



# London Borough of Hammersmith and Fulham Council

Auditor's Annual Report  
Year ending 31 March 2025

October 2025



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 01 Introduction and context

# Introduction

This report brings together a summary of all the work we have undertaken for London Borough of Hammersmith and Fulham Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

## Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

## Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

## Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

# Local government – context

Local government has remained under significant pressure in 2024/25

## National

### Past



#### Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



#### Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

## Local

The Council is a unitary council with a population of 188,687 residents. The Council operates under an Executive/Leader decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council’s formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet). Full Council and Cabinet are supported by the Policy and Oversight Board, as the Council’s Scrutiny Function. The Council has 50 councillors, and the Council is elected every four years. The most recent elections were in May 2022 when Labour secured a majority, Labour Councillors currently account for 37 of the elected councillors.

**It is within this context that we set out our commentary on the Council’s value for money arrangements in 2024/25.**

### Present



#### Financial Sustainability

Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.



#### External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

### Future



#### Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.



#### Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

# 02 Executive Summary

# Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council’s arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	<b>A</b> No significant weakness in arrangements identified and one improvement recommendation raised.	No risks of significant weakness identified.	<b>G</b> No significant weakness in arrangements identified and no improvement recommendations raised, excluding those related to the HRA (below).
Financial sustainability - HRA	<b>A</b> Significant weakness in arrangements identified in 2022/23 relation to sustainability of the HRA, improvement in 2023/24 acknowledged	Prior year weakness carried forwards as a risk of weakness for which arrangements will be assessed.	<b>A</b> No significant weakness in arrangements identified, sufficient progress made in relation to prior year key recommendation, this has been replaced with an improvement recommendation.
Governance	<b>A</b> No significant weakness in arrangements identified and two improvement recommendations raised.	No risks of significant weakness identified.	<b>A</b> No significant weakness in arrangements identified and one improvement recommendation raised.
Improving economy, efficiency and effectiveness	<b>G</b> No significant weakness in arrangements identified, no new improvement recommendations raised.	No risks of significant weakness identified.	<b>A</b> No significant weakness in arrangements identified and one improvement recommendation raised in 2022/23 remains unaddressed.
Improving economy, efficiency and effectiveness - HRA	<b>A</b> Significant weakness in arrangements identified in 2022/23 relation to quality of the Housing Service, improvement in 2023/24 acknowledged	Prior year weakness carried forwards as a risk of weakness for which arrangements will be assessed.	<b>A</b> No significant weakness in arrangements identified, sufficient progress made in relation to prior year key recommendation, this has been downgraded to an improvement recommendation, acknowledging further progress required.

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendation(s) made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

# Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



## Financial sustainability

The Council continue to achieve positive financial results, with a revenue outturn for 2024/25 of an underspend of £0.4m, which has been added to reserves. It achieved 76% of its savings target to contribute to this position. A balanced 2025/26 position has been achieved through a balance of investment in services of £12.3m and efficiencies through savings of £5.1m. The medium-term outlook is a cumulative deficit of £43.9m between 2026/27 and 2028/29, with £30.7m of this expected in 2026/27. Council has sufficient reserves to support the position, temporarily, while additional efficiencies are identified, in addition to the identified savings within the position.

The Council made an in year Dedicated Schools Grant (DSG) deficit, which increased the cumulative deficit to £2.66m. However, the Council has a reserve of £14.5m set aside to support the position.

In the prior year, we recognised a weakness in arrangements related to the Housing Revenue Account (HRA) financial sustainability. The Council has taken sufficient actions to improve the position and respond to our recommendations. Although the weakness has been addressed, we have recognised ongoing improvement opportunities.

Cash balances have reduced by £115m, to £44.6m in 2024/25 and the Council has used balances to fund the capital programme and limit reliance on external borrowing, reducing the future revenue impact of interest payments. However this has impacted the Council's liquidity position, which will need to be replenished to build resilience for the future.

The Council's budget continues to demonstrate strong alignment with Council priorities and strategies related to capital, workforce and climate change.



## Governance

The Council has updated risk management arrangements which have substantially addressed our prior year recommendations. Notably, the Risk Management Strategy has been updated in March 2025, covering the period 2025-2028.

The Council continue to be well supported by their Internal Audit Function who set a flexible, risk-based Audit Plan, of which 88% was completed in year. The Head of Internal Audit Opinion is positive and reflects that 91% of reviews received positive assurances on the Council's control environment.

Budget setting, and monitoring, arrangements remain robust. The Council continually seeks to strengthen arrangements and has done so by introducing trend analysis within the budget setting report, specifically in relation to areas of financial pressure from increasing demand, as well as reviewing arrangements against the CIPFA Financial Management Code. We have identified an improvement opportunity in reporting mid-year treasury performance to Cabinet.

The Council has comprehensive arrangements for scrutiny, overseen by the Policy and Oversight Board. Our prior year improvement opportunities regarding the Audit Committee have been addressed.

Monitoring of contracts and procurement continues to be undertaken by Contracts Assurance Board, who meet weekly. Reporting confirms a significant reduction in waiver activity in 2024/25, of 70% compared to prior year. In 2025/26 the Council intends to improve oversight arrangements by presenting an assurance report, including a position on waivers, to Audit Committee annually, as this activity is current reviewed by the Senior Leadership Team (SLT).

# Executive Summary (continued)



## Improving economy, efficiency and effectiveness

Non-financial performance monitoring continues to be the responsibility of the Strategic Leadership Team (SLT), who oversee delivery of the Council's Corporate Plan objectives against 40 KPIs. The Council could continue to benefit from monitoring performance at Member level, in a public forum, to improve accountability and transparency, and therefore our recommendation from prior year in this area remains open. Overall, non-financial performance is adequate with 76% of KPIs on, or close to, target (green or amber-rated).

The Council performs well in external reviews. In July 2025, the Council received a report which set out findings from a Local Government Association (LGA) Finance Peer Challenge (FPC) conducted in April 2025, which was positive in its findings. Children's Services, received an overall rating of 'Outstanding' from Ofsted in May 2024, an improvement on the previous rating of 'Good'. The Care Quality Commission's (CQC) review of Adult Services in May 2025 rates services as 'Requires Improvement', the Council is taking recommendations forwards as part of a detailed action plan.

Our prior year report highlighted a weakness in arrangements in relation to the quality of the Council's Housing Service. The Council has implemented a series of governance arrangements and is on an upward trajectory towards achieving minimum standards within the service. We have therefore downgraded the existing Key Recommendation to an Improvement Recommendation to acknowledge progress to date, with the need to demonstrate improved outcomes being achieved consistently.

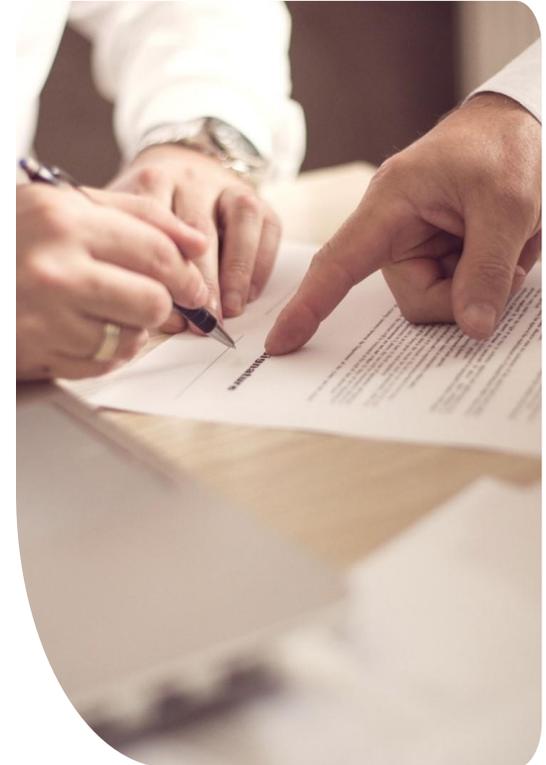
The Council continues its strong track record of stakeholder engagement, using co-production extensively across all departments, involving residents and staff from the outset in shaping services and decisions.

