

## London Borough Of Hammersmith & Fulham

**Report to:** Full Council

**Date:** 26/02/2025

**Subject:** Revenue Budget and Council Tax Levels 2025/26

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

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

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### SUMMARY

This report sets out the Council's Revenue Budget for 2025/26 (including the key assumptions, details of new additional investment proposals and the efficiencies that are expected to be delivered by services). The report also provides an update on the Council's Medium Term Financial Strategy (MTFS) including the impact of the Local Government Finance Settlement (LGFS) and the adequacy of the balances and reserves to ensure that the Council can maintain long term sustainability and maintain the strong financial governance of the resources.

Nationally, the strategic operating environment for public services (including local government) has been challenging over the past decade with continuing demographic, legislative and regulatory demands. Combined with the recent macro-economic turmoil, and fluctuations in interest and inflation rates, this has resulted in considerable financial pressures.

The Autumn Budget combined with other central government communications on the local government finance settlement suggest that it is likely that there will be more collaborative and partnership working in the future combined with reforms to the existing funding frameworks for local authorities. The Council will work with national government on this reform programme.

The Council welcomes new resources for Extended Producer Responsibility (for waste collection and disposal costs), additional resources for Social Care, Children Services, Homelessness, and funding for the extra national insurance levies, in addition to an extension of Household Support Fund (Round 7).

The overall objectives of the revenue budget proposals for 2025/26 are intended to:

- continue to protect the delivery of core services valued by residents, businesses and visitors
- ensure the safety of our borough
- support prosperity across Hammersmith and Fulham
- promote an exceptional, innovative and efficient Council
- maintain strong financial governance and resilience across the Council and

- preserve one of the lowest Council Tax rates in the country.

A balanced budget for 2025/26 is proposed (whilst protecting our reserves and in year contingencies) including £5.1m of efficiencies, plus additional investment of £12.3m across many services and will allow the continued delivery of the best services to our residents, businesses and visitors. This builds on the administration's record of prudential financial management, running a budget surplus in the last full financial year (2023/24) and increasing reserves at a time when many other councils are utilising them to balance the books.

The key investment proposals of £12.3m for 2025/26 include:

- £3.4m for community safety and social inclusion through permanent funding for our Law Enforcement Team and Gangs Unit, including additional investment to tackle Violence against Women and Girls.
- £2.8m for Adult Social Care (primarily residential and nursing care in addition to existing free home care services).
- £2.2m for Children Services (including family hubs, travel support, looked after children and supporting school attendance).
- £1.8m for Waste Collection and Disposal Services (extra packaging waste, contractual costs on pensions, fuel, and addressing cost pressures).
- £1.2m for Homelessness (in addition to a further £3.5m from the Homelessness Prevention Grant and inflationary uplifts).
- £0.3m to support the continued delivery of the Upstream Strategy (this will promote the long-term economic growth and prosperity of the Borough).
- £0.6m across a range of services to including our Climate Team, Sports Facilities, Insurance Services and enhancing protection against fraud through digital inclusion.

The proposed increase of Council Tax by 2.99% and the additional social care precept (which equates to a total increase of 88p per week) will generate an additional £4m (or 2% of the council's net budget) per annum to fund Council services. This is essential funding for the Council to ensure continuing financial resilience, protect its funding position over the medium term, meet the challenges posed by increasing demand and inflation, whilst balancing the impact on local council taxpayers.

Council Tax in Hammersmith & Fulham remains the third lowest in the country. Since coming to power in 2014, this administration has cut or frozen council tax five times in ten years. But who pays council tax is just as important as how much they pay, which is why we are rightly proud to have one of the most comprehensive Council Tax Support Schemes in the country. Almost four in ten households receive some sort of discount, with those least able to pay paying nothing at all, and the administration choosing to exclude care leavers and foster carers entirely.

The MTFs (Appendix B) suggests that service pressures are likely to continue in Adult Social Care, Children Services and Homelessness (this is consistent with other London Councils). Other factors that are considered include the macro-economic projections and future central government financial settlements. The Council has a good track record in presenting balanced annual budgets and managing its resources (as recognised in the external auditors Annual Audit Report for 2023/24). Our strategy to ensure the continued strong medium term financial governance of the Council will include our service transformation programmes combined with a continuing our

balanced strategy of utilising external service providers to deliver services, maximising income (through fees, charges and developer contributions) and ongoing review of our policy priorities and statutory service obligations.

The report also includes equality impact assessments of those change proposals, alongside an assessment of the robustness of the budget estimates and an assessment of the council's compliance with the CIPFA (Chartered Institute of Public Accountancy) Financial Management Code.

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## RECOMMENDATIONS

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

1. To approve a balanced budget for 2025/26 as set out in the report, including the underlying principles and assumptions.
2. To approve **£12.3m** of new investment on key services for residents.
3. 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.
4. To apply the Adult Social Care precept levy of 2% as modelled by the Government in its spending power calculations for local government.
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 proposed funding reforms from 2026/27 onwards and budget projections to 2028/29 made by the Executive Director of Finance and Corporate Services in consultation with the Strategic Leadership Team. (Appendix B)
7. To note the statement of the Executive Director of Finance and Corporate Services, under Section 25 of the Local Government Act 2003, regarding the adequacy of reserves and robustness of estimates (paragraph 66).
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 2025/26 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 2025/26 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 (£)	640.69	747.47	854.25	961.04	1,174.60	1,388.16	1,601.73	1,922.08

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.

