

## London Borough of Hammersmith & Fulham

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

**Date:** 05/02/2024

**Subject:** 2024 Medium Term Financial Strategy (MTFS)

**Report author:** Andre Mark, Head of Finance (Strategic planning and investment)  
Kellie Gooch, Head of Finance (Environment)  
Danny Rochford, Head of Finance (Economy)

**Responsible Director:** Sukvinder Kalsi, Strategic Director of Finance  
Bram Kainth, Strategic Director of Environment  
Jonathan Pickstone, Strategic Director of Economy

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### SUMMARY

Cabinet will present their revenue budget and Council Tax proposals to Budget Council on 28 February 2024. This report provides an update on the overall preparation and proposals for the 2024/25 revenue budget, risks, financial resilience, and the impact of those proposals. This report also sets out the budget proposals for the services covered by this Economy, Arts, Sports & Public Realm Policy & Accountability Committee (PAC). An update is also provided on any proposed changes in fees and charges in the budget.

The strategic operating environment continues to be challenging (inflation, interest rates, economic stagnation, unemployment, real terms reduction in household incomes) and this will have an impact on the overall national and public finances. After the Chancellor's Autumn Statement in November 2023, analysis by the Institute for Fiscal Studies has estimated that considering current spending commitments across the public sector, the Department of Levelling Up, Housing and Communities (which includes local government) may face a 3.4 per cent real terms cut each year from 2025/26 to 2028/29.<sup>1</sup>

The budget proposals for 2024/25 are intended to protect our statutory services, deliver services valued by residents/businesses/visitors, promote the prosperity of the Borough, and support the poorest and most vulnerable in society. All our services have been funded at a time of continued austerity within local government since 2010.

Despite the financial pressures on the council, our ruthlessly financially efficient approach (by generating more than £118m of efficiencies since 2014/15), securing more than £100m in contributions from developing the Borough and generating more than £60m in annual income). Few organisations would be able to deliver the same services they delivered over a decade ago with less than half of the resources

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

available. In Hammersmith & Fulham we have not just maintained front line services that residents rely on, but we have gone further, providing new services to support those living in the borough. We have also eased financial burdens that residents by keeping taxes low, freezing key charges and providing one of the country's most comprehensive Council Tax Support Schemes.

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.

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

Despite the financial pressures on the council, our ruthlessly financially efficient approach has allowed us to keep Council Tax levels low. There is no better place to be a Council Taxpayer than right here in Hammersmith & Fulham. Not only do we have the third lowest council tax rates in the country, with this administration cutting or freezing Council Tax five times in the last nine years, but our Council Tax Support Scheme provides a discount to 42% of residents, with 11% of the most vulnerable paying nothing at all. This administration took the decision to exempt care leavers from paying Council Tax entirely, and this year, for the first time, we will also exempt in-house foster carers and special guardians so that they do not pay a penny of Council Tax.

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

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

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

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

The Local Government Finance Act 1992 obliges the Council to set a balanced budget, and the detailed proposals contained in this report will put the Council in a strong position to be able to do so for the next financial year. Cabinet in February will need to

consider these alongside the outcome of the Final Local Government Finance Settlement and any other funding statements that may follow.

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## RECOMMENDATIONS

1. That the Economy, Arts, Sports & Public Realm 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.
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**Wards Affected:** All

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Our values	Summary of how this report aligns to the H&F values
Being ruthlessly financially efficient	The council has a proud record of maintaining low Council Tax to its residents. The revenue budget for 2024/25 proposes savings and efficiencies across services and corporate functions that rationalise its estate and reduce its operating costs, whilst also delivering value for money from external contractors
Creating a compassionate council	The proposals in the revenue budget for 2024/25 supports the ongoing investment in services that directly support residents in living, healthy and independent lives. This includes continuing to provide free homecare for older residents, providing Council Tax support to foster carers and increasing investment to tackle homelessness and rough sleeping.
Building shared prosperity	A significant proportion of services are delivered in partnership with local and national companies, and this will continue to promote all business sectors to the benefit of residents.
Doing things with residents, not to them	The budget for 2024/25 will invest in our Family Hubs, ensuring that every child, young person, and family is able to access the right support at the right time. The Hubs will also be developed by collaborating with children and young people and their families, family groups, the local third sector, the NHS and the council's children's services in genuine partnership.
Taking pride in H&F	The council's revenue budget will invest over £50m in public realm services. These services will provide access to safe clean, green spaces for all to enjoy, visit and live in. It will deliver improvements to highways, whilst continuing to invest in the Law Enforcement Team and regulatory services to crack down on anti-social behaviour and rogue traders.