In November 2024 Members approved, in principle, establishing a housing company. Its purpose being to pursue property acquisitions to increase provision of affordable homes, bring complex and expensive HRA voids back into use and address the increased demand for Temporary Accommodation. Arrangements are in their infancy, with further progress to develop a full business case expected in 2025/26.

# Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Council’s financial statements and sets out whether we have used any of the other powers available to us as the Council’s auditors.

Auditor’s responsibility	2024/25 outcome
<p><b>Opinion on the Financial Statements</b></p>	<p>Our opinion of the financial statements is anticipated to be an unmodified opinion. The details of our work can be found in the Audit Findings report, which form part of our external audit papers for the Audit committee to consider and review.</p>
<p><b>Use of auditor’s powers</b></p>	<p>We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.</p> <p>We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.</p> <p>We received an objection to the accounts in the inspection period, this related to Pensions, we are presently reviewing this matter.</p>



# **03 Opinion on the financial statements and use of auditor's powers**

# Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

## Audit opinion on the financial statements

Our opinion of the financial statements is anticipated to be an unmodified opinion. The details of our work can be found in the Audit Findings report, which form part of our external audit papers for the Audit committee to consider and review.

## Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

## Findings from the audit of the financial statements- Audit Findings Report

The Council provided draft accounts in line with the national deadline of 30 June 2025.

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report can be found in our external audit papers pack which we are presenting at this committee. Requests for this Audit Findings Report should be directed to the Council.

# Opinion on the pension fund statements

These pages set out the key findings from our audit of the pension fund financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

## Audit opinion on the financial statements

The Pension Fund is required to publish its Annual Report by 1 December 2025. We issue an auditor's consistency report which includes our opinion that the 2024/25 Hammersmith and Fulham Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the audited administering authority's Financial Statements.

We expect to issue the consistency report at the same time as our opinion on the financial statements.

## Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Pension Fund as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

## Findings from the audit of the financial statements

The Pension Fund provided draft accounts in line with the national deadline.

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report can be found in our external audit papers pack which we are presenting at this committee. Requests for this Audit Findings Report should be directed to the Council.

# Other reporting requirements

## Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.



# **04 Value for Money commentary on arrangements**

# Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Council's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



## Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



## Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

# Financial sustainability – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

**General Fund** - The Council continue to achieve positive financial results, with a revenue outturn for 2024/25 of an underspend of £0.4m, which has been added to reserves.

The Council has set a balanced budget for 2025/26, it effectively balances investment in services of £12.3m, with driving efficiencies through savings of £5.1m. Key income expenditure assumptions are reasonable and based on the best available information at the time of setting the budget. Notably, the Council has increased council tax to the maximum allowable threshold of 4.99% (including Adult Social Care Precept) to generate an additional £4m per annum to fund services. The Council have acknowledged, having previously made lower increases, the need to increase to this level to build financial resilience. Despite the increase, Hammersmith & Fulham remains the third lowest in the country, aligning with the Council’s objectives.

The medium-term outlook is a cumulative deficit of £43.9m between 2026/27 and 2028/29, with £30.7m of this expected in 2026/27. As well as being due to the reversal of one-off funding within the 2025/26, other pressures leading to this position are commonplace within the sector - price and pay inflation and pressures in demand led services such as Temporary Accommodation and Social Care. The 2026/27 gap is approximately 20% of the net revenue budget, and is considered to be high, in this context. The Council does have sufficient reserves to support the position, as it expects to hold general fund and earmarked reserves balances of £91.9m by the end of 2027/28, before considering any budget gap. The Council has specific reserves set aside to fund financial pressures, to mitigate the risk of diverting reserves away from specific projects. It is not the Council’s intention to rely on reserves and has an action plan in place to explore alternative options through the budget setting process.

**Dedicated Schools Grant (DSG)** – At the end of 2024/25 the Council’s cumulative deficit position has increased by £0.285m, to £2.66m, as a result of Special Educational Needs and Disabilities (SEND) pressures within the High Needs Block. This position is in accordance with the Council’s Safety Valve Recovery Plan, agreed with the Department for Education (DfE), allowing an increase in 2024/25. The Council holds a reserve of £14.5m, to support the cumulative deficit, when the current statutory override ends in 2028. As this is higher than the current cumulative position the Council arrangements ensure resilience to future pressures in this area.

A

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

# Financial sustainability – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

<p>(continued)</p>	<p><b>Housing Revenue Account (HRA)</b> – In the prior year we identified a weakness in arrangements to achieve financial sustainability within the HRA, resulting in a multi-part Key Recommendation. Our work has identified that sufficient progress has been made towards the recommendations, however not all areas have been fully responded to. As such, we acknowledge the remaining improvements required, replacing the existing Key Recommendation with an Improvement Recommendation (IR1). Further details are included on page 21-22.</p> <p><b>Cash</b> – Cash balances have reduced by £115m, to £44.6m in 2024/25, the Council has used balances to fund the capital programme and limit reliance on external borrowing, reducing the future revenue impact of interest payments. The Council will therefore need to focus on building resilience, and liquidity, into the cash position and we have raised an Improvement Recommendation (IR2) to this effect, see page 23.</p>	
<p>plans to bridge its funding gaps and identify achievable savings</p>	<p>The Council have a strong track record of saving delivery having achieved 95% of their target in 2022/23 and 92% in 2023/24. For 2024/25, the budget required savings of £8.1m, the Council has delivered £6.15m (76%). Although this is a deterioration on prior years performance, and the forecast earlier in the year, the Council has still achieved an overall underspent outturn position. The schemes that have under-delivered are multi-year projects and, therefore, will continue to progressed and monitored to seek to achieve the benefits in full, albeit on a revised timeline.</p> <p>The Council has set a savings target of £5.1m for 2025/26, a realistic target based on historic performance. In most cases, these are recurrent in nature. Annual savings included in the MTFP are £6.2m per year. There are no unidentified savings within the budget for 2025/26. The MTFP does include a financial gap of £43.9m gap by 2028/29 and therefore there is further scope for future savings to be identified. The Council has a track record of closing the gap annually. The savings are evenly spread across Directorates and therefore the Council is not placing pressure on any individual service, identification and delivery is observed to a collaborative approach.</p>	