<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
b) GLA (£)	326.92	381.41	435.89	490.38	599.35	708.33	817.30	980.76

13. That the overall Council Tax to be set at £1,451.42 per Band D property as follows:

<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
a) H&F (£)	640.69	747.47	854.25	961.04	1,174.60	1,388.16	1,601.73	1,922.08
b) GLA (£)	326.92	381.41	435.89	490.38	599.35	708.33	817.30	980.76
c) Total (£)	967.61	1,128.88	1,290.14	1,451.42	1,773.95	2,096.49	2,419.03	2,902.84

14. To authorise the Executive Director of Finance and Corporate Services 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 60).

16. To note the performance on the management of arrears across the Council on all debts due (as set out from paragraph 71).

**Wards Affected:** All

<b>H&amp;F values</b>	<b>Summary of how this report aligns to the H&amp;F Priorities</b>
Being ruthlessly financially efficient	The council has a proud record of maintaining low Council Tax to its residents. The revenue budget for 2025/26 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 25/26 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, continuing to provide comprehensive Council Tax support to those eligible and increasing investment to tackle homelessness and rough sleeping.
Building shared prosperity	The budget proposals support the launch of the next phase of the industrial strategy (Upstream London) which sets a clear strategy to grow a localised economic ecosystem, with a focus on the sectors that are set to grow and that are deemed right for the local area.
Doing things with residents, not to them	The budget for 25/26 will continue investment 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.

H&F values	Summary of how this report aligns to the H&F Priorities
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 support work to increase engagement and investment in green energy and technologies, increase investment in its waste services, 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.

Verified by James Newman, Assistant Director of Finance, 6th January 2025

## 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.

Verified by Glen Egan, Assistant Director Legal, 7 January 2025.

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**Background Papers Used in Preparing This Report – none.**

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## **CABINET MEMBER FOR FINANCE AND REFORM FOREWORD**

This is a budget that funds the fight against crime and anti-social behaviour in Hammersmith & Fulham. It allocates record funding to prevention efforts through our unique Law Enforcement Team, our innovative Gangs Unit, and new investment to stop violence against women and girls. It does so whilst also tackling the causes of crime, with new resources allocated to stop truancy from our schools and educate residents of the growing risk of fraud.

Since 2010, centrally imposed reductions in numbers of police and police stations have made it harder for neighbourhood policing to combat crime in our communities. Residents are increasingly contacting the council for help, and while the council has no control over the police or police numbers, we see it as our duty to act to keep our streets safe.

Concern about crime is by far the most common issue that my residents in Coningham ward contact me about, in my role as a councillor. Across the borough, residents are frustrated that despite regularly reporting crimes committed in their communities, they do not see action taken to address them.

The local police work extremely hard, but resource constraints mean that they often are not able to work as effectively as they would like. The numbers of police officers allocated to wards has reduced in the last decade and a half, and in recent years my own Safer Neighbourhood Team has, at times, just had one officer. This makes it impossible to provide a visible presence across the ward to reassure the public.

Since 2010, centrally imposed reductions in numbers of police and police stations have made it harder for neighbourhood policing to combat crime in our communities. Residents are increasingly contacting the council for help, and while the council has no control over the police or police numbers, we see it as our duty to act to keep our streets safe.

Cuts to police number and police stations in the borough since 2010 have undoubtedly had a major impact on residents' perception of crime. Although crime prevention is the responsibility of the police, rather than the council, this administration sees it as its duty to act when we can to keep residents safe. We will do what we can to support them in this, the most important part of any area of government.

This is why we established the Law Enforcement Team, a unique service among councils in the UK, which provides a visible presence on our streets to tackle anti-social behaviour. This is why we established the innovative Gangs Unit, which works with the police to keep young people out of a life of organised crime. This is why we have funded more CCTV cameras per person, than any other local authority in the country as part of our capital budget. This is why we were the first council in the country to establish a borough wide Public Spaces Protection Order to prevent street harassment of women and girls in the area.

This work is now more important than ever, which is why this budget funds the fight against crime here in Hammersmith & Fulham. This is a budget which, to borrow a phrase, is tough on crime, but tough on the causes of crime too.

It does so with new resources allocated to stop truancy from our schools and educate residents of the growing risk of fraud.

In this budget we have chosen to:

- Secure the funding of the Law Enforcement Team, moving this to the base budget so that it is protected against fluctuations in the economic cycle and residents can be reassured that it will be there when they need it.
- Fully fund the innovative Gangs Unit, which has so successfully choked off organised crime at its roots in recent years.
- Invest new resources in the prevention of violence against women and girls here in our borough.
- Allocated additional funding to a school attendance strategy, which will keep young people in education and reduce the risk of the falling into a life of crime or committing anti-social behaviour; and
- Ensuring that residents have the digital skills and awareness to avoid fraud, the fastest growing crime in the country.

Public safety cannot be done on the cheap. This budget is vital to keep our streets safe and to protect the residents of Hammersmith & Fulham. Criminals across the borough will desperately hope that this is not passed, but the message should go out from this council that their days of terrorising residents are numbered, and that we are coming for them.

The objectives of the General Fund revenue budget proposals for 2025/26 as set out in the report are to:

- continue to protect the delivery of core services valued by residents, businesses, and visitors.
- ensure the safety of our borough.
- support prosperity across Hammersmith & Fulham.
- promote an exceptional, innovative and efficient Council.
- maintain strong financial governance and resilience across the Council; and

- preserve one of the lowest Council Tax rates in the country.

In recent years a combination of statutory requirements placed on councils without corresponding funding, and the lacklustre performance of the economy creating additional need for council services, have stretched local government finances. This budget recognises pressures placed on areas like school transport, temporary accommodation and social care, and provides new funding to address these.

Anyone involved in local government over the last decade and a half should appreciate how difficult budget setting has become. The national public finance policies adopted since 2010 and the economic turmoil from events like Brexit and the 2022 “mini budget” directly caused significant pressure on services and the finances of the Council. This has increased the costs for both provision of and delivery of key services, and has eroded the disposable income for many, increasing the demand for the provision of and delivery of key services. The high interest rates directly impact on the cost of mortgages for homeowners whilst making it more expensive for the council to borrow and resource its capital programme.