<b>Our values</b>	<b>Summary of how this report aligns to the H&amp;F values</b>
Rising to the challenge of the climate and ecological emergency	The council has an ambitious target to become a net zero borough. To help achieve this, the budget will invest in the roll out of food waste caddies for more than 50,000 households, continue to keep our streets and parks clean, and take a tough stance against anyone dropping litter, creating graffiti, or dumping rubbish.

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## Background Papers Used in Preparing This Report

Not Applicable

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## DETAILED ANALYSIS

### The Budget Requirement and Gap

1. The gross General Fund budget<sup>2</sup> rolled forward from 2023/24 to 2024/25 is £642.0m of which a **net budget requirement of £198.0m** is funded from council resources (such as Council Tax and business rates) and general government grant.

**Table 1 – Budget rolled forward from 2023/24**

<b>2023/24 Budgeted Expenditure</b>	<b>£m</b>
Housing benefit payments	91.2
Departmental budgets	550.8
<b>Gross budgeted expenditure</b>	<b>642.0</b>
<b>Gross revenue income budget requirement (specific government grants, fees and charges and other contributions)</b>	<b>(444.0)</b>
<b>Net revenue budget requirement</b>	<b>198.0</b>
<b>To be met from:</b>	
General grants	(56.7)
Locally retained business rates	(62.5)
<b>2024/25 Council Tax requirement (including the adult social care precept)</b>	<b>(78.8)</b>

### Budget assumptions

#### Investment and growth pressures

2. Additional investment and growth of £10.7m is being provided following the budget setting and review process. The proposed investment and growth items are

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<sup>2</sup> Figures exclude capital charges and internal service level agreements. These have a net nil impact on the budget.

summarised in Table 3 and for those relevant to this PAC in Table 4. The detailed investment proposals for this PAC are set out from paragraph 45 and in Appendix 1 to this report.

**Table 3: 2024/25 Investment Proposals**

<b>Department</b>	<b>£m</b>
Adult Social Care	4.8
Children Services	1.6
Environment	0.5
Corporate Services	0.2
Economy	1.5
Other Services	2.1
<b>Total</b>	<b>10.7</b>

**Table 4: Investment and growth proposals relevant to this PAC**

<b>Proposal</b>	<b>£000</b>
New waste collection services (garden waste)	278
Continuation of Community and Cultural Events Programme	150
Contribution to new H&F Black History Cultural Centre	60
<b>Total Environment</b>	<b>488</b>

### **Savings and Income Generation**

3. After more than a decade 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.
4. The proposed savings (including additional income) for 2024/25 are set out in Table 5. The savings proposals for this PAC are outlined in detail from paragraph 45 and in Appendix 1 to this report.

**Table 5: 2024/25 firm savings and additional income**

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

5. The savings relevant to this PAC are summarised in table 6 below.

**Table 6: Summary of savings relevant to this PAC**

<b>Proposal</b>	<b>£000</b>
Review fees and charges	200
New waste collection services (further efficiencies from wheeled bins)	250
Service transformation savings	250
New waste collection services (garden waste)	650
<b>Total Environment savings</b>	<b>1,350</b>
New fee flexibilities and cost reductions from fewer volumes	350
Review of expenditure (6% reduction)	200
Corporate Accommodation savings	400
<b>Total Economy savings (excluding Housing Solutions)</b>	<b>950</b>

### **Inflation**

6. Inflation has been consistently high over the past two years (reaching 10.5% in December 2022, and the highest level for 40 years). The Consumer Price Index (CPI) for September 2023 is 6.7%. The Office of Budget Responsibility is forecasting inflation of 2.8% by Q4 of 2024/25 and the proposed budget for 2024/25 includes provision for both pay and price inflation in line with those assumptions: This budget allows for:

- Contract and external services inflation of £9.2m.
- £4.5m provision for a 2024/25 pay award (this equates to a 3.0% pay award)

### **Fees and Charges**

7. Charges governed by statute are set in accordance with those requirements and not varied in accordance with inflation. For non-statutory **fees and charges** levied by the council, 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 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 6.7% is applied for other non-commercial and non-parking fees, as per September 2023 CPI.
- The exceptions to these assumptions for this committee are attached in **Appendix 4**.

