


# Finance Peer Challenge

London Borough of Hammersmith &  
Fulham

*23<sup>rd</sup> – 25<sup>th</sup> April*

Feedback report





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# 1. Executive summary

The London Borough of Hammersmith and Fulham (LBHF) is very ambitious and financially well-run. The council has a track-record of delivering its savings targets and its balanced budget for 2025/26 enables more than £12m of additional funding for services.

The council's financial leadership has directly supported funding of political priorities, including low levels of council tax, free homecare and significant discretionary investment in community safety services.

LBHF's strong focus on 'being ruthlessly financially efficient' is led and supported by very capable members and officers. It was clear that there is a high-level of political support for, and challenge of, financial management. Robust financial governance is supported by a management culture that recognises the importance of value for money.

The council is self-aware and recognises that its future financial challenges will require a different response. LBHF's political and officer leadership is continuing to plan for this change. As part of this, there is value in the council articulating its overall approach and strategy for transformation, including the respective roles of the corporate centre and departments.

The council has shown its capability to deliver good financial outcomes. These attributes will be important for the council's ambitious work to significantly reduce demand growth in the borough. The council also has a record of achievement in commissioning and contract managing external services. This provides LBHF with a strong foundation as it seeks to make further financial savings and service improvements, including in adult social care.

The council's leadership and effective working with public and private sector partners, including on economic growth, has important learning for the wider sector. 'Upstream London' is an exemplar of strong political leadership, and a proactive approach, which has significantly benefited the borough and its residents.

## 2. Key recommendations

There are a number of observations and suggestions within the main section of the report. The following are the peer team's key recommendations to the council:

- 2.1. **Recommendation 1:** Articulate the council's overall approach and strategy for transformation, including its scope and scale, as well as the respective roles of the corporate centre and departments
- 2.2. **Recommendation 2:** Identify the capacity and capability needed to support the council's transformation agenda, including whether there should be a dedicated officer and member lead
- 2.3. **Recommendation 3:** Extend the MTFS scenario planning analysis to include optimistic and pessimistic forecasts of future demand pressures
- 2.4. **Recommendation 4:** Progress work to appoint an independent member to the Audit Committee
- 2.5. **Recommendation 5:** Enhance the council's scrutiny and audit functions with regular training and support to members
- 2.6. **Recommendation 6:** Consider the shared service arrangements for assurance, treasury and pension functions to ensure they are embedded and meet the needs of the organisation
- 2.7. **Recommendation 7:** Share the learning with the sector from the council's leading-edge work on economic growth 'Upstream London'

## 3. Summary of the peer challenge approach

### 3.1. The peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected the focus of the peer challenge and peers were selected on the basis of their relevant expertise. The peers were:

- Councillor Nazia Rehman, Labour Member Peer and Portfolio Holder for Finance, Resources and Transformation at Wigan Council
- Councillor Jason Cummings, Conservative Member Peer and Cabinet Member for Finance at London Borough of Croydon
- Paul Thorogood, Chief Executive at London Borough of Bexley and former Section 151 Officer
- Leanne McKnight, Director of Finance Improvement at Liverpool City Council
- Daniel Omisore, Director of Finance at London Borough of Camden
- Kevin Kewin, LGA Peer Challenge Manager
- Olivia Saunders, LGA Impact Graduate

### 3.2. Scope and focus

The peer team considered the following five themes which form the core components of all Finance Peer Challenges. These areas are critical to councils' performance and improvement.

1. **Financial leadership:** Does the authority have plans for its long-term financial sustainability, which are owned by its members and officer leaders?
2. **Financial strategy, planning & forecasting:** Does the authority understand its short and long term financial prospects?
3. **Decision-making:** Are key decisions taken in the understanding of the financial implications, risks and options? Are Audit and Scrutiny effective?
4. **Financial outcomes:** Are financial results (including those of the council's investments and transformation projects) monitored and acted upon to realise

the authority's intentions? Are financial controls robust?