However, the cumulative impact of austerity imposed by the previous Government has meant funding from central government has reduced by 54% in real terms<sup>1</sup> and 19% in cash terms, from £164m in 2010/11 to £132m in 2025/26<sup>2</sup>.

A change in Government after 14 years of continued austerity for local government has provided the opportunity for the relationship between local and central government to be reset and planned reform of the financial funding framework for local authorities. The Chancellor’s Budget on 30<sup>th</sup> October 2024 outlined a set of measures aimed at fixing the foundations of the economy and delivering change.

Despite the financial pressures being experienced across all local authorities, our ruthlessly financially efficient approach (by generating more than £123m of efficiencies since 2014/15), securing more than £100m in contributions from developing the Borough and generating more than £60m in annual income) has allowed the council to ease financial burdens on residents by keeping taxes low, freezing key charges and providing one of the country’s most comprehensive Council Tax Support Schemes.

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 to keep our streets and communities safe and clean, maintain weekly bin collections, free breakfasts in primary schools and establishing three Family Hubs at the heart of our communities.

We have also eased financial burdens that residents face by residents by abolishing home care costs, using an Ethical Debt Collection Policy to support those struggling

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<sup>1</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>2</sup> Funding includes Revenue Support Grant, Business Rates Funding Baseline, Social Care and other general grants.

with Council Tax rather than taking further enforcement action, and providing one of the country's most comprehensive Council Tax Support Schemes.

While the national tax burden reached historically high levels due to the previous government, there is nowhere better to be a Council Taxpayer than right here in Hammersmith & Fulham. Not only have we set the third lowest Council Tax in the country by cutting or freezing rates in five of the last ten years, but we have one of the most comprehensive Council Tax Support Schemes, which ensures that those least able to pay, pay the least.

We are one of just three London councils that has maintained no minimum payment, meaning the most vulnerable residents will not need to pay a penny of their Council Tax when they are struggling to make ends meet. We have also taken the decision to exclude Care Leavers and Foster Carers from Council Tax entirely, in recognition of the unique difficulties that they face and their inspiring contribution to our community.

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.

This council will continue to manage its financial resources effectively to ensure financial resilience and sustainability (including a good level of reserves and in year contingencies). Despite the wider challenges faced by councils across the country, the council will continue to rise to the financial challenges faced to protect its residents, businesses and visitors services, and deliver on its commitment to make the borough a stronger, safer, and kinder place for everyone.

## **NATIONAL FINANCIAL CONTEXT AND OUTLOOK**

1. Local government continues to operate in a challenging financial environment for the short and medium term. Although inflation has fallen in recent months, inflationary 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. CPI (Consumer Price Index) inflation has returned to the Bank of England's 2% target level in 2024/25, falling to as low as 1.7% in September 2024. However there has been an upward turn in recent months mainly attributed to the rise of the Office of Gas and Electricity Markets (Ofgem) energy price cap in October 2024.
3. Whilst CPI inflation is no longer at the peak of 11.1% experienced in October 2022 (this was the highest rate in over 40 years), the lower level of inflation is applicable to prices which have seen a cumulative increase of more than 20% over the last 3 years.
4. 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 4.75%, down from a peak of 5.25% from August 2023 to July 2024. For the council, its main source of borrowing is via the Public Works Loan Board, whose rates vary slightly from those issued by the Bank of England, being based on gilt rates.

5. 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.

The table below sets out some of the Office of Budget Responsibility’s (OBR) key economic and fiscal indicators over the medium term.

	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
CPI	2.6	2.2	2.1	2.1
Average Earnings	3.0	2.1	2.0	2.3
Interest Rates	3.9	3.7	3.6	3.5
Gilt Rates	4.1	4.2	4.3	4.5

### Autumn Budget 2024

6. The Chancellor announced the Autumn Budget on the 30<sup>th</sup> of October 2024, 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.
7. For councils, an increase in funding of £1.3bn was announced, with £600m earmarked for social care. Other key announcements affecting local government funding in 2025/26 are outlined below:
- An additional £233m for homelessness prevention. Details of the allocation for the council were to be confirmed at the time of writing this report.
  - The extension of the Household Support Fund until the end of 2025/26
  - An increase of £1bn for SEND and alternative provision in 2025/26.
  - The Affordable Homes Programme will increase by £500m in 2025/26
  - Consultation on a new long-term social housing rent settlement of CPI+1% for 5 years as well as the option on further potential measures such as a 10-year settlement.
  - Right-to-buy discounts will be reduced by government, and local authorities will be able to retain 100% of the receipts from right-to-buy purchases.
  - Employer National Insurance Contributions (ENICs) will increase by 1.2% in 2025/26 – The Government has announced initial funding of £502m to be made available of which the Council’s share is £2.2m. Funding will only be for the direct costs affecting local authorities therefore services provided by 3<sup>rd</sup> parties such as social care providers will not be funded as well. If they are not able to absorb the increase in costs, there is a risk of an inflationary increase for the Council.
  - Local roads maintenance funding will increase by £500m in 2025/26.

- The UK Shared Prosperity Fund will continue for one more year at a reduced level of £900m across England.
- The standard business rate multiplier will be increased by September CPI (1.7%), retail, hospitality and leisure (RHL) businesses will receive a 40% business rates relief in 2025/26, and the small business rate multiplier will be frozen for a fifth consecutive year.

### Cost of Living and Benefits

8. Alongside the Autumn Statement, The Office for Budget Responsibility's (OBR) economic and fiscal outlook was published<sup>3</sup>. It is forecast that unemployment rate to peak at 4.3 per cent, equivalent to 1.5 million people, in the third quarter of 2024, before falling to a trough of 4.0 per cent in mid-2025 as a positive output gap opens. Unemployment then returns to its estimated structural rate of 4.1 per cent in mid-2027.