## **Local Government Finance Settlement and Core Spending Power**

8. The provisional 2024/25 Local Government Finance Settlement (LGFS) was published by DHLUC on the 18th of December 2023. This statement outlines provisional funding allocations for local authorities for 2024/25 alongside the Core Spending Power for each authority. For the sixth year in a row, this was a single year funding settlement. There was not a great deal of new funding included, as much of the funding announced in the statement had already been declared in the 2023/24 LGFS, particularly funding ringfenced for Adult Social Care and Council Tax referendum limits.
9. Core Spending Power estimates total revenue funding available to authorities and includes Government assumptions on a maximum increase in Council Tax (4.99%) and business rates income (including compensation for under indexing the multiplier) as well as growth in the Council Tax base. The Statement provided an increase in Core Spending Power of 6.7% (the level of CPI inflation in September) if the council increases Council Tax and the Adult Social Care Precept to the maximum extent without triggering a local referendum. It also includes compensation for the decision to freeze the small business rates multiplier, which has resulted in lower council revenues in other areas.
10. A summary of the Council's funding settlement and Core Spending Power in comparison to 2023/24 is set out in **Appendix 5**.
11. The 2024/25 Settlement continues the recent trend of single year funding settlements with no grant allocations confirmed beyond next year. The lack of future certainty continues to undermine effective medium-term financial planning and resource allocation. The planned review (Fair Funding Review) to explore changing how central grants are distributed between local authorities and with the potential for resetting the baselines for determining each local authority's need has been pushed back to April 2025 at the earliest after first being announced in 2016.
12. It should be noted that whilst the overall Core Spending Power for the Council has increased by £13.78m, only £5.75m (42%) of this relates to grant funding distributed directly to local authorities as part of the LGFS, as both Council Tax and business rates income are locally generated sources of income.

An explanation of the key funding streams is outlined below:

13. **Settlement Funding Assessment (SFA)** – The SFA is made up of two elements: The Revenue Support Grant (RSG) and the Baseline Funding Level (BFL). RSG is given to local authorities and can be used to finance revenue expenditure on any service. This grant has increased by £1.35m. This increase from 2023/24 is in line with the September CPI increase of 6.7%.
14. The BFL is the estimated retained Business Rates as calculated by the Government, usually updated in line with the small business rates multiplier. The actual business rates estimated by the Council is set out in the business rates section below.
15. **Social Care funding** – There are four separate grants as part of the Core Spending Power which relate to Social Care funding. Except for the Social Care Support grant (which can be used for matters relating to Childrens and Adults social care), all the others are ringfenced and passported to the Social Care budget. The grants are as follows:
  - Social Care Support grant
  - Improved Better Care Fund
  - Market Sustainability and Improvement Fund (now includes the MSIF Workforce Fund)
  - ASC Discharge Fund
16. A two-year funding package for social care was outlined in last year's LGFS and the funding this year represents the second year of this. Beyond 2024/25, it is unclear and uncertain the sustainability and level of funding which will be available to local authorities for social care.
17. **Compensation for the under-indexing of the business rates multiplier** – this is funding to compensate local authorities for lost business rates income arising from the decision to freeze the small business rates multiplier.
18. **New Homes Bonus** - There will be new rounds of New Homes Bonus (NHB) payments in 2024/25. In line with last year, these payments will not attract new legacy payments. It is unlikely that the New Homes Bonus will continue beyond 2024/25, and whether any alternative funding will be provided should this be the case.
19. **Services Grant** – The services grant has reduced by over 84% in 2024/25. The Government have made significant cuts to this funding (from £822m in 22/23 to £77m in 24/25) as it has been top sliced to offset the rising cost of other grants in the settlement. Although the local government finance policy statement on the 5<sup>th</sup> of December stated that this grant would reduce, the scale of reduction was not anticipated or communicated to local authorities earlier in the budget setting process.
20. Other Funding
21. **Household Support Fund (HSF)** - In 2021, the Department for Work and Pensions announced that vulnerable households across the country would be able to access



a new support fund to help them with essentials over the winter. The total HSF allocated to Hammersmith and Fulham during 2023/24 was £2.8m, all of which is planned to be spent as part of the council's Cost of Living response.

