

# LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Full Council

**Date:** 28/02/2024

**Subject** Revenue Budget and Council Tax Levels 2024/25

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

**Responsible Director:** Strategic Director of Finance – Sukvinder Kalsi

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## SUMMARY

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

All these services have been funded at a time of continued austerity within local government since 2010. After the Chancellor's Autumn Statement in November 2023, analysis by the Institute for Fiscal Studies has estimated that considering current spending commitments across the public sector, the Department of Levelling Up, Housing and Communities (which includes local government) may face a 3.4 per cent real terms cut each year from 2025/26 to 2028/29<sup>1</sup>

Funding from central government has reduced by 54% in real terms<sup>2</sup> and 22% in cash terms, from £164m in 2010/11 to £128m in 2024/25<sup>3</sup>. The economic impact of the last few years has put further pressure on council finances. The challenge in setting this balanced budget has been to protect these services, that make Hammersmith & Fulham special, despite unprecedented financial constraints.

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

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

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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://www.ifs.org.uk/what-does-the-autumn-statement-mean-for-local-government-and-public-service-spending/)

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

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

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

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

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

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

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

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

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

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## **RECOMMENDATIONS**

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

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

3. To approve a balanced budget for 2024/25 as set out in the report, including the underlying principles and assumptions.
4. To approve **£10.7m** of new investment on key services for residents.
5. To approve fees and charges, as set out in Appendix E, including freezing charges in adult social care, children’s services, and General Fund housing.
6. To approve the Medium-Term Financial Strategy and to note the budget projections to 2027/28 made by the Strategic Director of Finance in consultation with the Strategic Leadership Team. (Appendix B)
7. To note the statement of the Strategic Director of Finance, under Section 25 of the Local Government Act 2003, regarding the adequacy of reserves and robustness of estimates (paragraph 56).
8. To approve the reserves strategy and forecast as set out in Appendix H.
9. To require all Directors to report on their projected financial position compared to their revenue estimates in accordance with the Corporate Revenue Monitoring Report timetable.
10. To authorise Directors to implement their service spending plans for 2024/25 in accordance with the recommendations within this report, the council’s Standing Orders, Financial Regulations, relevant Schemes of Delegation and undertake any further consultation required regarding the Equalities Impact Assessment.
11. Set the council’s element of Council Tax for 2024/25 for each category of dwelling, as outlined in the table below and in full in Appendix A and calculated in accordance with Sections 31A to 49B of the Localism Act 2011.

<b>Category of Dwelling</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
Ratio	6/9 £	7/9 £	8/9 £	1 £	11/9 £	13/9 £	15/9 £	18/9 £
H&F	610.24	711.95	813.66	915.37	1,118.78	1,322.20	1,525.61	1,830.74

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

Category of Dwelling	A	B	C	D	E	F	G	H
Ratio	6/9 £	7/9 £	8/9 £	1 £	11/9 £	13/9 £	15/9 £	18/9 £
b) GLA	314.27	366.64	419.02	471.40	576.16	680.91	785.67	942.80

13. That the overall Council Tax to be set at £1,386.77 per Band D property as follows:

Category of Dwelling	A	B	C	D	E	F	G	H
Ratio	6/9 £	7/9 £	8/9 £	1 £	11/9 £	13/9 £	15/9 £	18/9 £
a) H&F	610.24	711.95	813.66	915.37	1,118.78	1,322.19	1,525.61	1,830.74
b) GLA	314.27	366.64	419.02	471.40	576.16	680.91	785.67	942.80
<b>c) Total</b>	<b>924.51</b>	<b>1,078.59</b>	<b>1,232.68</b>	<b>1,386.77</b>	<b>1,694.94</b>	<b>2,003.10</b>	<b>2,311.28</b>	<b>2,773.54</b>

14. To authorise the Strategic Director of Finance to collect and recover National Non-Domestic Rate and Council Tax in accordance with the Local Government Finance Act 1988 (as amended), the Local Government Finance Act 1992 and the Council's Scheme of Delegation.
15. To note the Council's estimated position on the Collection Fund (as set out in paragraph 51).
16. To note the performance on the management of arrears across the Council on all debts due (as set out from paragraph 60).