Welfare spending is forecast to rise sharply this year (by £17.3 billion, or 5.8 per cent) driven by the uprating of most benefits with CPI inflation, to £313.6 billion (11.1 per cent of GDP). It is then forecast to rise by an average of £12.8 billion (3.8 per cent) a year over the rest of the forecast period, reaching £377.7 billion (11.1 per cent GDP) in 2029-30. The main drivers of this increase are higher pensioner spending due to the ageing population and the triple lock, and rising caseloads for health and disability benefits.<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 continuation of 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.

## **LOCAL GOVERNMENT FUNDING**

### Local Government Finance Settlement and Core Spending Power

10. The Local Government finance policy statement was published on the 28<sup>th</sup> of November setting out the Government's financial framework for 2025/26 and beyond.

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<sup>3</sup> [Economic and fiscal outlook – CP 1169](#)

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

11. The policy statement set out the Government's intention for Local Government funding reform and outlined its intentions from 2026/27 to fundamentally improve the way it funds councils and directs funding to where it is most needed, based on an up-to-date assessment of need and local resources.
12. These reforms will build on the proposals set out in the previous government's review of Relative Needs and Resources (also referred to as the 'Fair Funding Review'), using the best available evidence to inform local authority funding allocations.
13. The Provisional 2025/26 Local Government Finance Settlement (LGFS) was published by MHCLG on the 18th of December 2024 and the final settlement was published on the 3<sup>rd</sup> of February 2025. The statement outlines provisional funding allocations for local authorities for 2025/26 alongside the Core Spending Power for each authority.
14. The 2025/26 LGFS continues the recent trend of single year funding settlements with no grant allocations confirmed beyond next year. However, in the statement, the new Government has set out its intention to simplify the wider local funding landscape, reducing the number of grants and consolidating them into the Local Government Finance Settlement, as well as moving towards a multi-year settlement for local government from 2026/27 so local authorities can plan more effectively.
15. A consultation was also launched at the LGFS asking authorities for their views on the reforms. The proposed reforms will have no impact on funding for 2025/26 but are set out in more detail in Appendix B as part of the MTFs.
16. Core Spending Power estimates total revenue funding available to authorities. The provisional settlement provided a real terms increase in Core Spending Power of 3.8% however within this calculation what is shown as funding for local authorities is in large part, the ability for local authorities to raise Council Tax locally as opposed to direct grant funding from central government.
17. The settlement assumes that local authorities will need to increase local tax by 5% each year until 2028/29. It also includes assumptions on business rates income (including compensation for under indexing the multiplier) as well as growth in the Council Tax base.

A summary of the Council's Core Spending Power in comparison to the previous financial year is set out in the table below

**Table 1 - Core Spending Power**

	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>Change between years £m</b>
Revenue Support Grant and Estimated Retained Business Rates	89.1	90.4	1.3
Government Grants	53.4	60.5	7.1
Estimated Council Tax	78.8	84.2	5.4
<b>Total</b>	<b>221.3</b>	<b>235.1</b>	<b>13.8</b>

18. It should be noted that whilst the overall Core Spending Power for the Council has increased by £13.8m, £7.1m (51%) of this relates to grant funding distributed directly

to local authorities as part of the LGFS (including the compensation for the increase in Employers National Insurance), as both Council Tax and business rates income are locally generated sources of income.

An explanation of the key funding streams is outlined below:

19. **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 £0.42m. 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.
20. **Social Care funding** – An additional £1.13bn of new funding was announced for local authorities targeted at adult and children social care (with £250m of this being a new Children’s Social Care Prevention Grant, distributed using a new children’s needs-based formula).

This funding is in addition to £1.05bn continuing ringfenced funding for adult social care in relation to the Local Authority Better Care Grant (which now includes the Discharge Fund) and the Market Sustainability and Improvement Fund.

21. **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.
22. **New Homes Bonus** - There will be new rounds of New Homes Bonus (NHB) payments in 2025/26. In line with last year, these payments will not attract new legacy payments. It was announced that this will be the last year of the funding, with further announcements on alternative funding to be determined.

The statement confirmed the repurposing of the **Services Grant** to simplify the system, in line with the assumptions set out in the MTFS.

#### Other Funding

23. **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 2024/25 was £2.8m, all of which is planned to be spent as part of the council’s Cost of Living response.
24. It was confirmed by the Chancellor in her Autumn Statement that the HSF will continue until the end of 2025/26 (with £740m distributed to councils in England) which is welcome news given how vital this additional funding has been to support those most vulnerable and affected by the Cost-of-Living crisis.
25. **Extender Producer Responsibility for Packaging (pEPR)** – This income will cover the existing costs local authorities incur for managing household packaging waste, provide additional funding for new legal duties, and support much needed investment in the waste and recycling industry. The council will receive an estimated £1.87m as a



guaranteed payment in 2025/26 towards these costs. However, the government will assess the impact of additional pEPR income on the relative needs and resources of individual local authorities, and how it factors into the measurement of local authority spending power, ahead of the 2026/27 Settlement.

The Government has outlined as part of the terms of the funding that councils will be subject to monitoring and evaluation of the efficiency and effectiveness of its waste management functions. The council may be subject to improvement actions if it is not deemed 'efficient and effective', and potential deductions on payments from 2027/28 if improvements are not delivered.

26. The Council will receive £26.0m for the Public Health Grant, £6.6m for the Homelessness Prevention Grant (although in a change in policy it should be noted that 49% of this grant cannot be spent on temporary accommodation and must be spend on prevention, relief and staffing activity) plus a further £1.0m for rough sleeping prevention and recovery, plus £188.3m for the Dedicated Schools Grant (DSG). These grants are ringfenced within departmental budgets and are assumed will have a neutral impact in the current budget proposals.