22. However, after the Autumn Statement, it was confirmed by DHLUC that the HSF will not continue beyond 31 March 2024. At time of writing, it is not known if this funding will be replaced with another scheme or will be folded into existing funding, but the ending of this funding stream will place a significant additional financial burden on the Council and those most vulnerable and affected by the Cost-of-Living crisis.
23. There are other specific grants which sit outside the main LGFS and for which allocations have been announced. The Council will receive £24.3m for the Public Health Grant, £3.89m for the Homelessness Prevention Grant (a further £120m has been announced nationally but allocations are not known at the time of writing), plus £177.3m for the Dedicated Schools Grant (DSG). These grants are ringfenced and are assumed will have a neutral impact in the current budget proposals.

### **Other Measures**

24. It is estimated that £5.0m relating to income from investing cash balances will be available as favourable interest rates is assumed as per the Bank of England's economic forecast assumptions. This income will be used to balance the budget in 2024/25 and our cash balances and base rate assumptions will be reviewed throughout the financial year in line with our treasury management strategy.
25. A comprehensive review has been carried out across both front and back-office functions within parking services. This has resulted in a programme of measures that has delivered more effective and efficient systems and processes, particularly in permit and suspension management, together with the introduction of more streamlined delivery and operational models. Front line services benefit from the introduction of Automatic Number Plate Recognition (ANPR) technologies in on-street enforcement, and the continued roll out of automated cameras in moving traffic, capturing alerts and contraventions. This outcome of this review is reflected in the budget for 2024/25.
26. In addition, there are budget measures to reduce budgeted reserve contributions, realigning corporate charges between the HRA and General Fund and short-term contributions arising from lower than budgeted contributions to the concessionary fares (freedom pass) scheme. The latter is due to the impact of passenger usage on public transport in response to the pandemic and changes to ways of working. This is not expected to continue beyond 2024/25 as demand is forecast to return to pre pandemic levels and fares increase.

### **Council Tax**

27. The Council is proud to have the third lowest Council Tax in the country, and to have cut or frozen Council Tax in 5 of the last 9 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.

28. The national economic conditions of high inflation and interest rates made a Council Tax increase in 2023/24 unavoidable and a 2.99% increase in the Hammersmith & Fulham element of Council Tax was required to achieve a sustainable budget. As the current level of Council Tax is so low, even an increase of 2.99% keeps the overall level well below other local authorities.
29. The budget proposals assume Council Tax will be increased by the amount modelled in the Government's Core Spending Power calculations, including the ringfenced Adult Social Care precept. The level of Council Tax increase reflects the assumption that has been outlined by Central Government in the Autumn Statement made on the 17 November by the Chancellor and assumed in the funding settlement for local government. The additional income will fund rising costs, protect, and support investment in key services for residents, and strengthen future financial resilience. The increase is equivalent to £26 per annum, or 50p per week, for 2024/25 (at Band D).  
For the Adult Social Care precept, this is the equivalent to £17.44 per annum, or less than 35p per week (at Band D).
30. For 2024/25, despite the financial pressures on the council, our ruthlessly financially efficient approach has allowed us to keep Council Tax levels low. There is no better place to be a Council Taxpayer than here in Hammersmith & Fulham. Not only do we have the third lowest council tax rates in the country, but our Council Tax Support Scheme provides discounts and exemptions to many residents, with the most vulnerable paying nothing at all.
31. This administration took the decision to exempt care leavers from paying Council Tax entirely, and this year, for the first time, we will also exempt in-house foster carers and special guardians so that they do not pay a penny of Council Tax.
32. As set out in table 7 below, it is estimated that 42% 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).

**Table 7: Liability for Council Tax at November 2023**

Total dwellings in the borough	94,117
Reductions:	
Exemptions (mainly students, includes care leavers and vacant properties)	(3,415)
Council Tax support claimants (elderly & working age on low income)	(10,087)
Single person discount (25% discount)	(26,143)
<b>Dwellings liable for 100% of Council Tax</b>	<b>54,472</b>
	<b>58%</b>

### **Business Rates**

33. The recent change in legislation has meant that the business rates multiplier has been 'decoupled', and ministers now have the power to set different levels of rates

for the elements of the multiplier (small and standard multipliers). The Autumn Statement confirmed that the standard multiplier rate would increase in line with September's CPI inflation (6.7%).