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**Wards Affected:** All

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

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

## Financial Impact

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

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## Legal Implications

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

In addition to the statutory provisions the council must also comply with general public law requirements and, in particular, it must take into account all relevant matters, ignore irrelevant matters and act reasonably and for the public good when setting the Council Tax and budget. The council should be satisfied that the proposals put forward are a reasonably prudent use of resources in both the short and long term and that the interests of Council Taxpayers and ratepayers on the one hand and the users of council services on the other are both considered. The recommendations contained in the report have been prepared in line with these requirements.

Section 30 of the Local Government Finance Act 1992 provides that no amount of Council Tax may be set before the earlier of the following— (a) 1<sup>st</sup> March in the financial year preceding that for which the amount is set; (b) the date of the issue to the authority of the last precept capable of being issued to it (otherwise than by way of substitute) by a major precepting authority for the financial year for which the amount is set. The GLA precept is due to be agreed at its meeting of 23 February 2023 in advance of the Hammersmith & Fulham Council Tax setting meeting.

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

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

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

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

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

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

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

*I foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*

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

- (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;*
  - (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;*
  - (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.*
- (4) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.*
- (5) Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to —*
- (a) tackle prejudice, and*
  - (b) promote understanding.*
- (6) Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act.*

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

- (106) (i) The PSED is an integral and important part of the mechanisms for ensuring the fulfilment of the aims of anti-discrimination legislation.
- (ii) The duty to have "due regard" to the various identified "needs" in the relevant sections does not impose a duty to achieve results. It is a duty to have "due regard" to the "need" to achieve the identified goals.
- (iii) Due regard is regard that is appropriate in all the circumstances, including the importance of the area of life of people affected by the decision and such countervailing factors as are relevant to the function that the decision-maker is performing.
- (iv) Although the weight to be given to equality issues and countervailing factors is for the decision-maker, it is for the Court to determine whether "due regard" has been given. This will include the court assessing for itself whether in the circumstances appropriate weight has been given by the authority to those "needs" and not simply deciding whether the authority's decision is a rational or reasonable one.
- (v) The duty to have "due regard" to disability equality is particularly important where the decision will have a direct impact on disabled people. The same goes for other protected groups where they will be particularly and directly affected by a decision.
- (vi) The PSED does not impose a duty on public authorities to carry out a formal equalities impact assessment in all cases when carrying out their functions, but where a significant part of the lives of any protected group will be directly affected by a decision, a formal Equalities Impact Assessment ("EIA") is likely to be required by the courts as part of the duty to have 'due regard'.
- (vii) The duty to have 'due regard' involves considering not only whether taking the particular decision would unlawfully discriminate against particular protected groups, but also whether the decision itself will be compatible with the equality duty, i.e. whether it will eliminate discrimination, promote equality of opportunity and foster good relations. Consideration must also be given to whether, if the decision is made to go ahead, it will be possible to mitigate any adverse impact on any particular protected group, or to take

steps to promote equality of opportunity by, for e.g., treating a particular affected group more favourably.

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

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

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

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

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

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

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

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

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

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

### Public Sector Audit Appointment

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

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

Section 17 of the Act gives the Secretary of State the power to make regulations in relation to an ‘appointing person’ specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 and gives the Secretary of State the ability to enable a Sector Led Body to become the appointing



person. In July 2016 the Secretary of State specified PSAA as the appointing person. This report proposes that the Council opts-in to the sector-led 'appointing person' regime.

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

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## **Background Papers Used in Preparing This Report**

None.

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## **NATIONAL FINANCIAL CONTEXT AND OUTLOOK**

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

### Autumn Statement 2023

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

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

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

### Cost of Living and Benefits

7. Alongside the Autumn Statement, The Office for Budget Responsibility's (OBR) economic and fiscal outlook was published. It is forecast that unemployment rises to 1.6 million people (4.6 per cent of the labour force) in the second quarter of 2025. This peak in unemployment is around 85,000 people (or 0.2 percentage points) higher, and a year later, than expected in March. The weakening in labour demand reflects rising interest rates and slower GDP growth opening a degree of spare capacity in the economy.
8. Welfare spending is forecast to rise sharply this year (by £33.9 billion, or 13.0 per cent) and next (by £21.1 billion, or 7.1 per cent), driven by the uprating of most benefits with CPI inflation. Benefits were uprated by 10.1 per cent in April this year and are expected to be uprated by 6.7 per cent, the September 2023 CPI inflation figure, in April 2024. The main drivers are health and disability benefits (reflecting rising caseloads for these benefits), and pensioner spending (due to the ageing population and the triple lock).<sup>4</sup>
9. The impact of the wider macroeconomic downturn has impacted many vulnerable households. In response to this, a cost-of-living strategy has been developed by the Council and financial support of more than £10m has been provided including direct Council funding and the Household Support Fund<sup>5</sup>. This package, and other support across the council, includes:
  - providing free breakfasts in primary schools
  - abolishing home care charges for elderly and Disabled residents
  - frozen or cut service charges across the council in real terms.
  - supporting the local foodbank and local charities
  - expanding advice services for anyone in need of extra support
  - making more funding available to help prevent emergencies and crisis.
  - providing financial help to low-income families with essential living costs.

