

## London Borough of Hammersmith & Fulham

**Report to:** Cabinet

**Date:** 09/09/2024

**Subject:** Provisional Revenue Outturn Report 2023/24

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

**Responsible Director:** Sukvinder Kalsi, Executive Director of Finance and Corporate Services

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### SUMMARY

This report sets out the revenue outturn position for the Council across the General Fund and Housing Revenue Account (HRA) for the 2023/24 financial year.

At a time when most councils are taking money from reserves to balance their books, Hammersmith & Fulham has returned a revenue budget surplus of £0.3m and this has been added to our general balances. This is despite uncertainty over government funding, increased demand for council services due to the failing economy, protecting services that residents value that are unique to Hammersmith and Fulham, and investing in new services to support residents at a difficult time.

The strategic operating environment in 2023/24 was very challenging with demographic, legislative, macro-economic pressures not experienced for a long time. There continues to be cost pressures arising from increasing demand, rising inflation and acuity of need. These pressures have been experienced across statutory services in Adult Social Care, Housing Solutions (temporary accommodation) and Children's Services. This has been worsened by the needs of an ageing population and the ongoing cost of living crisis. This is against a backdrop of uncertainty around levels of government funding and continuing annual grant settlements that restricts financial planning and resilience.

The Council's budget for 2023/24 was set with the following priorities:

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

In addition, there was investment of £10.7m in services (including homelessness, adult social care, travel care and support, waste collection and continuing free breakfast meals in primary schools and free lunches in secondary schools where we

currently operate the scheme). The budget included efficiencies of £5.4m (and 95% were delivered).

Despite the challenges outlined above, the Council's provisional 2023/24 General Fund outturn is an underspend of **£0.3m (or less than 0.2% of the total net budget)**. In addition, the Council has been able to maintain our general balances, reduce the level of external borrowing and outstanding debts owed. The overall outturn is an improvement on the projected overspend of £1.5m (or 0.7% of the net budget) that was reported to Cabinet as part of the financial monitoring report at Month 9.

The provisional HRA outturn required a draw down from HRA general balances of £4.6m (planned £3.6m for the exceptional one-off work on repairs, damp/mould and a further £1m). This is lower than the projected drawdown of £5m and thereby resulting in balances of **£5.4m at the year-end on the HRA** (the Council was working to a minimum target of £5m). This level of general balances is considered reasonable by our external auditors given the overall levels of income and expenditure on the HRA. In addition, this strong fiscal discipline has allowed the Council to eliminate the structural deficit on the HRA Budget for 2024/25 and this was balanced without the use of general balances.

Overall, General Fund earmarked reserves have provisionally decreased by £4.8m (4.5%) in 2023/24. Much of this decrease is for previously planned one-off expenditure on specific projects or programmes which have no direct impact on day-to-day expenditure and has already been factored into the Council's financial strategy.

The outturn position is provisional and is subject to audit. The review continues of the balance sheet and final entries cannot yet be confirmed for business rates.

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## RECOMMENDATIONS

1. To note the General Fund underspend of **£0.298m** (0.02% of budget).
2. To note that the draw down of balances from the Housing Revenue Account (as set out in paragraph 4 below of this report).
3. To note the significant reduction of the Dedicated Schools Grant High Needs Block deficit and the remaining cumulative deficit of **£2.279m**.

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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	We need to always confirm that spend fits our council's priorities; challenge how much needs to be spent; and achieve results within agreed budgets. Finance is everyone's business, and every penny