5. **Partnership & innovation:** Is finance at the cutting edge of what the authority is working to achieve, working with partners and seeking innovative approaches?

In addition to these questions, the council asked the peer team to provide feedback on its approach to transformation and commissioning decisions.

### 3.3. The peer challenge process

Peer challenges are improvement focused; it is important to stress that this was not an inspection. The process is not designed to provide an in-depth or technical assessment of plans and proposals. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read.

The peer team prepared by reviewing a range of documents and information in order to ensure they were familiar with the council and the challenges it is facing. The team then spent three days onsite at LBHF, during which they:

- Gathered information and views from more than 40 meetings and visits, in addition to further research and reading.
- Spoke to more than 70 people including a range of council staff together with members and external stakeholders.

This report provides a summary of the peer team's findings. In presenting feedback, they have done so as fellow local government officers and members.

## 4. Feedback


### 4.1. Financial Leadership

The council has a strong financial track-record, including in delivering against its savings targets. Its balanced budget for 2025/26 preserves in-year contingencies, maintains General Fund reserves and enables more than £12m of additional investment in services. The council's financial leadership has directly supported funding of political priorities. LBHF is the only council in England to provide free homecare and has the third lowest level of council tax. The council's additional investment in priority areas for 2025/26 includes £3.4m on community safety initiatives.

The organisation benefits from very capable members and officers with a strong focus on value for money. The Cabinet Member for Finance and Reform demonstrated a detailed knowledge of, and strong interest in, financial issues across the council. The Cabinet Members that the peer team spoke to showed a strong understanding both of their respective financial challenges and the council's corporate approach. It was clear that there is a high-level of political challenge of, and support for, financial management overseen by the council's leader.

'Being ruthlessly financially efficient' is one of the council's six core values. This focus on value for money was evident when speaking to both senior officers and budget managers. The peer team found good financial governance arrangements and there is a dedicated guidance note for staff on financial efficiency. Most importantly, management practice is underpinned by a culture that recognises the importance of value for money. This was evidenced across a range of services from the chief registrars' work on additional income generation through to a commercial arrangement to support a neighbouring borough with CCTV provision.

The finance function is well-led and services value its work; it also provides a high-level of 'corporate grip' on finance. The departmental heads of finance report to a well-regarded Assistant Director of Finance (and the Deputy S151). Budget managers and departmental leaders are both supported and challenged by their corporate colleagues. Positively, the council has avoided the need for over-reliance on interim finance staff: financial skills are valued and developed. As a result, the



council benefits from a stable team of finance professionals with strong organisational memory, including of previous decision making.

Strong financial leadership has supported the council to address some of its recent financial and service challenges. A clear example of this is its work, overseen directly by the Chief Executive, to turn around the council's Housing Revenue Account (HRA). LBHF's HRA has experienced significant overspends and poor performance, including in repairs and maintenance. The council's external auditor identified a significant weakness in the HRA's value for money arrangements for the financial year 2022/23. The council's work programme has significantly improved the performance of key metrics, including a reduction in the number of 'works in progress' cases over 12 weeks old from more than 4,000 cases in June 2023 to one in April 2025. The council is also confident that it has eliminated the HRA's structural deficit. The most recent external audit report (for 2023/24, issued in November 2024), recognises the progress made with an improved amber rating for both financial sustainability and economy, efficiency, effectiveness). Tenant satisfaction indicators also show a marked improvement.

The council is moving towards a much more challenging financial environment. The Medium-Term Financial Strategy (MTFS) shows a projected budget gap of £43.9 million by 2028/29. In comparison, the council's annual General Fund savings requirements in 2024/25 and 2025/26 are £5.4m and £5.1m respectively. The organisation's leadership recognises that the future budget challenge requires a different response, with transformation featuring more significantly in future years. The council accepts that this transformation will need to be backed by enhanced capacity and capability.