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

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



## LOCAL GOVERNMENT FUNDING FOR 2024/25

### Local Government Finance Settlement and Core Spending Power

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

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

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

An explanation of the key funding streams is outlined below:

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

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

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

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

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

#### Other Funding

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

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

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

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

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

25. The Band D Council Tax charge is calculated by dividing the Council Tax requirement by the Council Tax base<sup>6</sup>. The determination of the 2024/25 Council Tax requirement is set out in Table 9. The medium-term forecast, to 2027/28 is set out in Appendix B.

### SERVICE AND CORPORATE ITEMS

#### Investment and Growth

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

**Table 3: 2024/25 investment proposals**

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

<sup>6</sup> The Council Tax requirement is the expenditure that is to be funded from Council Tax. The Council Tax base is the income that will be generated from a Council Tax charge of £1.

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

**Table 4: Investment proposals by Department**

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

## Savings

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

**Table 5: 2024/25 savings proposals**

<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>

**Table 6: Categorisation of savings**

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

## **Inflation**

28. Inflation has been consistently high over the past two years (reaching 10.5% in December 2022, and the highest level for 40 years). The Consumer Price Index (CPI) for September 2023 (the date by which the Government use to update its spending plans) is 6.7%. The Office of Budget Responsibility is forecasting inflation of 2.8% by Q4 of 2024/25 and the proposed budget for 2024/25 includes provision for both pay and price inflation as follows:
- Contracted inflation of £9.2m.
  - Pay inflation of 4.5m.

## **Other Measures**

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

## **FEES AND CHARGES**

32. Charges governed by statute are set in accordance with those requirements and not varied in accordance with inflation. For non-statutory fees and charges, levied by Hammersmith & Fulham, it is recommended that:
- they are frozen for Adult Social Care, Children's Services and Housing in line with administration policy.
  - commercial services that are charged on a for-profit basis, will be reviewed on an ongoing basis in response to market conditions and varied up and down as appropriate, with appropriate authorisations according to the council Constitution.
  - parking charges and fines are set in line with transport policy objectives and not considered as part of the budget process.



- a standard uplift of 6.7% (in line with September CPI) is applied for other non-commercial and non-parking fees.

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

## **COUNCIL TAX, BUSINESS RATES AND LEVIES**

### **COUNCIL TAX SETTING**

33. As part of the Localism Act 2011, the Government replaced the power to cap excessive budgets and Council Tax increases with compulsory referenda on Council Tax increases above limits it sets. For 2024/25 local authorities “will be required to seek the approval of their local electorate in a referendum if, compared with 2023/24, they set an increase in the relevant basic amount of Council Tax that is 3% or higher”. As the proposed Council Tax increase for this Council is 2.99%, no such referendum is required.
34. In addition, the Government has modelled setting a precept to fund social care for adults of 2% in 2024/25. This levy is included in the Council’s budget proposals.
35. **The Council has a successful track record of keeping Council Tax low, either cutting or freezing Council Tax in five of the last nine years.** Nationally Council Tax is around 60% of the total Core Spending Power (but only accounts for 36% in Hammersmith and Fulham).
36. The national economic conditions of high inflation and interest rates made a Council Tax increase in 2023/24 unavoidable and a 2.99% increase in the Hammersmith & Fulham element of Council Tax was required to achieve a sustainable budget. As the current level of Council Tax is so low, even an increase of 2.99% keeps the overall level well below other local authorities. For 2024/25, despite the financial pressures on the council, our ruthlessly financially efficient approach has allowed us to keep Council Tax levels low. There is no better place to be a Council Tax payer than here in Hammersmith & Fulham. Not only do we have the third lowest council tax rates in the country, but our Council Tax Support Scheme provides a discount to 42% of residents, with the most vulnerable paying nothing at all.
37. This administration took the decision to exempt care leavers from paying Council Tax entirely, and this year, for the first time, we will also exempt in-house foster carers and special guardians so that they do not pay a penny of Council Tax.
38. The level of Council Tax increase reflects the assumption that has been outlined by Central Government in the Autumn Statement made on the 17 November by the Chancellor and assumed in the funding settlement for local government. The additional income will fund rising costs, protect, and support investment in key services for residents, and strengthen future financial resilience. The increase is equivalent to £26 per annum, or 50p per week, for 2024/25 (at Band D). The Council Tax charge for Hammersmith & Fulham is the third lowest in the country and 36% below the London average charge.
39. **The council is also proposing to levy a 2% Adult Social Care precept.** The increase is equivalent to £17.44 per annum, or less than 35p per week, for 2024/25 (at Band D) and is ringfenced to support Adult Social Care. The continued delay in the national review of the funding of adult social care is a major concern and the