	counts.
Creating a compassionate council	As the Council's resources have been reduced, we have protected the services on which the most vulnerable residents rely. This budget continues all our previous policies to support residents and proposes new spending on care packages for disabled children and additional resources to help residents through the cost-of-living crisis. Particularly as the economy struggles, the Council is required to step in to provide additional help to those who find themselves in need of it, and the Council has done that through additional services and individual support.
Building shared prosperity	A significant proportion of services are delivered in partnership with local and national companies, and this will continue to promote all business sectors to the benefit of residents. In addition, there will be increased investment in the Industrial Strategy Delivery and the development and promotion of the STEAM sector strategy.
Doing things with residents, not to them	The use of co-production across the Council is embedded and all service matters are developed with the engagement of residents. The Council is continuing the REAP (Resident Experience and Access Programme) Programme to improve residents' access to the services.
Taking pride in H&F	The budget proposals include significant investment in public realm services especially waste collection, street cleaning and open/park spaces. Our new waste contract includes provisions to tackle fly-tipping and collection of food waste.
Rising to the challenge of the climate and ecological emergency	The Council has established a Climate Change Team, and the Team has developed a Climate and Ecology Strategy (and is making a significant contribution to the international and national policy debates). It is also securing grants from national programmes to help with improvements of the thermal efficiency of Council properties and homes).

## Financial Impact

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

Andre Mark (Head of Strategic Planning and Investment), 24 June 2024 and verified by James Newman, Assistant Director of Finance, 24 June 2024.

### **Legal Implications**

There are no legal implications for this report.

Verified by Jade Monroe, Chief Solicitor, Legal Services, 28 August 2024.

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

None

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## DETAILED ANALYSIS

### GENERAL FUND

1. As set out in Table 1 there was a year-end underspend of **£0.298m** in 2023/24. The main departmental variances are set out in Appendices 1 to 7.

**Table 1 – Provisional General Fund outturn 2023/24**  
(Underspends in brackets)

Department	Revised budget £m	Gross variance £m
Social Care	68.900	1.832
Children's Services	63.680	1.320
The Economy Department	12.099	2.313
The Environment Department	68.352	1.871
Controlled Parking Account	(31.884)	0.642
Finance	0.702	(0.440)
Corporate Services	19.300	(0.616)
Centrally Managed Budgets	(7.058)	(7.220)
<b>Total</b>	<b>194.132</b>	<b>0.298</b>

### SAVINGS PROGRAMME

2. The progress of savings delivery against the targets set at the outset of the financial year are set out in Table 2. Details are set out in the appendices to this report.

**Table 2 – Savings Performance**

Department	Original Target £m	Savings Achieved £m	Variance £m
Children's Services	(0.700)	(0.700)	
The Economy Department	(0.014)	(0.014)	
The Environment Department	(0.283)	(0.283)	
Corporate, Resources and Finance	(0.257)	(0.000)	0.257
Social Care	(1.670)	(1.670)	
<b>Total</b>	<b>(2.924)</b>	<b>(2.667)</b>	<b>0.257</b>
<b>Employee Budget Efficiencies (2%)</b>	<b>(2,500)</b>	<b>(2,375)</b>	<b>0.125</b>

- Savings of £0.257m in Resident Services will be delivered in 2024/25 through automation and services improvement facilitated by the Resident Access and Experience Programme.

## HOUSING REVENUE ACCOUNT

- The Housing Revenue Account had a year-end deficit of £4.648m in 2023/24 to be met from balances (this includes a budgeted use of balances of £3.630m and a further £1.018m). The closing balance for 2023/24 is £5.376m and the main variances are detailed in Appendix 8.

**Table 3: Provisional Housing Revenue Account outturn**

<b>Housing Revenue Account (General Reserve)</b>	<b>£m</b>
<b>Balance as at 31 March 2023</b>	<b>(10.023)</b>
Less: Budgeted use of balances (one-off pressures in 2023/24)	3.630
Less: Additional use of balances	1.018
<b>Balance as at 31st March 2024</b>	<b>(5.376)</b>

## DEDICATED SCHOOLS GRANT (DSG)

- Dedicated schools grant (DSG) is paid in support of local authority schools' and is the main source of income for the schools' budget. It is split between central expenditure and the individual schools' budget (ISB) in conjunction with the local schools' forum.
- The cumulative balances for the High Needs Block (HNB), Early Years and Schools Block are set out in Table 4. In accordance with the Council's DSG HNB safety valve recovery plan, agreed with the Department for Education (DfE), the cumulative deficit has reduced in 2023/24. This has freed up council reserves that can be used for other purposes.