It is also acknowledged that budget decisions may become more difficult. To date, the council – unlike many other local authorities – has largely been able to avoid the closure of frontline and valued community services. As such, the council's approach to budget consultation has focused primarily on statutory budget consultation requirements, including with local businesses, rather than resident engagement. Going forward, as budget decisions become more difficult, the council may need to engage with residents more actively about financial priorities and visible service changes. This is likely to require more community conversations and engagement

focused on the budget than there has been to date.

#### **4.2. Financial strategy, planning & forecasting**

Financial plans are developed in the context of a clear corporate strategy ('the H&F Plan') and wider vision for economic growth in the borough ('Upstream London'). The council has worked to develop its Medium-Term Financial Strategy over recent years, with a more multi-year approach, including detailed analysis of the projected General Fund budget gap. The development of the 2026/27 MTFS is already underway and the council is addressing its financial challenge in the context of its strategic and policy goals.

The peer team consider the planned corporate plan refresh as an opportunity to explore extending the duration of the council's service and financial planning framework – including the H&F Plan and MTFS – from three years to four. This would also align with the council's current 4-year capital programme. Notwithstanding the inherent financial uncertainty of later years, a moderate extension of the council's MTFS planning horizon, as the financial challenge increases, would potentially enhance an already strong financial framework.

The peer team reviewed the council's budget for demand and demographic growth and noted significantly reduced provision in 2027/28 and 2028/29. The council has made provision for £11.8m of growth in 2026/27, followed by a further increase of just £0.5m in each of the next two years. This is a conscious council decision informed by planned service and transformation work. These are ambitious targets to achieve and progress will need to be closely monitored with risks managed.

Positively, the council undertakes budget scenario sensitivity planning to inform its forecasting. However, this planning currently excludes explicit assessment of demographic and demand growth. Given the decision to reduce demand provision in later years, and its potential significance to the council's financial performance, the peer team recommends that the council extends the MTFS scenario planning analysis to include optimistic and pessimistic forecasts of future demographic and demand pressures.

The council recognises the need to step up its approach to transformation to meet its

future financial and service needs. There is progress to date within departments and an emerging corporate transformation programme focussed on workforce, property, digitalisation and commercialisation.

The peer team found some differing perceptions of the council's transformation approach and activity across the organisation. This includes different understandings of what is in scope of the corporate transformation programme and what will be left to departments to lead. There were also different perceptions of the scope of corporate programmes. For example, the workforce programme (sometimes referred to as the people programme) was considered by some to be focused on council workforce issues and others about adult and children's services. While there is a board governance for each of these programmes, there is not a published document which clearly sets out their purpose, scope and remit.

There are potential opportunities for a more corporate approach to transformation in some areas. For example, the peer team heard from service leads about their individual plans to optimise the customer experience for their respective services (e.g. how a resident uses the website). A more coordinated model to improving the customer journey would have benefits both in terms of providing better value for money and delivering better outcomes for residents. There is value from the council articulating its overall approach to transformation, including its scope and scale, as well as the respective roles of the corporate centre and departments.

The council's transformation work will take time to deliver both improved outcomes and savings. It will require enhanced capacity and capability to support the organisational change needed. While the council has a corporate PMO function, there is not a dedicated corporate transformation function with programme manager or business analysis support. There is potential merit in a dedicated senior officer lead to drive the council's transformation activity, and oversee the council's overall resourcing requirements, particularly as the council scales up its approach. This could be a hub and spoke model, providing central capacity that can drive transformation and be drawn upon across services.

### 4.3. Decision making

The council has appropriate governance arrangements for financial and commercial decision making. The council's S151 officer is a well-respected member of the council's Strategic Leadership Team (SLT) and chairs a monthly Finance SLT that oversees financial performance, budget planning and major programmes. The council has put in place a board structure to address major initiatives, including where there is financial or commercial risk, such as the civic campus programme and for Hammersmith Bridge. Regeneration schemes are assessed and scrutinised through the Development Board, while an established Commercial Board evaluates commercial opportunities. The council is establishing a housing company – individual projects will be based on business cases – and is actively engaging with other authorities to learn from their experience.