# Financial sustainability – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

<p>plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities</p>	<p>The Council's Corporate Plan was formally adopted in December 2023 and covers 2023 to 2026. It sets out the sets 6 values the Council seeks to achieve, to align with their vision for the organisation. There is a strong link between the Council’s budget and these values, to ensure that finances support the Council in meeting their objectives. The values are included within each budget, and budget monitoring, report along with how the contents of each adhere to the values. There is £12.3m of investment and growth observed within the 2025/26 budget, these predominantly relate to violence, adult social care, waste management, children’s services, homelessness, industrial strategy which closely align to the Council’s objectives to achieve compassion, working with residents and taking pride in the Borough. The MTFP is, equally, aligned to Council objectives, evidenced through its focus on Corporate Transformation Programmes in Property, Digitalisation, Commercialism and Workforce. Savings within the budget do not appear to hinder the Council’s ability to achieve its objectives, with a focus on commercialisation and income generation within the savings programme, as opposed to a reduction in services. There is £0.1m of service reconfiguration planned, however in the context of the Council’s budget and savings plans this relatively small.</p> <p>The Council acknowledge the need to assess their discretionary spend, given their financial challenge in the medium term, and will be undertaking a comprehensive review of this as part of its 2026/27 MTFP process. This will follow the usual sequence of Officer review ahead of scrutiny by Members.</p>	<p>G</p>
<p>ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system</p>	<p>Workforce forms part of the strategic objectives of the Council Corporate Plan. At the end of 2024/25 the Council’s Draft People Plan (2025-2030) was pending approval, consultation and implementation. This will translate strategic workforce objectives into operational staffing plans, and ultimately determine the budgetary impact of these. Despite this plan being in progress the Council continues to prioritise workforce needs within its 2025/26 budget, focussing on growth, including investment in Children’s and Adult Social Care Teams and minimal savings from staffing/productivity reductions (£0.1m)</p> <p>The council has approved a Climate and Ecology Strategy and Action Plan to deliver its target of net zero greenhouse gas emissions in the Borough by 2030. It has been shaped by the work of the resident-led Climate and Ecological Emergency Commission, who worked closely with the Council’s Climate Unit and was devised by ten cross-departmental officer working groups.</p>	<p>G</p>

# Financial sustainability – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

<p>(continued)</p>	<p>This has resulted in £106.5m being set aside for net zero works, with a further £91m earmarked for other works that will support this agenda, within the 12-year Housing Asset Management Capital Strategy. There is also climate related investment within the Capital Programme across travel infrastructure, parks and the Council buildings estate.</p> <p>The Council is investing £724.1m over the next four financial years to develop and enhance its assets (£225.6m for General Fund Programme and £498.5m for Council Housing). The capital programme is fully financed, 59% is to be financed by external borrowing. 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 in 2025/26, factored into the balanced budget. Medium-term estimates for the cost of borrowing reflect already approved schemes, therefore the current MTFP position could be impacted by additional costs of borrowing as new capital projects are approved. The Council is seeking to minimise any negative impact through two key work streams - Improving Debt Management and Property Rationalisation. Council analysis confirms that debt repayment represents less than 5% of the general fund net revenue budget (15% for the HRA), and is expected to reduce as major projects complete. Whilst significant, the level of external borrowing falls within the operational and boundary limits set out in the Treasury Management Strategy and complies with CIPFA guidance.</p> <p>Capital Programme performance is monitored quarterly by Cabinet, with support from the Council’s Development Board and S106/CIL Board, which meet bi-monthly, and the Corporate Capital Board, chaired by the Assistant Director of Finance, which meets quarterly to ensure the delivery of programmes.</p>	<p></p>
<p>identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans</p>	<p>The Council effectively identifies financial risks within its budget setting process, and presents these to Members for discussion. Detail sets out risks by department, including specific description and supporting mitigations for each, therefore appropriately informing Members of the challenges that the Council could face in the coming year. A corporate contingency of £9m is held in each year of the MTFP (including 2025/26), to assist in mitigating these risks should they emerge. Key risks we may expect to be considered for a Council of Hammersmith and Fulham’ nature include social care demand (both adults and children), SEND demand, homelessness and temporary accommodation demand, climate change and net zero costs, inflation above expectations. The Council has effectively considered each of these, as well as specific departmental and service risks.</p>	<p>G</p>

# Financial sustainability

## Area for Improvement identified: HRA Sustainability

Areas covered by prior year recommendation:

1. Operating surpluses and building up reserve balances.
2. Target level of minimum HRA general reserve balances
3. HRA income should cover cost increases
4. Financial business including scenario planning, extensive sensitivity analysis and stress testing
5. Comprehensive exercise to improve the quality of stock condition survey data, supported by appropriate technology.

Findings in 2024/25:

1. At the end of 2024/25 the Council made a surplus on the HRA of £0.5m. This has allowed the Council to strengthen their HRA general reserves position to £5.8m. The Council also has HRA associated Earmarked Reserves of £10.5m. Current plans maintain reserves until 2028/29, after which point the Council will seek to add to them. The 10-year HRA Financial Plan seeks to achieve this via gradual and modest increases in rental and other income, whilst also acknowledging gradual increases in all lines of expenditure. Assumptions have been reviewed and are reasonable based on currently available information, and analysis undertaken. As a means of protecting reserves, the Council has included a contingency of £1.1m in the 2025/26 HRA budget, to be called upon before use of reserves for financial pressures. This has reduced by £2.3m from 2024/25, a measure to help to achieve a balanced HRA position. The reduction in contingencies may be considered over optimistic, given that these were used in full in 2024/25. Therefore, although we believe this element of the prior year recommendation to be addressed, we believe improvement is required in relation to contingency assumptions and include this in our Improvement Recommendation.
2. The Council has set a minimum target of £5m for the HRA general reserve, the 2024/25 outturn has slightly exceeded this, at £5.8m, with medium term plans set to maintain this level. Minimum balances will be supplemented in future years as the financial operating environment allows. This element of the recommendation has been achieved.
3. The Council has developed a 10-year HRA Financial Plan which assumes maximised rental income in line with Government policy. At the same time, it is increasing housing supply, modestly, with 831 homes over the period. The Council prudently assumes 1% voids and 1% arrears each year, this is in line with 2024/25 and so is deemed reasonable. Plans have been balanced with savings and efficiencies, avoiding any draw on reserves in 2025/26 and beyond. Savings plans are already agreed and in place for £4.0m with the remaining £1.3m (25%) being finalised in early 2025/26. This element of our recommendation has been progressed, but yet to complete and is reflected in our Improvement Recommendation.
4. The HRA 10-year Financial Plan a range of indicators, including those to monitor key affordability and financial. Additional sensitivity analysis is undertaken including stress testing and this will be incorporated in future reports to Cabinet. Therefore, this element of the recommendation remains in progress, we acknowledge the progress and downgrade the stress testing and scenario planning element to an Improvement Recommendation.
5. The Council set a target of 100% stock condition completion by the end of 2026. All of the stock condition surveys for leaseholders have been completed, with 74% of tenanted and leaseholder stock having received a condition survey in the past 3 years and 2211 homes targeted for 2025 and 2026 respectively, to meet the target. Phase 3 of the programme launched in April 2025 and is progressing, following a change in methodology and data collection software. SLT Improvement Board receive regular reporting on metrics to understand performance of the number o surveys completed, future forecasts, decent home standard performance data, EPC data and other relevant metrics, as well as recruitment to the in-house team to improve skills in data collection and reporting. This element of the recommendation has been achieved.