- 34. There will be a freeze in 2024/25 for the small business rate multiplier for the fourth year in a row. The 75% Retail, Hospitality and Leisure relief will be also extended for 2024-25. Local authorities will be compensated by the government for the resultant loss of income from these measures.
- 35. The forecast assumes that Hammersmith & Fulham will receive and retain the minimum amount guaranteed, the safety net threshold, by Government. This is £62.5m for 2024/25.

**Risk and financial resilience**

- 36. Under Section 25 of the Local Government Act 2003, the Strategic Director of Finance is required to include, in the budget report, a view of the robustness of the 2024/25 estimates and also views of the adequacy of the balances and reserves the budget provides for in light of the medium-term risks facing the authority.
- 37. An updated reserves strategy and forecast will be included within the suite of finance reports presented to Cabinet and Full Council.
- 38. The current reserves forecast is set out in Table 8 and models a fall in overall general fund reserves and balances to £91.6m by 2027/28. This assumes a balanced budget is set each year with no further call on reserves.

**Table 8: Reserves and general balances - cash flow forecast to 2027/28**

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

- 39. The Council's general balance for 2023/24 is £21.3m, after the council ran a budget surplus and contributed additional funds to general balance reserves. This equates to 3.8% (14 days spend) of the Council's gross budget of £550.8m. The Strategic Director of Finance has recommended that the optimal range for the general balance is between £19m and £23m.

40. Reserves play a crucial role in good public financial management. They enable investment in service transformation and provide resilience against unexpected events or emergent needs.
41. Hammersmith & Fulham holds reserves for two main purposes:
  - As a contingency to cushion the impact of unexpected events or emergencies – this forms part of general balances.
  - To build up funds for known or predicted requirements; these specific reserves are known as earmarked reserves.
42. Reserves are also a key enabler for future service transformation. The financial challenge facing the council will require investment to deliver future efficiencies to enable the council to balance the budget in future years.
43. The lack of an appropriate safety net has resulted in several councils running into financial difficulties. Over the last two years, nine local authorities have produced a section 114 notice (this is a notice from the s151 officer in their view that a Council's resources are not sufficient to fund its forecasted expenditure for a financial year) and one in five local authorities have reported that they "think it is very or fairly likely that their chief finance officer will need to issue a Section 114 notice this year or next due to a lack of funding to keep key services running".<sup>3</sup>

### **Key Risks**

44. The key financial risks that face the Council have been identified and are set out below:
  - The continuing economic conditions relating to inflation, interest rates, unemployment, real household incomes (these may all increase our service delivery costs, recovery of income and viability of major projects).
  - The increasing national legislative requirements (e.g., Environment Act 2021, Social Regulation 2023) will add additional pressures on our service delivery.
  - The increasing regulation from national government (e.g., OfLog, Housing Ombudsman, CQC) will increase our cost burdens.
  - The demographic pressures especially on Adult Services, Childrens Services (Special Educational Needs and Disabilities), homelessness (temporary accommodation) and people from abroad will continue (as is the case nationally for many other local authorities). This is a combination of a number of factors including the Covid-19 recovery, addressing pent-up demand and supply issues post Brexit.
  - Higher pay inflation particularly given current labour shortages.
  - The stabilisation and restoration of Hammersmith Bridge, with the council incurring revenue and capital costs at risk until government funding is confirmed.
  - The future impact on London of the government's 'levelling-up' agenda and wider local government finance reform (such as business rates)
  - The impact of the wider economy on major council development projects and future contributions from developers
  - The impact of, and costs of, tackling climate change

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<sup>3</sup> [Section 114 fear for almost 1 in 5 council leaders and chief executives after cashless Autumn Statement | Local Government Association](#)

- 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.