**Table 4: Dedicated Schools Grant – Cumulative Balance**

	<b>2023/24 opening balance £m</b>	<b>In-year movement £m</b>	<b>2023/24 closing balance £m</b>
Early Years (surplus)	(0.575)	0.441	(0.134)
Schools (surplus)	(0.315)	0.315	(0.000)
High Needs (deficit)	4.749	(2.336)	2.413
<b>Total</b>	<b>3.859</b>	<b>(1.580)</b>	<b>2.279</b>

## GENERAL FUND RESERVES

7. The latest estimated reserves position is set out in Table 5.

**Table 5 – Movement in General Fund reserves (excluding DSG)**

	<b>2023/24 opening balance £m</b>	<b>In-year movement £m</b>	<b>2023/24 closing balance £m</b>
General balances	<b>22.8</b>	0.3	<b>23.1</b>
Earmarked reserves	<b>76.3</b>	(3.9)	<b>72.4</b>
<b>Total general balances and earmarked reserves</b>	<b>99.1</b>	<b>(3.6)</b>	<b>95.5</b>
Restricted reserves	<b>7.0</b>	(1.2)	<b>5.8</b>
<b>Total Reserves</b>	<b>106.1</b>	<b>(4.8)</b>	<b>101.3</b>
Revenue developer contributions (section 106 and community infrastructure levy)	<b>56.9</b>	3.7	<b>60.6</b>

8. General balances and earmarked reserves (excluding DSG, CIL and collection fund) have decreased by £4.8m from £106.1m to £101.3m. This includes planned contributions to and from reserves and one off technical adjustments.

9. The figures for reserves and balances continue to be reviewed particularly regarding the finalisation of the business rate entries<sup>1</sup>.

## EQUALITIES IMPLICATIONS

10. As required by Section 149 of the Equality Act 2010, the Council has considered its obligations regarding the Public-Sector Equality Duty and it is not anticipated that there will be any direct negative impact on groups with protected characteristics, as defined by the Act, from the adjustments to the budgets required because of this report.

## RISK MANAGEMENT IMPLICATIONS

11. The Council has a statutory duty to arrange for the proper administration of its financial affairs and a fiduciary duty to taxpayers with regards to its use of and accounting for public monies. This report assists in the discharge of those duties.

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<sup>1</sup> In line with the government timetable the business rate entries are not finalised until the end of June.

12. The report recognises the significant pressures which are expected to bear down on the Council's costs during 2023/24, including the ongoing effect of high levels of inflation in the past two years and interest rates which are only just starting to reduce. Detailed risks are set out for departments in the appendices, and include areas overspends are being caused by increased demand for services (particularly social care and temporary accommodation) and the prospect that there is further will be further demand going forward, further increasing pressure on budgets. It is recognised that unallocated contingency has been held and will be applied to reduce the potential overspend for the year, however, this is a short-term mitigation only. Directorates, supported by finance teams will need to continue to closely monitor expenditure to ensure it remains within budget and that planned savings are delivered in full or implement alternative mitigating actions to address forecast overspends or savings targets which cannot be delivered.
13. The report also recognises the significant pressures facing the HRA, with a significant reduction in the HRA General Reserve being noted for the end of the year. Officers must ensure that costs and income are closely monitored and controlled and that corrective actions to protect and maintain the financial stability of the HRA are agreed and embedded.