There is regular financial reporting, including for both revenue and capital, to Cabinet members four times a year. Reporting is timely enough for action to be agreed and taken, including at officer level.

The council has extensive Overview and Scrutiny arrangements with six service-based Policy and Accountability Committees (PACs) overseen by a Policy Oversight Board (POB). These structures support budget scrutiny with each PAC undertaking relevant thematic budget consideration prior to discussion at POB. The peer team noted, for example, the discussion at PACs considering growth proposals, savings options and their service implications.

There is potential to further strengthen scrutiny arrangements. First, peers noted that that, for each of the PAC discussions, the primary Executive lead was the Cabinet member for Finance and Reform. There is potential benefit from a more joint approach with the relevant lead member, given the shared collective responsibility. Second, the peer team heard views that members could be more actively supported in their budget scrutiny roles, including through dedicated training and ensuring there are formal recommendations to the Executive. Third, in light of the council's bigger financial challenges in future years, there may be value in exploring MTFS and budget scrutiny at more than one set point in the year (currently January / February). This would support members to look at the broader financial picture as well as in-year budget pressures and the delivery of agreed financial savings.

The council is working towards the appointment of an independent member for Audit Committee. This follows a recommendation from its external auditor in 2023. The peer team encourage the council to progress with this appointment. The council is currently benchmarking its approach, and the role's remuneration, with neighbouring boroughs. The peer team would also recommend an assessment of support needs for Audit Committee members, including to help drive its work programme. The peer team heard some views that regular training is not provided.

The council is using data well to inform service and financial decision making. The peer team heard about the council's approach to internal administrative data, such as the use of Power BI to support its work on homelessness. The council also actively seeks out external benchmarking to understand its comparative position. Significantly, there was a shared understanding of the comparative cost of services by finance and departmental colleagues.

The council's audit, treasury and pension functions are managed under a shared services arrangement. Overall, council performance in these areas is not a cause of concern. However, the peer team noted some instances where these services could be more embedded in the operations of the organisation. There is, for example, potential in reviewing the council's current risk register as well as its alignment with the council's internal audit plan. While the shared services agreement was not a strong focus of the peer team's work, there is value in considering the current working arrangements to ensure that they fully reflect and meet the council's needs.

The council considers its formal financial accounting as an essential part of its governance framework. The peer team was pleased to note that the council has secured unqualified opinions on its Statement of Accounts up to and including 2023/24.

#### **4.4. Financial outcomes**

Financial outcomes are good with balanced outturns and annual budgets protecting in-year contingencies and reserves. For example, the council's 2023/24 General Fund outturn was an underspend of £0.3m (less than 0.2% of the total net budget). The council was able to maintain general balances and reduce the level of external borrowing and outstanding debts owed. Earmarked reserves did however decrease

by £4.8m.

The organisation understands the direct link between financial performance and better outcomes for residents. A practical example of this is the council's work to maximise Section 106 and Community Infrastructure Levy benefits from development. This funding has been used to support local political priorities such as the civic campus programme and a significant law enforcement team. S106 revenue scheme and CIL reserves remain significant at £42.5m and £22.9m respectively.

The council has a good track-record of delivering savings set out within its annual budget. For example, all but £0.4m of its £5.4m 2023/24 general fund savings target was achieved with most services delivering their proposals.

The council is also generally achieving well against its income budgets, although there is a large projected shortfall in parking income for 2024/25 – £8m. The peer team noted a range of reasons given for this variance including at month 6 (successful behaviour change and the introduction of business visitor permits) and month 9 (fraud and delays in the rollout of the camera network programme). It is important that the council fully understands the relative importance of the distinct factors to inform income projections for future years.

As in other councils, demand led services are presenting significant budget pressures. In 2023/24, overspends included £1.9m on adult social care specialist support and independent living, £2.3m on children and young people's services, and £2.3m on housing solutions (including temporary accommodation). The council has managed these pressures well, including using budgeted central contingencies and unbudgeted income.