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

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

**Table 7: Liability for Council Tax**

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

## COUNCIL TAX REQUIREMENT 2024/25

**Table 8: Base Budget Requirement for 2024/25**

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

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

**Table 9: Overall 2024/25 Council Tax requirement**

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

42. In accordance with the Local Government Finance Act 1992, the Council is required to calculate and approve a Council Tax requirement for its own budgetary purposes (section 9) and then add the separate Council Tax requirements for each of the preceptors (section 10). The requisite calculation is set out in Appendix A.
43. The council must then set the overall Council Tax for the Borough. These calculations must be carried out for each of the valuation bands, A to H. The amount per Band D equivalent property is calculated as follows:

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

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

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

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

#### **PRECEPTOR'S (Greater London Authority) COUNCIL TAX REQUIREMENT**

46. The Greater London Authority's (GLA) precept is also funded from Council Tax. The following table analyses the total amount to be funded and the resulting proposed overall Band D Council Tax level. The Mayor of London is consulting on budget proposals for a provisional Band D charge of £471.40. This is subject to formal approval by the Mayor of London following the London Assembly meeting of 22 February. The preceptors budget requirement will be amended should there be a change to the Mayor's proposed Band D charge.

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

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

### **Business Rates**

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

### **Collection Fund**

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

### **Levies**

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

## **CONSULTATION**

### **Non-Domestic Ratepayers**

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

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

## **Policy and Accountability (PAC) Committees**

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

## **VIEWS OF THE STRATEGIC DIRECTOR OF FINANCE**

### **The robustness of the budget estimates**

56. Under Section 25 of the Local Government Act 2003, the Strategic Director of Finance is required to include, in the budget report, a view of the robustness of the 2024/25 estimates.
57. Budget estimates are exactly that, estimates of spending and income at a point in time. This statement about the robustness of estimates cannot give a guaranteed assurance about the budget but gives Members reasonable assurances that the budget has been based on the best available information and assumptions. For the reasons set out below the Strategic Director of Finance, is satisfied with the accuracy and robustness of the estimates included in this report:
- The budget proposals have been developed following guidance from the Strategic Director of Finance and have been through a robust process of development and challenge with the Strategic Leadership Team, service leads and directors and Cabinet Members.
  - The assumptions made for pay and price inflation, investment and other expenditure are pragmatic and prudent.
  - The rigorous budget monitoring framework will be continued in 2024/25 and any risk/pressures arising will be reported and mitigations actions identified and implemented to deal with any matters.
  - Adequate allowance is made for pension costs with budgeted contributions in line with the recommendations from the 2022 triennial pension review.
  - Service directors have made reasonable assumptions about growth pressures which, where not manageable within current budgets, have resulted in additional investment.
  - Rigorous mechanisms will be in place to monitor sensitive areas of expenditure and the delivery of savings. The council recognises that it faces an increasing financial challenge due to the combination of the impact of the Covid-19 pandemic, government grant funding cuts of £38m since 2010/11, new burdens from government, demographic trends including increasing demand and complexity and cost of that demand. The latest current year Corporate Revenue Monitoring Report (month 6) forecasts an overspend of £5.1m, reducing to £1.7m should current mitigating actions be delivered, and contingency be used.
  - Key risks have been identified and considered.
  - Prudent assumptions have been made about interest rates payable and the budget proposals are joined up with the requirements of the Prudential Code and Treasury Management Strategy. The revenue effects of the capital programme are reflected in the budget with an increase of £1.0m in the revenue net cost of borrowing.
  - The recommendations regarding fees and charges are in line with the assumptions in the budget.
  - A review with the Strategic Leadership Team of proposed savings, their impact and their achievability has taken place.