*Implications completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance, 23 August 2024*

### **List of Appendices:**

<b>Appendix</b>	<b>Title</b>
Appendix 1	Children's Services
Appendix 2	The Economy Department
Appendix 3	The Environment Department
Appendix 3a	Controlled Parking Account
Appendix 4	Finance
Appendix 5	Resources
Appendix 6	Social Care
Appendix 7	Centrally Managed Budgets
Appendix 8	Housing Revenue Account

### APPENDIX 1: CHILDREN'S SERVICES

Departmental Division	Revised Budget	Year End Net Variance	Explanation of Major Variances (over £100k)
	£'000s	£'000s	
Children and Young People's Services	30,204	2,318	Client related non placement care packages, of which relates to low volume very high cost packages, Section 17 and carer travel support and Looked After Children and Care Leaving Young People's placements
Education	12,101	987	Additional Travel Care and Support packages
Children's Commissioning	6,124	(1,251)	Underspend due to budgeted expenditure met by one-off grant funding and in year underspend on contract costs
Children's Performance & Improvement	2,416	(267)	Activity led underspend Family Group Conference and budgeted expenditure met by one-off grant funding
CHS Departmental Budgets	49	(465)	Release of bad debt provision from recovered historic debt and property income overachieved, other minor underspends
School Funding	85	(2)	
Non-controllable budgets	12,701	0	
<b>Total</b>	<b>63,680</b>	<b>1,320</b>	

#### Savings Programme

	Savings Target	Savings Delivered	Variance
	£000's	£000's	£000s
<b>Children's Services</b>			
Savings Programme	(700)	(700)	0
Employee Programme	(613)	(613)	0
<b>Total</b>	<b>(1,313)</b>	<b>(1,313)</b>	<b>0</b>

## APPENDIX 2: THE ECONOMY DEPARTMENT

Departmental Division	Revised Budget	Year End Net Variance	Explanation of Major Variances (over £100k)
	£'000s	£'000s	
Housing Solutions	10,914	2,330	Demand pressures and supply constraints have led to higher than budgeted numbers of households (an average of 225 compared to a budgeted average of 115) placed into temporary bed and breakfast accommodation.
Economic Development, Learning & Skills	737	(7)	
Planning	(25,501)	(355)	Additional income from Planning and Performance Agreements.
Property and Asset Strategy	8,251	219	Relates to lower than budgeted income from corporate buildings and property repairs costs.
Place	53	0	
Regeneration & Development	135	126	Higher than budgeted revenue costs associated with development scheme delivery.
Non Controllable Budgets	17,510	0	
<b>Total</b>	<b>12,099</b>	<b>2,313</b>	

### Savings Performance

	Savings Target	Savings Delivered	Variance
	£000's	£000's	£000s
<b>The Economy</b>			
Savings Programme	(14)	(14)	0
Employee Programme	(340)	(340)	0
<b>Total</b>	<b>(354)</b>	<b>(354)</b>	<b>0</b>

**APPENDIX 3: THE ENVIRONMENT DEPARTMENT**

<b>Departmental Division</b>	<b>Revised Budget</b>	<b>Net Year End Variance</b>	<b>Explanation of Major Variances (over £100k)</b>
	<b>£'000s</b>	<b>£'000s</b>	
Climate Change and Transport	1,165	(150)	Electric vehicle charge point income better than budget mostly due to backdated prior year income plus other smaller net underspends
Public Protection	7,891	357	CCTV historic budget shortfall on 24/7 staffing rota and other smaller net overspends
Public Realm	33,853	1,664	Higher than anticipated energy costs (street lighting), Waste Contract budget pressure, mostly related to fuel and new waste collection methods not yet funded through waste disposal savings plus other smaller net underspends.
Non Controllable Budgets	25,444	0	
<b>Total</b>	<b>68,352</b>	<b>1,871</b>	

<b>SAVINGS PERFORMANCE</b>	<b>Savings Target</b>	<b>Savings Delivered</b>	<b>Variance</b>
<b>The Environment</b>	<b>£000's</b>	<b>£000's</b>	<b>£000s</b>
Savings Programme	(283)	(283)	0
Employee Programme	(449)	(449)	0
<b>Total</b>	<b>(732)</b>	<b>(732)</b>	<b>0</b>