# Financial sustainability

## Improvement Recommendation 1

**IR1:** The Council should:

1. Review its assumptions on contingencies included within the HRA budget and 10-year Financial Plan for reasonableness and optimism, considering historic performance and analysis of future financial pressures.
2. Prioritise identifying the savings included in the 2025/26 budget, and 10-year Plan, in full, which are vital in achieving and maintaining a sustainable financial position within the HRA.
3. Ensure the results of scenario planning, sensitivity analysis and stress testing undertaken to achieve the 2025/26 budget and 10-year Plan are presented to Members for consideration in their decision making as part of the budget setting process

# Financial sustainability (

## Area for Improvement identified: Building resilience into cash position

**Key Finding:** Cash balances have reduced by £115m, to £44.6m in 2024/25, the Council has used balances to fund the capital programme and limit reliance on external borrowing, reducing the future revenue impact of interest payments

**Evidence:** Using the accounts we can use to assess liquidity, these are cash, cash equivalents, bank overdrafts and short term investments. At the end of 2024/25 the Council has £44.6m of cash, cash equivalents, bank overdrafts and short term investments. This compares to 20% of current liabilities, therefore there is not a sufficient ratio of cash to cover current liabilities should they fall due. When considering all current assets, not just cash, the liquidity ratio improves to 50% coverage. However, this remains a challenging position. In comparison for 2024/25 the liquidity ratio was 0.96 and therefore significantly stronger, with almost the same amount of current liabilities and assets.

**Impact:** In reality it is unlikely all current liabilities would fall due simultaneously, due to different payment dates associated with individual creditors (which accounts for the majority of the current liability balance). However, the Council may want to seek ways to improve its liquidity position to fully adhere to its treasury strategy, which places this objective at the forefront of its decision making. This would also strengthen the balance sheet and contribute to financial resilience. It is a fine, and challenging, balance to achieve sufficient liquidity whilst also reducing the revenue impact of borrowing.

## Improvement Recommendation 2

**IR2:** The Council should explore ways it can replenish cash balances to build resilience in the position, strengthen the balance sheet and improve its liquidity position, whilst also balancing the need to manage borrowing to support the Capital Programme.

# Financial sustainability

## Grant Thornton insight

### Strengthening Outturn Reporting

Within the year-end outturn report, the Council clearly articulates the reasons for all variances, with a focus on those variances which are negative compared to budget. These are reported at individual service level within departments, to aid with transparency and accountability. However, the most effective outturn reporting we see, also includes information on the actions to be taken, with a target date and assigned to a responsible owner, to address areas of below target performance. We have not observed this detail being included within the reporting at the Council and is an area to consider to provide additional transparency and accountability, and support improved financial performance through targeted response.

## Grant Thornton insight

### Post Implementation Reviews

The Council has informal mechanisms in place to learn lessons from previous savings schemes which have effectively delivered, and apply learning to the future programme. Review of savings which have not, or have only partially, delivered is undertaken in-year. This includes consideration of the likelihood of a scheme delivering in full, or partially in later years, should milestones be amended. However, these reviews are not formally documented or shared with individuals teams, or Members. In general, we observe, that where a formal programme of post implementation reviews take place, probability of successful savings scheme delivery is increased.

## Grant Thornton insight

### Extending Reserves Strategy

The Council's Reserve Strategy currently forecasts reserves balances to 2027/28, whereas the Medium Term Financial Plan (MTFP) spans from 2026/27 to 2028/29. Members would benefit from the MTFP and Reserves Strategy being planned on the same basis and time horizon, in order to assist Members in making well informed decisions and be able to confidently determine whether the reserves position is a finally sustainable one, based on the Council's medium term plans.

## Grant Thornton insight

### Budget Risk Quantification

The Council effectively identifies risk that may emerge within the year, within its budget documentation. Notable practice we observe within the sector seeks to quantify these risks. The Council set aside a corporate contingency within their annual budget, which can be called upon to manage risks as part of their budget reduction programme, or to address unforeseen budget pressures emerging in year. The budgeted level of contingency for 2025/26 and across the remainder of the MTFS is £9m. Quantifying risks within the documentation, for transparency, would inform Members of the sufficiency of this level of contingency. Council Officers have undertaken benchmarking to assure themselves of this.

# Governance – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Risk management is an area we identified opportunities for improvement, as part of our 2022/23 work, continuing in 2023/24, full details are included on page 47. The Council has updated arrangements which have substantially addressed our recommendations. Notably, the Risk Management Strategy has been updated in March 2025, covering the period 2025–2028. This clearly sets the framework by which the Council identifies, understand, records and monitors risk, with roles and responsibilities throughout the organisation. A Risk Management Toolkit has also been developed, to complement the Strategy, to aid Officers in its implementation. This is supported by training sessions and e-learning materials. During the year, presentation of the risk register has been limited to March 2024 and March 2025, to Audit Committee, with no updates to Cabinet. This has been due to the refresh of the Strategy. In year updates to the Committee have made it clear no changes to risks, or their scores, were made in the intervening period, effectively updating Members, but providing little opportunity for discussion. This is expected to be rectified in 2025/26, however Senior Leadership Team, have continued to monitor and discuss risks monthly at their SLT Assurance Board. Now that the new framework is in place the Council intend to progress the remaining opportunities for improvement, as highlighted by our ‘insight’ on page 26.

The Council continue to be well supported by their Internal Audit Function who set a flexible, risk-based Audit Plan, for the first 3-months of year, working with Members and Officers to update and adapt the plan to emerging circumstances over the year. This resulted in a planned 26 pieces of work for the 2024/25 year, of which 88% (23) were completed at year-end, with two in draft and one undergoing additional testing to complete the full plan. The Council performs well with regards to its internal control environment, with 91% of audits receiving positive assurances, and overall positive opinion from the Head of Internal Audit for the year. At the end of 2024/25, the Council has progressed the majority of its recommendations from Internal Audit, however 13 medium-priority recommendations remained outstanding, each with a status update and revised implementation date. While there is some delay in actioning these recommendations, there is an effective process in place to monitor and these follow up.

The Council ensures that it keeps its policies in relation to fraud and corruption updated, the latest policies coming into effect at the start of the year. The Council effectively monitors, and reports, fraud activity in line with its policies, via the Audit Committee bi-annually. Between 1 April 2024 and 31 March 2025, the Council processed 92 new referrals, concluded 441 investigations. This resulted in 112 positive outcomes with a notional value of over £780,000.

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# Governance – commentary on arrangements

 Grant Thornton insight

## Strengthening Risk Management Arrangements

Our work has highlighted that Risk Management arrangements are updated and improved on an iterative basis, and will continue to be progressed in 2025/26. Areas that we believe could further strengthen arrangements, many of which the Council intends to, or is already progressing, are:

- Enhancing the reporting template of the Corporate Risk Register to include details of current and proposed actions related to each risk, enabling assessment of the effectiveness of actions in mitigating the risks
- Oversight, by Cabinet Members, at least annually of the Corporate Risk Register to ensure decision makers are aware of the Strategic Risks to inform their decision making.

