial resilience and deliver service transformation and key resident priorities. Continued focus will be required on keeping spend within budget, avoiding the use of reserves to balance future budgets and on rebuilding reserves to support future investment.

Council Tax setting

54. 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 2023/24 local authorities “will be required to seek the approval of their local electorate in a referendum if, compared with 2022/23, 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.
55. In addition, the government has modelled setting a precept to fund social care for adults of 2% in 2023/24. This levy is included in the council’s budget proposals.

EQUALITY IMPLICATIONS

56. Published with this report are the Equalities Impact Assessments (EIAs) for each department proposing savings. Additionally, there is a corporate budget EIA which assesses the impacts on equality of the main items in the budget proposed to Full Council, the decision to increase Council Tax and apply the social care precept increase. The full EIA (draft) is attached at Appendix G together with individual EIAs for service areas.

RISK MANAGEMENT IMPLICATIONS

57. 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 2023/24 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.
- 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.

58. 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.

59. 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, Education City and other affordable housing developments. Strong programme governance and oversight is in place, and it is important that this is maintained to ensure that key objectives and outcomes are being delivered within approved budgets.

60. Appendix D sets out the financial risks against which the 2023/24 budget and MTFS are being proposed for approval. There are significant financial risks around ongoing demand for children and young people with Special Educational Needs funded by High Needs Block Dedicated Schools Grant, funding for social care services, increases in the demand for and cost of temporary accommodation, the reliability of a range of income and funding streams (which have been particularly affected by the pandemic) needed to support the delivery of front-line services, along with inflationary pressures on staffing costs and contracts. Appendix D contains high level mitigating actions in many cases. It is vital that clear mitigation plans are developed for all risks identified, which will then be implemented, monitored, and reported on to ensure that the council is able to deliver vital services within its overall cost envelope.
61. 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, 18 January 2023.

PROCUREMENT IMPLICATIONS

62. There are no direct implications resulting from this report.

List of Appendices:

Appendix A – The requisite Council Tax calculations for Hammersmith & Fulham
Appendix B – Medium term financial forecast
Appendix C – Investment and savings proposals
Appendix D – Budget risks
Appendix E – Government grant funding
Appendix F – Fees and charges
Appendix G – Equalities Impact Assessment
Appendix H – The business rates retention scheme for Hammersmith & Fulham
Appendix I – Spending power calculation
Appendix J – Reserves strategy
Appendix K – Reserves realignment and forecast