**APPENDIX 3A: CONTROLLED PARKING ACCOUNT**

<b>Departmental Division</b>	<b>Revised Budget</b>	<b>Year End Net Variance</b>	<b>Explanation of Major Variances (over £100k)</b>
	<b>£'000s</b>	<b>£'000s</b>	
Income	(53,346)	1,331	The council has waived fines and introduced business visitor permits and visitors to support the local economy. There has also been a better than anticipated change in driver behaviours leading to a reduction in traffic volumes and forecast income.
Expenditure	18,378	(689)	
Non Controllable	3,124	0	
<b>Total</b>	<b>(31,844)</b>	<b>642</b>	

#### APPENDIX 4: FINANCE

Departmental Division	Revised Budget	Year End Net Variance	Explanation of Major Variances (over £100k)
	£'000s	£'000s	
Assurance, Programmes & Analytics	1,429	0	
Audit, Fraud, Risk, and Insurance	1,139	(134)	Underspend due to staffing vacancies and contracted out internal audit work.
Corporate Services	546	49	
Finance	3,493	(18)	
Managed Services	2,132	110	Pay award increases reflected in IBC shared service costs not fully covered in shared service budget.
Corporate Procurement	653	(130)	Procurement team staffing underspend from in-year vacancies
Commercial Advertising	(2,325)	(316)	Surplus achieved against digital advertising income target.
<b>Sub-Total</b>	<b>7,067</b>	<b>(440)</b>	
Departmental non-controllable budgets	(6,365)	0	
<b>Total</b>	<b>702</b>	<b>(440)</b>	

SAVINGS PERFORMANCE	Savings Target	Savings Delivered	Variance
<b>Finance</b>	£000's	£000's	£000s
Savings Programme	0	0	0
Employee Programme	(153)	(153)	0
<b>Total</b>	<b>(153)</b>	<b>(153)</b>	<b>0</b>

### APPENDIX 5: CORPORATE SERVICES

Departmental Division	Revised Budget	Year End Net Variance	Explanation of Major Variances (over £100k)
	£'000s	£'000s	
Communications and Communities	1,001	2	
Democratic Services, Coroners & Mortuaries	2,757	(384)	Overachievement of income from registrars service and Coroners service staffing vacancies
Digital Services	14,299	(1)	
Legal Services	(164)	(65)	
Members Support	359	(12)	
Resident Services	13,321	(368)	Favourable variances on concessionary fares, Business Rates and Council Tax enforcement income partly offset by adverse variances on staff and postage costs.
Corporate Services Directorate	(33)	280	Delay in delivery of savings, mitigated through underspends across services.
People & Talent	2,554	(68)	
<b>Sub-Total</b>	<b>34,094</b>	<b>(616)</b>	
Departmental non-controllable budgets	(14,794)	0	
<b>Total</b>	<b>19,300</b>	<b>(616)</b>	

#### Savings Performance

SAVINGS PERFORMANCE	Savings Target	Savings Delivered	Variance
	£000's	£000's	£000s
Corporate Services	(257)	(0)	257
Savings Programme	(427)	(302)	125
Employee Programme	(684)	(302)	382
<b>Total</b>	<b>(684)</b>	<b>(302)</b>	<b>382</b>
<b>SAVINGS NARRATIVE:</b>			

£257k savings in Resident Services mitigated in 2023/24 with delivery in 2024/25 targeted through automation and service improvement facilitated by the Resident Access and Experience Programme.

Original Corporate Services employee budget saving of £302k delivered through vacancies across the directorates. Resident Services element of £125k undelivered due to existing vacancy target in this area and need to cover vacant posts with agency staff to maintain service quality.

**APPENDIX 6: SOCIAL CARE & PUBLIC HEALTH**

Departmental Division	Revised Budget	Net Year End Variance	Explanation of Major Variances (over £100k)
	£'000s	£'000s	
Independent Living, Quality, Performance & Safeguarding	23,708	446	<p>Increasing unit costs of 12% since last year and 15 net additional new placements since April 2023. Shortfall in funded nursing care and nursing care contributions.</p> <p>Home care packages - 5.2% increase in hours delivered since April 2023. Mitigations in the direct payment service due to review and right size of direct payments where residents are regularly returning surplus funds.</p>
Specialist Support and Independent Living	29,585	1,886	<p>There remain budget pressures in Learning Disabilities services due to the very high care needs of residents and to full year cost effect of new or returning people and higher market costs.</p> <p>An increase in rent and service charges for a Health and Wellbeing centre partly related to backdated business rates.</p> <p>Mental Health service - unit cost increases of 7% over the year and new jointly funded nursing and residential placements.</p>