We considered how the Council:	Commentary on arrangements	Rating
<p>approaches and carries out its annual budget setting process</p>	<p>The budget setting process is consistent with prior year, using the roll-forward approach and adjusting the 2024/25 baseline budget for known pressures, service investments and changes in assumptions. The budget process continues to be co-ordinated by Finance Officers, in collaboration with individual Service Leads. Senior Leadership Team (SLT) and Cabinet Members have reviewed and challenged all budget proposals and the Oversight Board and relevant Policy and Accountability Committees have scrutinised the budget, prior to final approval by Full Council. The process remains comprehensive and includes adequate time for consultation.</p> <p>The Council has introduced trend analysis within the budget setting report, specifically in relation to areas of financial pressure from increasing demand (social care, education and temporary accommodation). An area of notable practice is the Council’s self assessment of performance of its budget setting arrangements against the CIPFA Financial Management Code. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. Of the 7 criteria, the Council assessed its 2025/26 budget to achieve 5 Green Rated and 2 Amber Rated criteria, a high level of compliance overall.</p>	<p>G</p>

# Governance – commentary on arrangements

**We considered how the Council:**

**Commentary on arrangements**

**Rating**

<p>ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships</p>	<p>Cabinet have received quarterly budget monitoring reports in September 2024, December 2024 and April 2025, with the outturn report being received in September 2025. Although Cabinet receive quarterly monitoring sufficiently regularly, with variances and actions to respond well explained, and within an appropriate timeframe, the outturn report is received 6 months after the year end. We have provided our insight into this on page 30. However, supplementary arrangements to review financial performance via different internal forums support the Council in ensuring effective oversight of the in-year and year-end position.</p> <p>The Council’s Treasury Management Strategy Council and Cabinet responsibilities for monitoring the treasury position via a mid-year and annual report. In addition, the Audit Committee is responsible for ensuring effective scrutiny of the Treasury Strategy and associated policies. Both Audit Committee and Cabinet have received the Treasury Management Annual Report in September each year. However, only the Audit Committee have received the mid-year report. To ensure compliance with its own reporting requirements, we have raised an Improvement Recommendation (IR3).</p>	<p><b>A</b></p>
<p>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</p>	<p>Cabinet decisions are supported by sufficiently detailed papers to support sufficient challenge and debate of key issues. Cabinet are supported in their decision making by a series of arrangements including Member briefings, recommendations passed from weekly SLT meetings, individual Cabinet Member Portfolio Boards and Political Cabinet meetings. Each ensure that a comprehensive level of challenge takes place prior to a decision reaching Cabinet, ensuring that issues are fully understood before approval. Furthermore, the Policy and Oversight Board acts as the Council’s Overview and Scrutiny function. In 2024/25 this was delivered through eight Policy and Accountability Committees (PACs), covering all major service areas, meeting once a quarter. Effective scrutiny should consider a range of views. This is achieved via the membership of the Policy and Oversight Board, which includes the Chairs of each of the PACs, an Opposition Member, five elected non-executive Members, reflecting the proportionality of the Council’s political structure. Committees are also able to co-opt Members with particular expertise as required, to assist in their work.</p> <p>We identified opportunities for improvement in 2023/24, in relation to the Council’s Audit Committee arrangements, full details are on page 48. The Council has effectively progressed the recommendation and it is considered addressed.</p>	<p><b>G</b></p>

# Governance – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour

The Council has a well-established Corporate Procurement Team. The Contracts Assurance Board meets weekly to ensure governance compliance, consider new future procurement legislation, discuss the major medium-term procurements that are in progress and to update policies. In addition, Commissioning, Transformation and Partnership functions have been brought together under a newly created Director post to provide additional resource in this area and a central point of oversight for contracts and procurement activity, aimed at ensuring compliance with the Council’s Contract Standing Orders and the Procurement Act, which came into effect 28 February 2025.

The Council has seen a significant reduction in waiver activity in 2024/25, of 70% compared to prior year. Trends in this area are managed and monitored by the Procurement and Commercial team and reported to Finance and Corporate Services Performance Board monthly, as well as oversight from the Contract Assurance Board. SLT receive an update on waiver performance each year, and in 2025/26 the Council intends to improve oversight arrangements by presenting an assurance report, including a position on waivers, to Audit Committee annually. The first report is anticipated to be presented at the December 2025 Audit Committee. The reduction has been attributed to procurement leads and specialists working more closely with service areas and a more disciplined approach to implementing procurement governance arrangements.

We have also considered the Council’s performance in relation to breaches of legislation, data security breaches and standards or Member and Officer behaviour. These are all transparently reported in the Council’s Annual Governance Statement, which notes that the Council has been compliant with all relevant legislation and regulatory requirements in 2024/25, including the General Data Protection Regulation (GDPR) and the Data Protection Act 2018.

G

# Governance

## Area for Improvement identified: identifying and delivering recurrent savings

**Key Finding:** Appendix B of the Council's Treasury Management Strategy Statement states that Cabinet will receive both a mid-year and annual outturn report on Treasury Management. Cabinet have received the outturn report in September each year, however the mid-year report has only been received by the Audit Committee.

**Evidence:** The 2023/24 outturn report went to Cabinet 9 September 2024, prior to Audit Committee in November 2024. The Mid-Year Report went to Audit Committee 9 December 2024, however we have not identified this being taken to Cabinet. The 2024/25 outturn report is expected to be taken to the 15 September Cabinet. Officers confirmed going forward the mid-year review will additionally be submitted to Cabinet, following our enquiries. In addition, the 2023/24 outturn report was presented to the November Audit Committee, around 8 months after the year end, 6 months for Cabinet. Timeliness of the reporting could be improved.

**Impact:** Under current reporting arrangements the Council has not adhered to its strategy, although no specific treasury issues have been identified as a result of this. The Council intends to update its reporting arrangements in 2025/26 to ensure compliance. These are internal arrangements only, no non-compliance with laws and regulations has been observed.

## Improvement Recommendation 3

**IR3:** As intended, the Council should ensure it adheres to the reporting requirements set out in its Treasury Management Strategy. Specifically, ensuring that Cabinet and Audit Committee receive both a mid-year and year-end outturn report. In reviewing arrangements the Council may also wish to consider the effectiveness of its current arrangements in ensuring timely reporting of the position to these Committees.

# Grant Thornton insights – learning from others

The Council has the arrangements we would expect to see in respect of budget monitoring, but could challenge itself to go further, based on the best arrangements we see across the sector

## What the Council is already doing

- Cabinet have received months 2, 6, and 9 financial monitoring reports (revenue) in September 2024, December 2024 and April 2025. There is a 3-month lag between the period being reported upon, and the date the report is presented for quarterly reporting. However, outturn reporting to 31 March 2025, is received in September, 6 months after the year end.
- Political Cabinet receive the outturn report in July 2025.
- The Council has a number of Power BI dashboards which allow the Finance Teams and budget holders to access budget monitoring information in real time.

## What others do well

- We usually see a time-lag between the date of financial reporting being received by Cabinet Members, and the date to which it relates, being around 2-3 months. This ensures that actions to respond to any underperformance can be taken in a timely manner. The Council's current time-lag for the outturn report is much longer, although we have observed supplementary arrangements ensuring financial performance is reviewed before the relevant Cabinet meeting, as noted.

## The Council could consider

- Reviewing, with Members, whether current financial reporting arrangements are effective and fit for purpose, specifically regarding timeliness.

# Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

uses financial and performance information to assess performance to identify areas for improvement

The Strategic Leadership Team (SLT) are responsible for overseeing delivery of the Council’s Corporate Plan objectives, they monitor performance against a series of 40 KPIs reporting regularly via update reports, with information from the Council’s Corporate Indicator Dashboard. They are assisted in their role by individual departmental Performance Boards and the Policy and Programme Management Office. This non-financial performance monitoring is still not reviewed in a public, Member focussed forum, such as Cabinet meetings. This is an opportunity for improvement we have highlighted since our work in 2022/23 and therefore our prior year recommendation remains unaddressed (see page 49). The Council is considering formalising non-financial performance reporting to Policy and Oversight Board, as the Council’s Scrutiny function, in 2025/26, which would strengthen arrangements.

Overall, non-financial performance is adequate with 76% of KPIs on, or close to, target (green or amber-rated). SLT reporting includes detailed analysis and narrative for both red and amber-rated indicators, helping to identify areas for improvement and understand the reasons behind underperformance.