### THE REVENUE BUDGET 2025/26

27. The budget gap for 2025/26 was estimated at £18.7m (as reported to Council in February 2024). This forecast has been under continuous re-assessment during the financial year as service pressures have emerged and/or been mitigated, plus announcements on funding are known. The key changes that resulted in a balanced budget proposal for 2025/26 are set out in the table below (the individual Directorate budget analysis and other details are set out in Appendix I).

**Table 2: 2025/26 Budget Summary**

	<b>Proposed (£m)</b>
<b>Base Budget 2024/25 (Balanced Budget)</b>	-
Provision for Price Inflation (2.7% plus some targeting)	6.2
Provision for Pay Inflation (2%)	3.1
Provision for Growth and Investment in Services	12.3
Other Changes (cost of borrowing/minimum revenue provision/concessionary fares/interest on balances)	7.2
Recognition of current income projections	(3.0)
Savings and Efficiencies	(5.1)
<b>Resources</b>	
Increase in Central Govt Grants	(7.9)
Collection Fund (business rates and prior year surpluses)	(6.8)
Increase in Council Tax Base (Households)	(2.0)
Additional Council Tax Income (from April 2025)	(4.0)
<b>Budget Gap 25/26</b>	-

28. 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 2025/26 Council Tax requirement is set out in Table 9. The medium-term forecast, to 2028/29 is set out in Appendix B.

## **SERVICE AND CORPORATE ITEMS**

### **Inflation, Investment and Growth**

29. As outlined in the national outlook section above, inflation has now returned down to 2.6% as of November 2024. However, the cumulative impact of high inflation over the preceding years has impacted significantly on the price of goods and services. As a result of this and increasing demand driven by demographic changes and the cost of living crisis, the council has experienced significant cost pressures in Temporary Accommodation, Children's Services and Adults Social Care. These pressures are detailed, monitored and are reported to Cabinet as part of the Corporate Revenue Monitoring process.
30. For 25/26, the council has allocated £6.2m to services to fund inflationary pressures across third party contracts. This assumes inflation of 2.7% plus additional funding targeted at contracts where inflation is expected to be higher than the 2.7% assumption (for example, energy and fuel costs).
31. The budget also proposes a provision of 2% (£3.1m) for the pay award in 25/26. At this time negotiations on the future pay award have not yet been made public so it is unclear what the final settlement will be. The trend in prior years for a cash uplift as opposed to a percentage uplift which is proportionately more beneficial for those on the lower end of the pay scale.
32. Total investment and growth of £12.3m 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.
33. The Council's strategy to manage growth, investment and its impact on cost pressures has been for service areas to manage pressures within their budgets wherever possible including by factoring one-off funding, grants and income generation where possible. However, where such mitigations are not able to contain emerging cost pressures budget growth has been made available to fund these pressures.
34. The inflation, growth and investment proposals are reviewed and monitored via the Corporate Revenue Monitor on an ongoing basis as more information becomes available and any variances to these estimates are reported accordingly where appropriate. In recent years, the council has experienced significant increases in cost and demand for adults and children's social care expenditure as well temporary accommodation, and there is an element of risk that even with mitigation plans and service actions, expenditure may exceed budget for 2025/26. Work is underway across

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<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.

these areas to address cost pressures, but given trends in recent years a corporate contingency and earmarked reserves are also held to mitigate these risks.

35. The investment proposal details are set out in Appendix C to this report, and key elements are summarised below:

**Table 3: 2025/26 investment proposals by Department**

Department	£m
People	5.0
Place	5.5
Housing Solutions	1.2
Finance and Corporate Services	0.6
<b>Total</b>	<b>12.3</b>

**Table 4: Investment proposals by Department**

Proposal Summary	£m
Law Enforcement and Gangs Unit / Violence against Women and Girls	3.4
Adults Care Packages (Residential/Nursing)	2.8
Waste Management Services (contractual obligations on pensions, fuel costs, new wheeled bin services)	1.8
Children Services (Care Prevention, Travel Care and Placements, Family Support and Child Protection, Contact & Assessment Teams, School Attendance, and Family Hubs)	2.2
Homelessness and rough sleeping prevention <sup>7</sup>	1.2
Industrial Strategy - Upstream (one-off)	0.3
Other (insurance premiums, sports facilities, preventing fraud through digital services)	0.6
<b>Total</b>	<b>12.3</b>

## Savings

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

**Table 5: 2025/26 savings proposals**

Department	£m
People	(1.8)
Place	(2.1)
Housing Solutions	-
Finance and Corporate Services	(0.5)
Centrally Managed Budgets	(0.8)
<b>Total</b>	<b>(5.1)</b>

<sup>7</sup> Total investment in homelessness and rough sleeping is £4.2m - £2.2m additional Homelessness Prevention Grant funding, £1.2m investment and £0.8m inflation.