## **Comments of the Strategic Director of Environment on the 2024/25 Budget Proposals**

### Strategic Service Context

45. The Environment Department is responsible for the delivery of a wide range of universal services to the residents of Hammersmith & Fulham including:
  - Climate Change and Transport, including Parking
  - Public Realm - Highways, Street Environment Services, Parks and Leisure, and Cultural Services
  - Public Protection - Community Safety, Regulatory Services, Building Control, Technical Support
46. 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:
  - Maximising external income. Targeting £13m in commercial income through robust contract management and focussed review of fees and charges; tackling crime and antisocial behaviour through the Law Enforcement Team and Gangs Unit at no extra cost to residents (£2.8m annual funding from secured developer contributions); distributing £1m of funding from the new Kings Coronation Youth Fund to support young people across the borough in arts, music, drama, and sport.
  - Optimising commissioning. Actively working with the Council's Contract Assurance Board to reprocure and embed some of our major external service contracts. For example, mobilising a new waste, recycling and street cleansing contract following a full reprocurement process on the open market; securing the continuation of a reduced waste disposal fee for recycling (saving £0.3m annually); and ensuring the continuation of cost effective contracted leisure services as the industry fully recovers from the pandemic.
  - Continuing our programmes of service improvement. For example, restructuring the department to make it better equipped to deliver the Council's priorities; investing in technology to improve resident experience and access to our services; and in-sourcing the sports booking service.
  - Minimising capital financing costs and maximising community engagement through the launch of the H&F green investment scheme. This is the biggest green investment product ever to be offered by a Council, targeting £5m for investment in the Council's Climate and Ecological strategy, at a cheaper rate than borrowing from more traditional means.

- Specifically relevant to this PAC, the Environment department is supporting the Council’s vision in the following ways:
    - Implementing the Council’s cultural strategy and bidding to be the London Borough of Culture for 2025, including successfully bringing our communities and partners together to support our bid. If we win, it comes with a significant cash prize and other funding (worth around £2m), which will allow us to boost cultural initiatives in the borough.
    - Rising to the challenge of the climate and ecological emergency by having the highest concentration of electric vehicle charging points in the UK and introducing greening and Sustainable Drainage Schemes (SUDs) projects in several locations across the borough to reduce the risk of flooding.
    - Working to minimise waste and increase recycling through the roll out of new waste collection services for food waste (to 50,000 street-based households) and wheeled bins for properties with sufficient space.
    - Championing women in engineering by establishing the pan London Women in Engineering Group (LoWEG), which brings together women working or consulting for Councils and their contractors to promote Science, Technology, Engineering and Maths (STEM).
    - Launching the new £1m King Charles III Coronation Youth Fund, bringing together H&F and community organisations to support young people across the borough in arts, music, drama, and sport.
47. 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

48. The Environment Department continues to proactively manage a small number of high value budget risks and pressures. For 2023/24 the department is facing financial challenges relating to the cost-of-living crisis (particularly relating to high energy costs and income pressures), and contractual pressures. Officers are working hard to mitigate the overspend before year-end (forecast overspend of 2% 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 2024/25.

Budget 2024/25

49. The Environment Department revenue budget for 2024/25 is summarised at directorate level in the table below.

**Table 10 – Environment Department budget 2024/25**

Service	Expenditure £m	Income £m	Net Budget £m
Climate Change and Transport	24.17	(57.37)	(33.20)
Public Realm	64.67	(13.62)	51.05
Public Protection	20.32	(9.42)	10.90
<b>Total</b>	<b>109.16</b>	<b>(80.41)</b>	<b>28.75</b>

50. The net budget is £28.75m and will ensure the continued investment of resources in key services for residents. In particular, the following budget changes should be noted:

- additional investment of £488,000 will maintain and enhance investment in the following areas: new waste collection services (£278,000), continuation of the community and cultural events programme (£150,000), and an ongoing contribution to the new H&F Black History Cultural Centre (£60,000), which will see the Council partner with other organisations to deliver its commitment to provide a Black History Cultural Centre within the borough as part of the cultural strategy.
- contractual inflation on externally provided services has been allowed for in the budget (£2.2m in total based on a minimum of 4%). It should be noted that inflation continues to be high, and so a significant budget risk exists in relation to this for 2024/25. The Council will continue to work with contractors and suppliers to minimise any adverse impact and secure agreement to temporarily vary contract conditions within budget where possible.
- savings of £1.55m (of which £1.35m is relevant to this PAC) 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 and increased income generation.

#### Fees and Charges

51. The Environment Department provides an extensive range of services to local businesses and residents that are chargeable, such as Commercial Waste, Building Control, Environmental Health Licensing and Sports Bookings. The department is proposing to apply the recommended Council inflationary uplift of up to 6.7% on fees and charges from April 2024, with the exception of the commercial fees and charges 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 (such as markets and street trading), this will be undertaken as necessary. Parking charges and fines are set in line with transport policy objectives and not considered as part of the budget process.