A formal Data Quality Policy (adopted in April 2024) and a supporting data quality framework sets the standards and guidelines for accuracy, completeness, timeliness, and consistency of the data that underpins performance reporting. The requirements of this policy is implemented via built-in data quality checks within the council’s performance software, review by Data Stewards, departmental managers, and the Business Intelligence Service, with Internal Audit providing independent checks as required.

To provide context to performance data services regularly benchmark costs and performance against similar bodies as part of business cases, investment plans, transformation and change activity and service strategy development. In addition, the Council has nominated several Members to engage with various Local Government Organisations to participate in discussions and contribute to policy development on issues affecting the sector as a whole, as well as the Council specifically.

A

# Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

evaluates the services it provides to assess performance and identify areas for improvement

In July 2025, the Council received a report which set out findings from a Local Government Association (LGA) Finance Peer Challenge (FPC) conducted in April 2025. Overall, the report identified the strong financial governance in the Council including effective political/officer leadership, being ambitious and financially well run, strong focus on vfm and ‘ruthless financial efficiency’, good record on commissioning/contracting and awareness of future financial challenges. A number of constructive, forward-looking recommendations were made aimed at achieving best practice, as opposed to indicating any weaknesses in arrangements. Key themes included capacity to deliver transformation agenda, enhancing financial scenario planning, strengthening scrutiny/audit functions through regular training and sharing best practice with the sector. The Council has already developed an action plan to progress the recommendations, reporting Policy and Oversight Board quarterly. At July 2025, all actions are green-rated and on track to deliver within their target delivery date.

External regulator reports also indicate high standards within relevant. The latest Ofsted Report from May 2024, relating to Children’s Services, received an overall rating of ‘Outstanding’, an improvement on the previous rating of ‘Good’. The Care Quality Commission’s (CQC) review of Adult Services in May 2025 rates services as ‘Requires Improvement’, however it notes several strengths within the report, alongside areas for improvement. A detailed action plan has been developed which seeks to action all recommendations made by the CQC, which will be monitored throughout 2025/26 to completion.

Our prior year report highlighted a weakness in arrangements in relation to the quality of the Council’s Housing Service. The Council has implemented a series of governance arrangements and is on an upward trajectory towards achieving minimum standards within the service. We have therefore downgraded the existing Key Recommendation to an Improvement Recommendation to acknowledge progress to date, with the need to demonstrate improved outcomes being achieved consistently.

A

# Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:

## Commentary on arrangements

Rating

<p>ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives</p>	<p>The Council uses co-production extensively across all departments, involving residents and staff from the outset in shaping services and decisions. The Council has used this approach to develop the Hammersmith and Fulham Plan, which set the Council’s vision and priorities between 2023-2026, and continues to use co-production to refine priorities and develop supporting policies to deliver objectives. Co-production is monitored by the Policy and Oversight Committee, and the Co-production Matters Group, which includes residents, community organisations, councillors, and staff. The Council uses tools including the resident insight and feedback form, to implement the approach, and operates several resident-led co-production groups, such as the Digital Accessibility Group and the Disabled People’s Housing Strategy Implementation Group, which directly influence service design in specific activities.</p> <p>The Council’s Upstream Strategy, supports the Council in adapting its planning rules to support innovation, regeneration, builds affordable homes and workspaces, and creates programmes like the Upstream Pathway Bond to help local people get jobs and training. The Council works with other innovation districts around the world to share ideas and attract investment through this Strategy. Oversight for the Upstream Strategy is provided by the officer Industrial Strategy Delivery Board (ISDS), monitoring reports highlight where projects are advancing, where delays have occurred, and where interventions may be needed, using clear RAG ratings and milestone tracking.</p>	<p>G</p>
<p>commissions or procures services, assessing whether it is realising the expected benefits</p>	<p>The Council has robust contract management arrangements, including weekly reviews by the Contract Assurance Board, oversight by the Strategic Leadership Team, quarterly supplier performance reporting, and annual reconciliation of supplier payments. Improvements are underway, such as the introduction of mandatory KPIs for new contracts, automation of spend reporting, and enhanced training and risk assessment tools, which are expected to embed in 2025/26.</p> <p>In November 2024 Members approved, in principle, establishing a housing company. It’s purpose being to pursue property acquisitions to increase provision of affordable homes, bring complex and expensive HRA voids back into use and address the increased demand for Temporary Accommodation. Pending completion of a full business case process, Members have continued to be informed of progress of the project. As at the start of 2025/26 a full review of each strand of the business case was being undertaken by Officers, discussions with authorities with experience in setting up housing companies initiated and relevant expert advice sought.</p>	<p>G</p>

# Improving economy, efficiency and effectiveness

## Area for Improvement: Housing Service standards

**Background:** In the prior year we identified a weakness in arrangements leading to the key recommendation that the Council should continue on its improvement journey with the operational performance of its Housing Service, to ensure it is meeting a minimum core service standard.

**Key Finding:** The Council has implemented a series of governance arrangements to support it in improving the quality of the service provided, allowing effective monitoring of performance, highlighting where actions need to be targeted. These include a Housing Task Force who meet quarterly to discuss and recommend actions to improve outcomes, policy and engagement. A Housing Improvement Board, an SLT based Board, who receive regular performance reports on key Housing related metrics such as performance against Decent Homes Standard, health and safety, stock condition survey and energy efficiency targets within the Council's housing stock. A Complaints Board monitors internal and Ombudsman complaints data, weekly, supported by a Complaints Dashboard, which highlights trends.

**Evidence:** The Council's stage 1 complaints have decreased between January 2025 and July 2025, open complaints total 143 at this date, lower than 2023 and 2024 data, an improving trajectory. Stage 2 complaints have remained stable between August 2024 and July 2025, with 72 open cases at July 2025, representing a steady stream of closed and incoming cases. Specifically, housing management and homelessness complaints, are not yet reduced to 2023 levels and should continue to be an area of focus for the Council.

74% of Stock Condition Surveys have been completed with a plan in place to complete the remaining by the end of 2026, in line with the target for 100% by this date. Following this existing programme the Council intends to implement a rolling programme of reviews from 2027 to ensure that all properties are surveyed every 5 years. 95% of stock meet the Decent Homes Standard with 5% non-complaint in 2025. Works are underway to circa 610 properties ensure that the decent homes' requirement is met by 2026 across the portfolio.

63% of the stock have a valid Energy Performance Certificate (EPC) in the last 10 years, and the remainder have been rated using modelling techniques to ensure gaps in assurances are limited. 68 properties in total have a rating (red rated) of F or below, which is 0.5% of the tenanted portfolio.

The Council engaged HQN as an independent reviewer to undertake a mock inspection, similar to that the Housing Regulator would undertake, and provide feedback on the quality of the Council's Housing service. This took place in November 2024. Feedback was positive from the inspection and noted good progress in the Council's improvement journey and inspection readiness. HQN supported the Council to develop an action plan, for the areas that could be strengthened. This generated 26 metrics, which the Council regularly monitors via the Housing Task Force and a live tracker. By July 2025, 17 actions were completed or on track and 9 not on track. Each has clearly articulated actions which aim to improve progress within the next period. Given this is a decline in performance from May 2025, when 21 were on track or completed, would suggest there is still the opportunity to improve pace of delivery of these actions as part of the Council's agenda to improve standards in the Housing Service.