**Table 6: Categorisation of savings**

<b>Savings categories</b>	<b>£m</b>
Commercialisation / income	(1.5)
Procurement / commissioning	(0.8)
Service reconfiguration	(1.7)
Service rationalisation/budget reduced in line with spend	(0.1)
Prevention	(0.6)
Estate rationalisation	(0.3)
Staffing/productivity	(0.1)
<b>Total savings</b>	<b>(5.1)</b>

### **Other Measures**

37. Additional income of £5.0m relating to investing cash balances is expected to materialise in 2025/26 as interest rates continue as per the Bank of England's economic forecast assumptions. This income will be used to balance the budget in 2025/26, and our cash balances and base rate assumptions will be reviewed throughout the financial year in line with our treasury management strategy.
38. Completing a two year comprehensive review in parking, across both front and back-office functions within parking services, has resulted in a programme of measures that has delivered more effective and efficient systems and processes and is reflected in the budget for 25/26. There have been significant improvements through the adopting of new systems in the processing and management of permits, suspensions and traffic orders, together with a more streamlined approach in the administrative functions underpinning our work with the registration of debts and warrants. There has been a significant change in the way we deliver services reducing our dependence on external support, particularly regarding our moving traffic operational model. All functions are now in house and the move to a fully automated cameras network across the borough has been completed. Other operational and administrative improvements in our call centre, correspondence and appeals processes, has also reduced the need for external support.
39. In addition, there are short-term efficiencies 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, plus the cumulative impact of the freeze on fares by the Mayor of London. This is not expected to continue beyond 2025/26 as demand is forecast to return to pre pandemic levels and fares increase.
40. It is also proposed to establish a one-off funding programme of £52,500 in 2025/26 to support the delivery of local community projects. The projects will be developed in consultation with residents and led by Ward Members (and each project will be limited to a maximum sum of £1,000 within a total of £2,500 for each of the 21 wards of the Council).

### **FEES AND CHARGES**

41. 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 1.7% (in line with September CPI) is applied for other non-commercial and non-parking fees.

The current proposed exceptions to the standard 1.7% increase and policies above are set out in Appendix E.

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

### **COUNCIL TAX SETTING**

42. 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 2025/26 local authorities “will be required to seek the approval of their local electorate in a referendum if, compared with 2024/25, 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.
43. In addition, the Government has modelled setting a precept to fund social care for adults of 2% in 2025/26. This levy is included in the Council’s budget proposals.
44. **The Council has a successful track record of keeping Council Tax low, either cutting or freezing Council Tax in five of the last ten years.** Nationally Council Tax is around 56% of the total Core Spending Power (but only accounts for 38% in Hammersmith and Fulham).
45. Inflationary lag, continued wage growth above current CPI levels and elevated interest rates makes a Council Tax increase in 2025/26 unavoidable and a 2.99% increase in the Hammersmith & Fulham element of Council Tax is 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 2025/26, despite the financial pressures on the council, our ruthlessly financially efficient approach has allowed us to keep Council Tax levels low. There are fewer better places to be a Council Taxpayer than here in Hammersmith & Fulham. Not only do we have the third lowest council tax rates in the country, but our Council Tax Support Scheme provides a discount to 39% of households, with the most vulnerable paying nothing at all.
46. This administration took the decision to exempt care leavers from paying Council Tax entirely along with exemptions for in-house foster carers and special guardians so that

they do not pay a penny of Council Tax, showing its commitment to being a compassionate council.

47. The level of Council Tax increase reflects the assumption that has been outlined by Central Government in the Autumn Statement made on the 30th October 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 £27.37 per annum, or less than 53p per week, for 2025/26 (at Band D). The Council Tax charge for Hammersmith & Fulham is the third lowest in the country.
48. **The council is also proposing to levy a 2% Adult Social Care precept.** The increase is equivalent to £18.31 per annum, or less than 36p per week, for 2025/26 (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 the 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 absence of a long-term funding solution to social care funding, the council has accepted the need to apply this levy to fund core services to vulnerable adults.
49. As set out below 61% 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**

<b>Total dwellings in the borough</b>	<b>94,867</b>	<b>100%</b>
<i>Reductions:</i>		
Exemptions (mainly students, includes care leavers and vacant properties)	(3,257)	(3%)
Council Tax support claimants (elderly & working age on low income, including those with other discounts)	(13,080)	(14%)
Discounts only (primarily single person discount of 25%)	(21,135)	(22%)
<b>Dwellings liable for 100% of Council Tax</b>	<b>57,395</b>	<b>61%</b>

## COUNCIL TAX REQUIREMENT 2025/26

**Table 8: Base Budget Requirement for 2025/26**

<b>Budgeted expenditure 2025/26</b>	<b>£m</b>
Housing benefit payments	90.9
<i>Departmental budgets:</i>	
People	323.3
Place	146.5
Housing Solutions	45.6
Finance and Corporate Services	62.6
Centrally Managed Budgets	33.9
<i>Less capital financing</i>	<i>(20.5)</i>
<b>Gross budgeted expenditure</b>	<b>682.2</b>
Customer and client receipts	(120.4)
Specific and ringfenced govt grants	(242.3)
Reimbursements and contributions	(34.6)
Interest and other	(64.3)
<b>Gross revenue income budget requirement</b>	<b>(461.6)</b>
<b>Net revenue budget requirement</b>	<b>220.6</b>
<b>To be met from:</b>	
General grants	(66.4)
Locally retained business rates	(63.3)
Retained business rates above safety net	(6.0)
<b>2025/26 Council Tax requirement (including the adult social care precept)</b>	<b>(84.9)</b>

50. The overall amount to be met from the Council Tax, including the GLA element, is £128.166m. This will provide a balanced budget in 2025/26.

**Table 9: Overall 2025/26 Council Tax requirement**

London Borough of Hammersmith & Fulham	£84,863,676
Greater London Authority (proposed)	£43,302,516
<b>Total requirement for Council Tax</b>	<b>£128,166,192</b>

51. 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.
52. 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:

<u>Total Council Tax Requirement</u>	=	<u>£128,166,192</u>	=	£1451.42 Band D
<u>Tax Base (Band D equivalent)</u>		88,304		

53. On the 13<sup>th</sup> of January 2025, Cabinet agreed a Council Tax base of 88,304 equivalent Band D properties for 2025/26. Therefore, the council's element of the Council Tax for Band D properties can be calculated as followed:

$\frac{\text{Total Council Tax Requirement}}{\text{Tax Base (Band D equivalent)}} = \frac{\pounds 84,863,676}{88,304} = \pounds 961.04 \text{ Band D}$
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54. 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**

55. 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's budget proposals set out a provisional Band D charge of £490.38. This is subject to formal approval by the Mayor of London following the London Assembly meeting of 25 February 2025. The preceptors budget requirement will be amended should there be a change to the Mayor's proposed Band D charge.