### **Comments of the Strategic Director of Economy on the 2024/25 Budget Proposals**

#### Strategic service context

52. The Economy department provides a diverse range of services to the residents of Hammersmith & Fulham including:

- Planning – Planning Policy, Development Management, Infrastructure Planning, Licensing, Management of the Section 106 Programme and Community Infrastructure Levy

- Regeneration and Development – Development of New Market and Affordable Housing and community infrastructure, Regeneration of Existing Assets
  - Economic Development, Learning and Skills – Delivery of the Borough’s Industrial Strategy, Business and Enterprise, Employment and Skills, Imperial College Partnership - Upstream, Adult Learning and Skills
  - Property - Land and Asset Management including Facilities Management
  - Housing Solutions – Homelessness Prevention and Assessment, Allocations and Lettings, Housing Strategy including Rough Sleeping reduction.
53. Services are funded by both the Housing Revenue Account (HRA) and the General Fund (including Section 106 funds). This report focuses on the General Fund services set out above with the exception of Housing Solutions. There is a separate presentation to the Housing & Homelessness Policy & Accountability Committee covering the Housing Revenue Account and Housing Solutions.
54. Economy adopts an approach of careful financial management linked to wider strategic planning and efforts to support local recovery from the pandemic and cost of living crisis to ensure that services and budgets are effective, efficient and reflect the council’s priorities. Some notable examples are:
- 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 and to ensure new homes and developments are more friendly to the environment and reduce energy costs.
  - 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.
  - Our Industrial Strategy, launched in 2017, has resulted in:
    - 8,100 new jobs in science, tech, engineering, medicine and media
    - £6.1 billion in investment for high growth sectors, including start-ups and scale-ups.
    - £941m in growth finance secured in 2023 alone by businesses in the White City Innovation District, creating 1,600 jobs across the key sectors of Climate Tech; Life Sciences; Creative, Digital, Film & Screen, AI, fintech and software.
    - 196,000 square metres of specialist business space including laboratories
    - 69,000 square metres of affordable workspace



- The Council has put in place a pioneering partnership with Barcelona City Council and the 22@Network BCN innovation district. We are pursuing partnerships with a number of other European cities.
- 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.

### Financial Performance

55. There is a strong track record of financial efficiency to deliver savings and a balanced budget within the Economy department. Spending in 2022/23 was closely aligned with the available budget with no significant impact on Council balances. For 2023/24 Economy faces financial challenges in generating income from planning applications and from the corporate asset base. Officers are working hard to balance the year-end outturn in line with budget (forecast overspend of £0.7m 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 2024/25.

### Budget 2024/25

56. Economy department revenue budget for 2024/25 is summarised at divisional level in the table below.

**Table 10 – Economy department budget 2024/25**

Service	Expenditure £m	Income £m	Net Budget £m
Housing Solutions	42.70	(29.28)	13.42
Economic Development, Skills Service	7.66	(6.66)	1.00
Planning	6.82	(5.34)	1.48
Property and Asset Strategy	11.17	(13.30)	(2.13)
Place	0.15	(0.04)	0.11
Regeneration & Development	0.12	-	0.12
<b>Total</b>	<b>68.62</b>	<b>(54.62)</b>	<b>14.00</b>

57. The net budget is £14.0m and will ensure the continued investment of resources in key services for residents. In particular, the following matters should be noted:
- An inflationary uplift in the corporate buildings' energy budget of £0.09m is required to support the Property division to manage the increased cost of the energy contract.
  - Savings of £0.95m will be delivered from a combination of new Planning fee flexibilities and a review of income opportunities and expenditure within Property.

## **Economy fees and charges**

58. The Economy department provides a range of services to local businesses and residents that are chargeable. The department is proposing the recommended Council inflationary uplift of 6.7% on fees and charges from April 2023, except for the fees and charges relevant to this PAC set out in Appendix 4. Statutory planning charges which the department cannot influence, will be set according to the relevant statute.

## **Equality Implications**

59. 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 2024.

## **List of Appendices:**

- Appendix 1 – Savings and investment proposals
- Appendix 2 – Risks
- Appendix 3 – Equality Impact Assessments
- Appendix 4 – Fees and Charges Exceptions
- Appendix 5 – Core Spending Power calculation