

## **London Borough of Hammersmith & Fulham**

**Report to:** Housing and Homelessness Policy & Accountability Committee

**Date:** 03/02/2026

**Subject:** 2026/27 Revenue Budget and Medium-Term Financial Strategy (MTFS)

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### **SUMMARY**

Cabinet will present their revenue budget and Council Tax proposals to Budget Council on 25 February 2026. This report provides an update on the overall preparation and proposals for the 2026/27 revenue budget, risks, financial resilience, and the impact of those proposals.

This report also sets out the budget proposals for the services covered by this Policy and Accountability Committee, and the committee is invited to comment on the budget proposals set out in detail in the appendices. Risk schedules and Equalities Impact Assessments of any budget changes are provided in the appendices alongside an update on any proposed changes in fees and charges in the budget where applicable.

This report sets out the Council's Revenue Budget for 2026/27 (including the key assumptions, details of new additional investment proposals and the efficiencies that are expected to be delivered by services). The report also provides an update on the Council's Medium Term Financial Strategy (MTFS) including the adequacy of the balances and reserves to ensure that the Council can maintain long term sustainability and maintain the strong financial governance of the resources.

The strategic operating environment for public services (including local government) remains challenging. While inflationary pressures have eased and interest rates are reducing, there are demand-led pressures in Adult Social Care, Children's Services and Homelessness. Combined with the impact of Fair Funding Review 2.0 and the reset of the Business Rates Retention System from April 2026, this Council will continue to face financial challenges in the years to come.

For the first time in many years, the government has confirmed a multi-year settlement from 2026/27 to 2028/29 alongside the funding formula reform. Hammersmith and Fulham is eligible for transitional funding relief over the three years to 2028/29.

The overall objectives of the revenue budget proposals for 2026/27 are intended to:

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

A balanced budget for 2026/27 is proposed (whilst protecting our reserves) including £9.5m of efficiencies. The budget will allow the continued delivery of the best services to our residents, businesses and visitors. This builds on the administration's record of prudential financial management, and delivering a modest budget surplus in the last three full financial years (from 2022/23 to 2024/25) and increasing reserves at a time when many other councils are utilising them to balance the annual budgets

The proposed increase of Council Tax by 2.99% and the additional social care precept (which equates to an increase of 92p per week for Band D properties) will generate an additional £4.4m (or 2% of the council's net budget) per annum to fund Council services. This is essential funding for the Council to ensure continuing financial resilience, protect its funding position over the medium term, meet the challenges posed by increasing demand and inflation, whilst balancing the impact on local council taxpayers.

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## RECOMMENDATIONS

1. That the Policy and Accountability Committee considers the budget proposals and makes recommendations to Cabinet as appropriate.
2. That the Committee considers the proposed changes to fees and charges and makes recommendations as appropriate.

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**Wards Affected:** All

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| Our values                             | Summary of how this report aligns to the H&F values  |
|--|--|
| Being ruthlessly financially efficient | The council has a proud record of maintaining low Council Tax to its residents. The revenue budget for 2026/27 proposes savings and efficiencies across services and corporate functions that rationalise its estate and reduce its operating costs, whilst also delivering value for money from external contractors. |
| Creating a compassionate council       | The proposals in the revenue budget for 2026/27 supports the ongoing investment in services that directly support residents in living, healthy and independent lives. This includes continuing to provide free homecare for older residents, continuing to provide comprehensive Council Tax support to                |