$\frac{\text{Preceptor's Budget Requirement}}{\text{Tax Base (Band D equivalent)}} = \frac{\pounds 43,302,516}{88,304} = \pounds 490.38 \text{ Band D}$
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56. The proposed GLA charge represents an increase of £18.98 (4%), compared to 2024/25. This includes a £14.00 increase in the police precept, and a £4.98 increase for non-police services.<sup>8</sup>

### **Business Rates**

57. 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 (1.7%).
58. There will continue to be a freeze in 2025/26 for the small business rate multiplier for the fifth year in a row. There has been a change to the relief given to Retail, Hospitality and Leisure businesses which will now be subject to a 40% relief (previously this was at 75%). Local authorities will be compensated by the government for the resultant loss of income from these measures.

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<sup>8</sup> Source: [Mayor's Consultation Budget \(london.gov.uk\)](https://www.london.gov.uk/press-releases/major/budget-2025)



59. The forecast assumes that Hammersmith & Fulham will receive and retain the minimum amount guaranteed, the safety net threshold, by Government. This is £63.3m for 2025/26.

### **Collection Fund**

60. There has been a surplus of £6m in the Collection Fund relating to 2023/24, that has been included in the proposed base budget for 2025/26 (the final figures for 2023/24 were agreed in the autumn as part of the 2023/24 external audit of the financial statements, creating a time lag). It is currently estimated that there will be further one-off surplus resources for 2024/25 which will be agreed as part of outturn for 2024/25. Any further residual resources identified will be carried forward and dealt with in budget planning for 2026/27. These variations are due to several factors adjustments, collection rates, review of single person discount entitlements and other technical adjustments relating to tariffs.

### **Levies**

61. The Council, alongside other London local authorities, contributes towards London wide services in the form of levy payments. Levies are paid to the following agencies:
- Environment Agency (for flood defences)
  - London Pension Fund Authority
  - London Councils (for concessionary travel for those 60+)
  - Lea Valley Regional Park Authority
  - Western Riverside Waste Authority
62. As at time of writing, not all of these levies have been confirmed and therefore the budget for 2025/26 is based on the charge from 2024/25 uplifted by inflation and projected demographic changes. Once these are confirmed, the budgets will be amended before final approval at Full Council if necessary.
63. For concessionary travel, this budget is estimated to remain at the budgeted level (£9m) for 2025/26. Demand for travel has slowly returned close to pre-pandemic levels and TfL has confirmed that tube fares will increase by 4.6% in 2025 therefore no savings are expected unlike in previous years.

## **CONSULTATION**

### **Non-Domestic Ratepayers**

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

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

65. 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 EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE SERVICES**

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

66. Under Section 25 of the Local Government Act 2003, the Executive Director of Finance and Corporate Services is required to include, in the budget report, a view of the robustness of the budget estimates.
67. 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 Executive Director of Finance and Corporate Services, is satisfied with the accuracy and robustness of the estimates included in this report:
- The budget proposals have been developed following guidance from the Executive Director of Finance and Corporate Services 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 2025/26 and any risk/pressures arising will be reported and mitigating actions identified and implemented.
  - Ongoing pressures identified as part of the budget monitoring process will be considered as part of MTFS proposals.
  - 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 £39m 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 £3.4m (reducing to £1.4m should current mitigating actions be delivered, and the use of contingency budgets).
  - 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 £3.7m 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 Oversight Board and 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**

68. Under Section 25 of the Local Government Act 2003, the Executive Director of Finance and Corporate Services 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.
69. 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).
  - Legislative requirements (e.g., Environment Act 2021, Social Regulation 2023, Employment Rights Bill) will add additional pressures on our service delivery.
  - Regulatory burdens from Central Government (e.g., Housing Ombudsman, CQC) may increase our cost pressures if not fully funded.
  - The demographic pressures especially on Adult and Childrens Social Care, Special Educational Needs and Disabilities, homelessness and rough sleeping and people from abroad will continue (as is the case nationally for many other local authorities). This is a combination of several 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 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.
70. The Council also holds a corporate contingency which can be called upon to manage risks to the agreed budget reduction programme in any one year as well as addressing unforeseen budget pressures which may manifest themselves through the financial year and the medium term. The budgeted level of contingency for 2025/26 and across the remainder of the MTFS is c.£9m.

## **Debt Management**

71. Debt on the Council's balance sheet increased marginally by £1.6m in cash terms (1.8%) between March 2023 and March 2024, from £86.8m to £88.4m. Whilst there were reductions for debt relating to Business Rates (£0.7m), HRA debt (£1.3m) and Housing Benefit Overpayments (£0.9m), Council Tax increased by £2.4m and sundry General Fund debt increased by £1.2m.
72. 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.
73. The Council Tax debt position has been given specific focus, and we expect to see a marked improvement in the coming year. Residents have been helped by our ethical approach to debt recovery and repayment plans – which is both empathetic and effective in collecting revenues. However, for those who refuse to pay their council tax and haven't spoken to us about help with their finances, we have no other option other than to recoup this funding through legal means, where necessary. This includes the use of recovery agents. We have a duty to those taxpayers who are paying to pursue those that can pay but won't.
74. Initiatives such as 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.
75. 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**

76. 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.
77. In the last full financial year (2023/24) the administration ran a budget surplus, underspending on its budgets over the course of the year, and adding £0.3m to reserves. At a time when other local authorities are relying on reserves to balance their budgets, this demonstrates the prudent management of council finances in Hammersmith & Fulham, and the ruthlessly financially efficient approach the administration takes to managing budgets.
78. The lack of an appropriate safety net has resulted in several councils running into financial difficulties. The issuance of 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) has become increasingly common in recent years 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”.