- Cabinet Members have reviewed and challenged all budget proposals. In addition, the relevant Policy and Accountability Committees have scrutinised the budget proposals.
- There are appropriate management and monitoring arrangements for the delivery of savings programmes.
- A prudent approach has been adopted on the local share of business rates income receivable based on the latest information available on appeals and debt management arrangements.

## **Risk and debt management**

58. Under Section 25 of the Local Government Act 2003, the Strategic Director of Finance is required to include, in budget reports, views of the adequacy of the balances and reserves the budget provides for considering the medium-term risks facing the authority.
59. The key financial risks that face the council have been identified in Appendix D and the substantive risks include:
- The continuing economic conditions relating to inflation, interest rates, unemployment, real household incomes (these may all increase our service delivery costs, recovery of income and viability of major projects).
  - The increasing national legislative requirements (e.g., Environment Act 2021, Social Regulation 2023) will add additional pressures on our service delivery.
  - The increasing regulation from national government (e.g., OfLog, Housing Ombudsman, CQC) will increase our cost burdens.
  - The demographic pressures especially on Adult Services, Childrens Services (Special Educational Needs and Disabilities), homelessness (temporary accommodation) and people from abroad will continue (as is the case nationally for many other local authorities). This is a combination of a number of factors including the Covid-19 recovery, addressing pent-up demand and supply issues post Brexit.
  - Higher pay inflation particularly given current labour shortages.
  - The stabilisation and restoration of Hammersmith Bridge, with the council incurring revenue and capital costs at risk until government funding is confirmed.
  - The future impact on London of the government's 'levelling-up' agenda and wider local government finance reform (such as business rates)
  - The impact of the wider economy on major council development projects and future contributions from developers
  - The impact of, and costs of, tackling climate change
  - The challenge of identifying further significant future savings that balance the budget over the longer-term.

## **Debt Management**

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

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

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

### **General Balances and Earmarked Reserves**

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

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

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

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



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

	April	April	April	April	April
	2023	2024	2025	2026	2027
	£m	£m	£m	£m	£m
General balances (recommended range £19m - £23m)	21.3	21.3	21.3	21.3	21.3
Earmarked reserves	98.3	72.0	62.0	68.7	70.2
<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				

### **Section 106 and the community infrastructure levy**

70. Planning obligations under section 106 of the Town and Country Planning Act 1990 (as amended), known as section 106 agreements, are a mechanism which make a development proposal acceptable in planning terms, that would not otherwise be acceptable. They are focused on site specific mitigation of the impact of development. Property developments have placed increased pressure on council services in recent years.
71. The council has determined that a key priority area for the investment of available section 106 funds is to support regeneration, housing, and other infrastructure schemes.
72. Several section 106 agreements have been negotiated which will result in the receipt of additional funds in the future. There is a level of uncertainty and risk around the receipt of future section 106 funds as this relies on developments commencing and achieving specified trigger points which may be delayed or not progressed due to the impact of Covid-19 and broader economic conditions.
73. The Community Infrastructure Levy (CIL) is a planning charge, introduced by the Planning Act 2008, which can be levied by local authorities on new development in their area. It is an important tool for local authorities to use to help them deliver the infrastructure needed to support development in their area. The levy only applies in areas where a local authority has consulted on, and approved, a charging schedule which sets out its levy rates and has published the schedule on its website. Most new development which creates net additional floor space of 100 square metres or more, or creates a new dwelling, is potentially liable for the levy. The Community Infrastructure Levy Regulations set out various reliefs or exemptions from the levy and there are also economic factors which might impact on future CIL receipts.
74. The council will continue to monitor the receipt of section 106 and CIL funds expected in the short and medium term, where the level of uncertainty around trigger points increases.