# Improving economy, efficiency and effectiveness

## Area for Improvement: Housing Service standards (continued)

The Council also tracks tenant satisfaction via a series of metrics (TSMs) on both their perception and management of the service. Of the 26 metrics in total, 24 have improved since the prior year. Small deterioration in performance has been identified in complaints handling (with 26.7% of tenants satisfied, compared to 29.7% in 2023/24), however as noted earlier, numbers of complaints are improving. The Decent Homes Standard non-compliance is also highlighted here.

During 2024/25 the Council reviewed and updated all policies related to the Housing Service to ensure these remained fit for purpose and could be easily accessed by relevant staff.

Overall, the Council has implemented a series of effective governance arrangements which allow it to effectively track the improvement journey of the Housing Service. The actions being taken to improve standards are beginning to take effect, with improvements in performance observed. In some areas the Council still requires some improvement, namely ensuring compliance of the full housing portfolio with the Decent Homes Standard, completing all stock condition surveys, , reducing housing and homelessness complaints and progressing mock inspection recommendations to completion. The trajectory to date has been positive, the Council should now seek to demonstrate a sustained level of high-quality service delivery within the department.

## Improvement Recommendation 4

**IR4:** the Council should continue on its improvement journey with the operational performance of its Housing Service, to ensure it is meeting a minimum core service standard. Specifically the Council should target resources to ensure compliance of the full housing portfolio with the Decent Homes Standard, completing all stock condition surveys by the March 2026 target, reducing housing and homelessness complaints and progressing mock inspection recommendations to completion.

# Pension Fund

The Council is the administering authority for the London Borough of Hammersmith and Fulham Pension Fund. As part of our VfM work we are required to consider the Council’s arrangements in respect of the Pension Fund.

**We considered the Pension Fund’s:**

**Commentary on arrangements**

**Rating**

<p><b>Financial Sustainability:</b> sufficiency of funds to meet liabilities</p>	<p>The Pension Fund is revalued every three years by an independent actuary, to assess future liabilities and set employers’ contribution rates. The most recent formal valuation, as at 31 March 2022, assessed the whole Pension Fund as being 105% funded (the value of the scheme’s assets at 31 March 2022 was £1.325bn compared to the present value of the funded obligation at £1.267bn) . This is a strong position whereby the Fund is estimated to be able to meet its pension liabilities with its available assets. As of 31 March 2025, a funding update was provided by the fund’s actuaries which assessed the Pension Fund continuing to be fully funded, with £235k more assets than its funding obligations. A full valuation will be conducted in 2025, but based on these current early estimates the Fund would continue to be in a similarly strong position.</p>	<p style="text-align: center; font-size: 2em; font-weight: bold;">G</p>
<p><b>Governance:</b> appropriateness of governance arrangements</p>	<p>The Fund’s governance arrangements consist of a Pensions Committee and Pensions Board. The Pensions Committee has delegated responsibility to manage the pension fund and is the decision-making body and they support the Pensions Board in their role to ensure compliance with LGPS regulations and legislation and to ensure the effective and efficient governance and administration of the Fund. The two have met sufficiently regularly, the Committee quarterly and the Board bi-annually, in 2024/25. Standing agenda items and ad hoc reports cover a range of issues in relation to risk, performance and compliance.</p> <p>The Pension Fund delegates its administration duties to Local Pension Partnership Administration (LPPA) and its performance is monitored via quarterly reports to the Pensions Committee. The LPPA has achieved 98.7% of its KPIs within the agreed target for the final quarter of 2024/25, having gradually increased each quarter from 97.5% at Q1. Risks are appropriately mitigated or managed, and this is clearly articulated through the Pension fund risk register.</p> <p>The Government published its ‘Fit for Future’ consultation response in May 2025. This confirmed that Funds should have all their assets under pool management by 31 March 2026. 70%% of investment are currently managed by the London CIV Pool. Officers are already in engagement with the London CIV over plans to achieve the 100% target and regular updates are being provided to the Pensions Committee. Effectiveness of arrangements to achieve the target date will be assessed in 2025/26.</p>	

# Pension Fund

We considered the Pension Fund's:

Commentary on arrangements

Rating

Improving Economy, Efficiency and Effectiveness: annual report findings

We considered arrangements for implementing some key work streams and the impact on the Fund Administration teams. For 2024/25 these include:

- **implementing the McCloud remedy** - implementation requires lots of complex calculations so could potentially impact heavily on administration teams. The Fund considers itself on track to implement the McCloud remedy. Work is in progress, with the Pension Team having identified the percentage of members being eligible for McCloud Remedy monies, with further analysis and testing ongoing and on schedule ahead of deadline of 31st August 2025.
- **preparing for the Pensions Dashboard** - The Department for Work and Pensions (DWP) have designed an online platform (Pension Dashboard), public sector schemes are required to be connected by October 2025 per the guidance provided, with a statutory deadline of 31 October 2026. The fund considers itself on track to upload their pension administration data by the statutory deadline
- **preparing and maintaining a Funding Strategy Statement** - In January 2025 the SAB, CIPFA and MHCLG produced "Guidance for Preparing and maintaining a Funding Strategy Statement (FSS)". The Pension Fund's updated FSS will be drafted following the 2025 actuarial valuation results and tabled for committee approval in February 2026. The Fund's Actuary has already provided FSS guidance for the LGPS, that the Fund has been following for several years, which covers many of the new requirements. As such the Fund is sufficiently prepared in the period between the guidance being released and formal approval of their FSS.

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# **05 Summary of Value for Money Recommendations raised in 2024/25**

# Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	<p>The Council should:</p> <ol style="list-style-type: none"> <li>1. Review its assumptions on contingencies included within the HRA budget and 10-year Financial Plan for reasonableness and optimism, considering historic performance and analysis of future financial pressures.</li> <li>2. Prioritise identifying the savings included in the 2025/26 budget, and 10-year Plan, in full, which are vital in achieving and maintaining a sustainable financial position within the HRA.</li> <li>3. Ensure that the results of scenario planning, sensitivity analysis and stress testing undertaken to achieve the 2025/26 budget and 10-year Plan are presented to Members for consideration in their decision making as part of the budget setting process</li> </ol>	Financial sustainability	<p><b>Actions:</b> A considerable amount of strategic financial work has been undertaken on the HRA since 2022/23 to strengthen the financial resilience and sustainability of the HRA and the 10-year Business Plan. We will continue to review the contingencies/balances as part of the HRA Budget and Business Plan update that will be reported to Cabinet in 2026. This will include additional sensitivity analysis and scenario/stress testing.</p> <p><b>Responsible Officer:</b> Sukvinder Kalsi/Richard Shwe</p> <p><b>Due Date:</b> March 2026</p>
IR2	<p>The Council should explore ways that it can replenish cash balances to build resilience in the position, strengthen the balance sheet and improve its liquidity position, whilst also balancing the need to manage borrowing to support the Capital Programme</p>	Financial sustainability	<p><b>Actions:</b> The Council is undertaking weekly monitoring of the liquidity position and has reduced planned external HRA borrowing in 2024/25 due to the prevailing high interest rates. It is anticipated that additional planned HRA borrowing will be undertaken in 2025/26 as interest rates reduce and this will improve cash balances (these were £70m at the end of 5 September).</p> <p><b>Responsible Officer:</b> Sukvinder Kalsi/Phil Triggs</p> <p><b>Due Date:</b> March 2026</p>

# Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR3	<p>As intended, the Council should ensure that it adheres to the reporting requirements set out in its Treasury Management Strategy. Specifically, ensuring that Cabinet and Audit Committee receive both a mid-year and year-end outturn report. In reviewing arrangements the Council may also wish to consider the effectiveness of its current arrangements in ensuring timely reporting of the position to these Committees.</p>	Governance	<p><b>Actions:</b> The Outturn Report is already reported to Cabinet and Audit Committee and Mid-Year Treasury Review will now also be reported to both Cabinet and Audit Committee in 2025/26. A review of the reporting timelines will be undertaken and is unlikely that this could be reduced further given the internal officer and member governance framework. The financial position is reported within 6 weeks to SLT/PC pending the formal reporting.</p> <p><b>Responsible Officer:</b> Sukvinder Kalsi/Phil Triggs</p> <p><b>Due Date:</b> March 2026</p>
IR4	<p>The Council should continue on its improvement journey with the operational performance of its Housing Service, to ensure it is meeting a minimum core service standard. Specifically the Council should target resources to ensure compliance of the full housing portfolio with the Decent Homes Standard, completing all stock condition surveys by the March 2026 target and progressing mock inspection recommendations to completion.</p>	Improvement economy, efficiency and effectiveness	<p><b>Actions:</b> The Council has already established for some years a Housing Task Force and Service Improvement Board. This will be continued as will our work on preparing for a possible formal Inspection following the mock inspection (although the Regulator appears satisfied with progress as part of our regular update meetings...the last of which was in June 2025). The limited HRA capital resources will necessarily be shared across new affordable housing, our statutory building safety/compliance work and on decent homes. The stock condition surveys are being progressed and accessibility issues may delay completion of this until the end of 2026.</p> <p><b>Responsible Officer:</b> Richard Shwe/Sukvinder Kalsi</p> <p><b>Due Date:</b> March 2026</p>

# **06 Follow up of previous Key recommendations**

# Follow up of 2023/24 Key recommendations

Prior Recommendation	Raised	Progress	Current status	Further action
<p><b>Housing Revenue Account:</b></p> <p>a. We recommend that the Council takes urgent steps to return the HRA to making operating surpluses sufficient to cover existing borrowing requirements and to start building up HRA general reserve balances.</p> <p>b. We recommend that the Council sets a target level of minimum HRA general reserve balances, expressed as a number of month’s HRA expenditure and aims to meet this target in a specified number of years.</p> <p>c. Within the constraints of the maximum rent increases allowed by the Regulator of Social Housing for social rents, HRA income should cover cost increases as far as possible, and this should be reflected in non-regulatory fee increases.</p> <p><b>KR1</b> d. We recommend that this financial model is used to demonstrate plans for returning the HRA to a position of financial sustainability and to demonstrate how both legally required works and new build aspirations might be funded and paid for. We would expect the financial business plan to allow reporting of various scenarios and for projections to be supported by extensive sensitivity analysis and stress testing.</p> <p>e. We recommend that a comprehensive exercise is undertaken to improve the quality of stock condition survey data. If all team members visiting homes are involved in validating existing records and updating stock condition data, this will give rise to a sense of ownership and increase confidence in the stock condition survey data amongst team members. This needs to be supported by appropriate technology.</p>	2023/24	Full details of the Council’s response to each element of the recommendation are included on <b>page X</b>	Partially addressed. Points a, b and e have been addressed in full. Points c and d have been progressed, and remain in progress.	Progress made to date is acknowledged and our Key Recommendation is replaced with an Improvement Recommendation (IR1)

# Follow up of 2023/24 Key recommendations

Prior Recommendation	Raised	Progress	Current status	Further action
<p><b>KR2</b> <b>Service Performance in Housing:</b> The Council should continue on its improvement journey with the operational performance of its housing service to ensure it is meeting a minimum core service standard.</p>	<p>2023/24</p>	<p>Full details of the Council’s response to the recommendation is included on page 34-35</p>	<p>Governance arrangements in place to monitor the Council's performance against minimum standards in the Housing Service are now well established, embedded and consistently applied. In terms of outcomes being observed, the Council is on an upward trajectory towards minimum standards being met. The Council will now need to focus on ensuring these standards are achieved in full, across all of its KPIs, and are achieved consistently.</p>	<p>Progress made to date is acknowledged and our Key Recommendation is replaced with an Improvement Recommendation (IR4)</p>

# 07 Appendices

# Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



# Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

## Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

## Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

## Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

 **A range of different recommendations can be raised by the Council’s auditors as follows:**

**Statutory recommendations** – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

**Key recommendations** – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

**Improvement recommendations** – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

## Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

# Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Council should include scenario planning as part of developing their annual budget	2023/24	The Council has included scenario planning within their MTFP, alongside the annual budget.	Recommendation addressed	None required
IR2	<p>Risk management:</p> <p>a) We recommend that the Council implement a regular, mandated annual review of its Risk Strategy.</p> <p>b) The Council should consider the number of risks reported on the Corporate Risk Register (CRR).</p> <p>c) We recommend that the Council include a new column in its Corporate Risk Register (CRR) setting out the key controls and assurances for each risk. Though this function is currently being fulfilled by the 'Current position' column, we believe that it would add greater clarity if users were able to point to the key controls and assurances in place to seek assurance that the Council is mitigating the risk.</p>	2022/23	As noted in our work on Governance. The Council has updated and implemented a new Risk Management Strategy, from March 2025. An updated Corporate Risk Register was presented to Audit Committee in March 2025, reflecting the new Strategy, having been reviewed. Members will continue to review risks, quarterly, adding or removing risks as required. The Council has yet to fundamentally update the format of the CRR, and intends to do so in 2025/26, specifically to better articulate the impact of mitigating actions on the residual risk score of each risk. In addition, the CRR is not currently reviewed by Cabinet, which the Council will reconsider in 2025/26.	Partially addressed – parts a and b have been fully addressed with c in progress.	None required

# Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR3	<p>Audit committee:</p> <p>a) We recommend that the Council enshrines in its Constitution the separation of executive roles and Audit Committee membership and include that it will institute the rule that a period of two years should elapse before a councillor who previously held a senior policy role joins the Audit Committee in line with CIPFA’s guidance Audit Committees: Practical Guidance for Local Authorities and Police (2022).</p> <p>b) We recommend that the Council considers the merits of appointing appropriately qualified independent members to the Audit Committee.</p> <p>c) We recommend that the Council reports annually on how the Audit Committee has complied with the position statement, discharged its responsibilities and include an assessment of its performance.</p>	2022/23	<p>a) Part 5 Principle 6 of the updated Constitution confirms that the Council develops and maintains an effective Audit Committee and Standards Committee which are independent of the executive and scrutiny functions.</p> <p>b) The Audit Committee consists of 3 members of the administration, 1 opposition member and 1 independent member, as set out in the updated Constitution.</p> <p>c) The Annual Report of the Audit Committee to Full Council is being prepared and will be presented to the Committee at its meeting in October for approval and presentation at the Full Council meeting thereafter.</p>	Partially addressed – parts a and b have been fully addressed with c in progress.	None required

# Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR4	The Council should consider publicly reporting on performance indicators to ensure openness and transparency.	2022/23	No non-financial performance reporting has been reviewed by Cabinet, Audit Committee or other appropriate Committee in 2024/25. Performance, instead, is monitored by SLT with support from departmental Performance Boards and the Policy and Programme Management Office. Plans are being developed to formalise performance reporting to Policy and Oversight Board in 2025/26.	Recommendation unaddressed	To be followed up in 2025/26.



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