The projected outturns for 2024/25 available to the peer team presented a similar situation – at month 9, the council was projecting gross service budget pressures of £21.1m. Alongside the parking shortfall, there were overspends for some demand-led services. These pressures will largely – but not entirely – be offset by projected corporate underspends, use of central contingencies and unbudgeted income resulting in a net forecast pressure of £1.1m. There is potential for the council to explore these patterns in further detail, including, for example, whether there is an overprovision in the budget for the net cost of borrowing.

The council has strong treasury management. It has good liquidity levels and is achieving good average interest rates on external debt and cash balances – 3.7% and 5% respectively. The council also benefits from good prudential indicators and interest finance costs are a relatively small proportion of revenue spending. The CIPFA Resilience Index demonstrates that the council has comparatively good levels of both reserves to income (39%) and debt to income (59%).

Many of the council's major services are provided by external providers and LBHF has a strong track-record in both commissioning and contract management. The council has a documented sourcing strategy which recognises the importance of both financial efficiency and social value, and underpins commissioning decisions. A weekly Contracts Assurance Board – with senior, cross-organisational representation – provides governance and supports compliance for planned procurements. The council seeks to continually improve its approach and, over the last year, has been successful in decreasing the use of waivers and taken full ownership of its web-based procurement system. The council also uses external benchmarking to understand how its contracts compare.

The peer team found evidence that the council is actively managing contracts to support better service outcomes and optimise costs. This includes recent housing activity where the council worked closely with providers but also, where necessary, exited underperforming contractors, as well its recent collaborative improvements in children's services. The council should feel confident in its internal expertise to maintain and build on its approach, including in adult social care.

#### **4.5. Partnership & Innovation**

The council's leadership and effective working with public and private sector partners is impressive. The council first launched an innovation district with Imperial College London (ICL) in 2017, which helped to create a thriving cluster of Science, Technology, Engineering, Maths, Media and Medicine (STEM<sup>3</sup>) businesses in the borough. The council's ongoing partnership with ICL – Upstream London Nexus – demonstrates innovation. The council refers to its approach as 'entrepreneurial municipal government' – LBHF is creative in its use of its place-making levers, alongside its soft power, to drive local growth and share the benefits. To date, the



council reports £6 billion of growth investment, 13,200 new jobs created and more spin-out start-ups than anywhere in the UK.

It was clear to the peer team that 'Upstream London' reflects a strong and successful politically led approach. While many authorities will not have Hammersmith and Fulham's economic assets, the council's work provides considerable learning for the sector. The council developed a clear vision, has a proactive focus on growth sectors that are right for the area, partners effectively with anchor institutions, provides targeted business support and works to ensure growth is genuinely inclusive.

The council is keen to share its good practice and learn from others. It has established 'cooperative growth partnerships' with innovation districts internationally, and with Barnsley and Swindon in England. These partnerships aim to share learning on inclusive growth, support mutual business investment and provide learning opportunities for residents and employees.

More generally, it is evident that the council is a well-regarded and trusted partner, delivering strong place leadership. The relationship between adult social care and the Integrated Care Board, for example, has strengthened over the last 12 months and is significant for further transformation. The peer team also noted that the council's engagement of schools and housing tenants on the development of relevant budget proposals was appreciated. This provides a firm foundation for wider future engagement on the council's budget and MTFS.

A final example of innovative partnerships is the council's current work with Aston University to assess the full impacts (including financial) of its free home care policy. The council's home care approach is unique in England and there is value in a clear evidence base. This is an important piece of research work, which can help shape the council's future decision making and will be of wider national interest.



## 5. Next steps

It is recognised that senior political and managerial leadership will want to consider, discuss and reflect on these findings.

Both the peer team and LGA are keen to build on the relationships formed through the peer challenge and further support can be discussed.

In the meantime, Kate Herbert ([kate.herbert@local.gov.uk](mailto:kate.herbert@local.gov.uk)), Principal Adviser for London, is the main contact between your authority and the Local Government Association. Kate is available to discuss any further support the council requires.