Commissioning	6,958	(434)	Mainly from range of commissioned variable contracts with lower volumes and Commissioning and Brokerage staffing underspends.
Resources	691	(28)	
Social Care Directorate	545	(38)	
Public Health	206	0	The gross 2023/24 Public Health grant was £24.016m.
Non controllable budgets	7,159	0	
<b>Total</b>	<b>68,852</b>	<b>1,832</b>	

### Savings Performance

<b>SAVINGS PERFORMANCE</b>	<b>Savings Target</b>	<b>Savings Delivered</b>	<b>Variance</b>
<b>Corporate Services</b>	<b>£000's</b>	<b>£000's</b>	<b>£000s</b>
Savings Programme	(1,670)	(1,670)	0
Employee Programme	(317)	(317)	0
<b>Total</b>	<b>(1,987)</b>	<b>(1,987)</b>	<b>0</b>

**APPENDIX 7: CENTRALLY MANAGED BUDGETS**

<b>Departmental Division</b>	<b>Revised Budget</b>	<b>Year End Net Variance</b>	<b>Explanation of Major Variances (over £100k)</b>
	<b>£'000s</b>	<b>£'000s</b>	
Corporate and Democratic Core	370	42	
Housing Benefits	(219)	(213)	
Levies	2,078	(49)	
Net Cost of Borrowing	(6,910)	(7,338)	Returns from cash balances based on current cashflows and higher than budgeted rates.
Treasury, Pensions, and Insurance	2,698	1,144	Rise in insurance premiums following procurement and provision for claims due to adverse market conditions and increased risk profile.
Maternity and Redundancy	497	(497)	Lower than budgeted redundancy costs incurred by services
Other Corporate Items	(10,802)	(644)	
Non-controllable budgets	5,229	335	
<b>Total</b>	<b>(7,058)</b>	<b>(7,220)</b>	

### APPENDIX 8: HOUSING REVENUE ACCOUNT

Departmental Division	Revised Budget	Year End Net Variance	Explanation of Major Variances (over £100k)
	£'000s	£'000s	
Housing Income	(96)	(1,152)	Additional net income (in part due to reductions required in the provisions for arrears/debts)
Finance & Resources	4,052	(118)	Mainly due to staffing vacancies
Housing Management	7,769	801	A high level of decants has driven an overspend in temporary accommodation and disturbance allowance costs
Resident and Building Safety	10,270	(363)	Higher than anticipated capitalisation of works on asbestos and gas contracts
Void & Repairs	13,861	2,915	High volumes of disrepair compensation claims including the associated legal costs
H&F maintenance (DLO)	3,584	976	Additional service improvement-related costs of repairs including damp and mould works
Safer Neighbourhoods	768	(542)	The underspend follows a review of costs charged between the Housing Revenue Account and General Fund
Housing Hub	6,573	1,056	Repairs compensation payments and additional service improvement-related staffing costs
Place	13,607	(656)	The underspend follows a review of costs charged between the Housing Revenue Account and General Fund
Regeneration & Development	1,191	(392)	Underspend on feasibility costs and delays in recruitment
Capital Charges	29,159	(672)	Lower than budgeted depreciation and interest payable charges and higher interest receivable on balances
Corporate Support Service Recharges	7,220	(837)	The underspend follows a review of costs charged between the Housing Revenue Account and General Fund

Non Controllable Budgets	3,033	0	
<b>Total</b>	<b>4,855</b>	<b>1,018</b>	
<b>Appropriation From HRA General Reserve</b>	<b>0</b>	<b>0</b>	
<b>Total</b>	<b>4,855</b>	<b>1,018</b>	