79. The Executive Director of Finance and Corporate Services 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 or to meet budgetary pressures should the budgeted contingency and mitigation plans not be sufficient.
80. 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 previous 2 financial years, the council ran a budget surplus and added to its revenue reserves.
81. General balances are forecast to remain within the optimum range in 2025/26. The council’s general balance is budgeted to be £21.6m at the start of 2025/26. This equates to 3.2% (12 days spend) of the council’s gross budget of £682.2m. 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 Executive Director of Finance and Corporate Services considers that this optimal range is sufficient to allow for the risks identified and to support effective medium-term financial planning.
82. The latest forecast to 2028/29 is summarised in Table 12 and detailed in Appendix H. It is the view of the Executive Director of Finance and Corporate Services that such reserves are adequate to deal with anticipated risks and liabilities.

**Table 12: Reserves and general balances - cash flow forecast to 2028/29**

	April	April	April	April	April
	2024	2025	2026	2027	2028
	£m	£m	£m	£m	£m
General balances (recommended range £19m - £23m)	21.6	21.6	21.6	21.6	21.6
Earmarked reserves	95.7	73.5	69.3	68.4	70.0
<b>Sub Total</b>	<b>117.3</b>	<b>95.1</b>	<b>90.9</b>	<b>90.0</b>	<b>91.6</b>
Developer contributions (Subject to separate monitoring and approval)	65.5				

## Section 106 and the community infrastructure levy

83. 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, which 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.
84. 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.
85. 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.
86. 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.
87. In 2023/24 the council reported a record £22m of investment resulting from section 106 and CIL charges. This money is contributing to improvements across the borough such as regeneration, improvements to the public realm, and increasing community safety. Consistently raising such large sums is a testament to the administration's approach to negotiating with property developers, to ensure that the whole borough can benefit from new developments in the area.
88. 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.

### **CIPFA Financial Management Code**

89. An initial compliance analysis against the CIPFA Financial Management Code has been undertaken as part of the 2024/25 budget assurance work. The 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. 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.

90. 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, re-visited at least annually as part of the budget process, with any actions or recommendations implemented on an ongoing basis.

## **EQUALITY IMPLICATIONS**

91. 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 to Full Council. The full EIA is attached at Appendix F.

## **RISK MANAGEMENT IMPLICATIONS**

92. 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. While additional core spending power has been granted to councils through the LGFS for 2025/26, this is only a one-year settlement which creates ongoing 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. In addition, the new Procurement Act will introduce further requirements and burdens on local authorities from 24 February 2025.

- Cost of living crisis: The impact of the ongoing inflationary rises over the past three years, 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.

93. The economic climate in which the council must operate continues to be extremely challenging. Cost overspend 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. While there is an increase in core spending power for 2025/26, against the backdrop of real terms cuts to local government funding for more than a decade, external cost pressures and the need to fund local priorities mean that the council must continue with its significant savings and transformation programmes.
94. The report sets out several risks facing the council (at paragraph 68 and in Appendix D), 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.
95. Appendix D sets out the financial risks against which the 2025/26 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 and employment 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.
96. 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, 9 January 2025.*

## **PROCUREMENT IMPLICATIONS**

97. 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 – Reserves strategy and forecast

Appendix H – CIPFA FM Code Compliance

Appendix I – 2025/26 Budget Schedules

## APPENDIX A

The Requisite Calculations for Hammersmith & Fulham (as set out in Section 31A to 49B in the Localism Act 2011)

		<b>£</b>	
(a)	Being the aggregate of the amounts which the council estimates for the items set out in section 31A (2) (a) to (f) of the Act.	597,637,892	
(b)	Being the aggregate of the amounts which the council estimates for the items set out in Section 31A (3) (a) to (d) of the Act.	469,471,700	
(c)	Being the aggregate difference of (a) and (b) above calculated by the council in accordance with Section 31A (4) of the Act, as its Council Tax requirement for the year.	128,166,192	
(d)	Being the amount formally agreed by council as the Council Tax base for 2025/26.	88,304	
(e)	Being the amount at (c) divided by the amount at (d) above, calculated by the council in accordance with Section 31B of the Act as the Basic amount of Council Tax (Band D) for the year.	1,451.42	
(f)	Hammersmith & Fulham proportion of the Basic amount of its Council Tax (Band D)	961.04	
(g) Valuation Bands – Hammersmith & Fulham Council:			
<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>
640.69	747.47	854.25	961.04
<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
1,174.60	1,388.16	1,601.73	1,922.08
being the amounts given by multiplying the amount at (f) above by the number which, in proportion set out in section 5 (1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which that proportion is applicable to dwellings listed in band D, calculated by the council, in accordance with Section 36 (1) of the Act, as the amounts to be taken into account for the year in respect of dwellings listed in the different valuation bands.			
(h) Valuation Bands – Greater London Authority			
That it be noted that the following amounts in precepts issued to the council in respect of the Greater London Authority, its functional and predecessor bodies, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:			
<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>
326.92	381.41	435.89	490.38

<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
599.35	708.33	817.30	980.76
(i) That having calculated the aggregate in each case of the amounts at (g) and (h) above, the council, in accordance with Section 30 (2) of the Local Government Finance Act 1992, hereby sets the following amounts of Council Tax for the year 2025/26 for each of the categories of dwellings shown below:			
<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>
967.61	1,128.88	1,290.14	1,451.42
<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
1,773.95	2,096.49	2,419.03	2,902.84