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

## **EQUALITY IMPLICATIONS**

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

## **RISK MANAGEMENT IMPLICATIONS**

78. In line with the council's priorities of Being Ruthlessly Financially Efficient and Being a Compassionate Council, members and officers will need to be mindful of the following factors faced by the council, in common with other local authorities, in approving the proposed budget, including savings and growth proposals:
- **Future Pressures:** It is inevitable that, in addition to the ongoing financial pressures relating to national economic conditions, further, as yet unidentified and therefore unquantified, budget pressures will manifest over the term of the current Medium Term Financial Strategy (MTFS), both in terms of additional/unplanned expenditure and reductions in sources of funding and income. In addition, councils have only received a one-year settlement for 2024/25 which creates further uncertainty over funding levels in the medium term. The council must be prepared for such eventualities and maintain the progress for further savings, efficiencies and income generating initiatives and retain sufficient reserves to manage unexpected costs.
  - **Demand Pressures:** There is a real risk of increased demand for children's services, adult social care, and homelessness services over the coming years. These are difficult areas in which to accurately quantify future demand, particularly given economic uncertainty. However, recent years have demonstrated that cost pressures are appearing because of diminishing resources, growing demand and new duties placed upon local authorities by central government. Current demand pressures exist in several areas including Social Care, Children's Services and Temporary Accommodation.

- Use of Balances: The risk associated with drawing on balances is that they are one-off non-sustainable options rather than permanent efficiencies. Prudent levels of balances should be maintained for later years where grant losses continue.
- Procurement and Contracts: The council will continue to review and develop forward planning for Commissioning and Procurement activities to identify new efficiencies and opportunities, increasing value to its residents. Continued robust management of the council's contracts is essential to ensure that they remain resilient during the challenges posed by changes resulting from the trade deal agreed with the European Union in December 2020 and any changes made to UK legislation arising from the UK's exit from the European Union. In addition, the new Procurement Act will introduce further requirements and burdens on local authorities from 1 October 2024.
- Cost of living crisis: The impact of the ongoing impact of high inflation, interest rates and fuel, food and other commodities is having a significant impact on residents. The report sets out additional support which is being and will be made available to support residents. However, the ongoing economic situation is likely to lead to increasing demand for services and increasing cost of procured services.

79. The economic climate in which the council must operate continues to be extremely challenging. Cost overspends on significant projects can pose a risk for financing, particularly in the current economic climate when funding is limited. Project and budget management processes are currently in place to limit the risk of overspend or slippage whilst accounting advice is sought to mitigate against any such risk should it occur. Continuing real terms cuts to local government funding, external cost pressures and the need to fund local priorities mean that the council must continue with its significant savings and transformation programmes.

80. The report sets out several risks facing the council, along with other local authorities in terms of previous reductions in local government funding and future prospects for funding, increases in demand for key services and the need to maintain adequate levels of reserves in the face of these pressures and the significant investment which the council is applying or seeking to apply to a range of key programmes. The report clearly sets out the increased level of financial risk and the known and planned reductions in the level of reserves, which include the significant investment proposed in respect of the regeneration of Civic Campus programme and affordable housing developments. Strong programme governance and oversight is in place, and it is important that this is maintained to ensure that key objectives and outcomes are being delivered within approved budgets.

81. Appendix D sets out the financial risks against which the 2024/25 budget and MTFs are being proposed for approval. There are significant financial risks around ongoing demand for transport for children and young people with Special Educational Needs and increases in referrals, funding for social care services, increases in the demand for and cost of temporary accommodation, the reliability of a range of income and funding streams (in particular where affected by the cost of living crisis) needed to support the delivery of front-line services, along with inflationary pressures on staffing costs and contracts. Appendix D contains high level mitigating actions in many cases. It is vital that clear mitigation plans are developed for all risks identified, which

will then be implemented, monitored, and reported on to ensure that the council is able to deliver vital services within its overall cost envelope.

82. Similarly, Appendix C sets out a range of growth and savings proposals which will need to be appropriately planned, implemented, managed, monitored, and reported on. Robust controls and governance will need to be applied to ensure that key activities support the delivery of the council's objectives while ensuring that costs are appropriately controlled, savings delivered, and growth investment achieves the required outcomes. Where actions are not delivering savings or mitigating financial pressures, prompt and appropriate action will need to be identified and taken.

*Implications verified by: David Hughes, Director of Audit, Fraud, Risk and Insurance, 31 January 2024.*

## **PROCUREMENT IMPLICATIONS**

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

### **List of Appendices:**

Appendix A – The requisite Council Tax calculations for Hammersmith & Fulham

Appendix B – Medium term financial forecast

Appendix C – Investment and savings proposals

Appendix D – Budget risks

Appendix E – Fees and charges

Appendix F – Equalities Impact Assessment

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

Appendix H – Reserves strategy and forecast

Appendix I – CIPFA FM Code Compliance for 2024/25

Appendix J – 2024/25 Budget Schedules

Appendix K – Core Spending Power calculation