|   |   |
|---|---|
|   | those eligible and increasing investment to tackle homelessness and rough sleeping.   |
| Building shared prosperity                                      | The budget proposals support the launch of the next phase of the industrial strategy (Upstream London) which sets a clear strategy to grow a localised economic ecosystem, with a focus on the sectors that are set to grow and that are deemed right for the local area.   |
| Doing things with residents, not to them                        | The budget for 26/27 will continue investment in our Family Hubs, ensuring that every child, young person, and family is able to access the right support at the right time. The Hubs will also be developed by collaborating with children and young people and their families, family groups, the local third sector, the NHS and the council's children's services in genuine partnership. |
| Taking pride in H&F   | The council's revenue budget will invest over £50m in public realm services. These services will provide access to safe clean, green spaces for all to enjoy, visit and live in. It will deliver improvements to highways, whilst continuing to invest in the Law Enforcement Team and regulatory services to crack down on anti-social behaviour and rogue traders.                          |
| Rising to the challenge of the climate and ecological emergency | The council has an ambitious target to become a net zero borough. To help achieve this, the budget will support work to increase engagement and investment in green energy and technologies, increase investment in its waste services, continue to keep our streets and parks clean, and take a tough stance against anyone dropping litter, creating graffiti, or dumping rubbish.          |

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## Background Papers Used in Preparing This Report

Not Applicable

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### THE REVENUE BUDGET 2026/27

- The proposals for balancing the budget for 2026/27 are included in table 1 below.

**Table 1: 2026/27 Budget Summary**

|   | (£m)  |
|---|-------|
| <b>Base Budget 2025/26 (Balanced Budget)</b>                    | -     |
| Provision for Price Inflation (3.2%)                            | 6.9   |
| Provision for Pay Inflation (2.5%)                              | 4.0   |
| Essential pressures   | 3.2   |
| Other Changes (concessionary fares/interest on balances/ other) | (4.9) |

|   |          |
|---|----------|
| Reduction in LGPS employers pension contribution    | (2.1)    |
| Savings and Efficiencies                            | (9.5)    |
| <b>Resources</b>                                    |          |
| <b>Government</b>                                   |          |
| Increase Central Govt Grants                        | (13.2)   |
| Decrease in Business rates                          | 30.7     |
| Increase in Council Tax resources                   | (7.7)    |
| <b>Local</b>  |          |
| Collection Fund – year on year reduction in surplus | 3.3      |
| Collection fund                                     | (4.0)    |
| CIL   | (0.7)    |
| Fair Funding - Transitional Relief                  | (6.0)    |
| <b>Budget Gap 26/27</b>                             | <b>-</b> |

## Savings

2. The total proposed savings for 2026/27 are set out in Table 2.

**Table : 2026/27 savings proposals**

| <b>Department</b>               | <b>£m</b>     |
|---------------------------------|---------------|
| People                          | (4.2)         |
| Place                           | (2.8)         |
| Housing Solutions               | (1.2)         |
| Finance and Corporate Services  | (0.6)         |
| Centrally Managed Budgets       | (0.7)         |
| <b>Subtotal Service Savings</b> | <b>(9.5)</b>  |
| Collection Fund Savings         | (8.4)         |
| <b>Total</b>                    | <b>(17.9)</b> |

3. The savings relevant to this committee are summarised in table 3 below. The details set out in Appendix 1 to this report and as part of the Director's comments section below.

**Table 3: Summary of savings relevant to this committee**

| <b>Proposal</b>   | <b>£m</b>    |
|---|--------------|
| Transfer of leases to housing company – increased charges | (1.1)        |
| Additional income from licences                           | (0.1)        |
| <b>Total savings</b>                                      | <b>(1.1)</b> |

## Fees and Charges

4. Charges governed by statute are set in accordance with those requirements and not varied in accordance with inflation. For non-statutory fees and charges, levied by Hammersmith & Fulham, it is recommended that:

- they are frozen for Adult Social Care and Children's Services in line with administration policy.
- commercial services that are charged will be reviewed on an ongoing basis in response to market conditions and varied up and down as appropriate, with appropriate authorisations according to the council Constitution.
- parking charges and fines are set in line with transport policy objectives and not considered as part of the budget process.
- a standard uplift of 3.8% (in line with September CPI) is applied for other non-commercial and non-parking fees.

5. Exceptions to these assumptions are set out in Appendix 4.

### **Equalities Implications**

6. Each budget proposal has been subject to an Equalities Impact Assessment (EQIA) review. These are attached in Appendix 3. A consolidated EQIA report will be presented to Budget Council in February 2026.

### **Comments of the Director of Housing on the 2026/27 Budget Proposals**

7. The Housing Solutions service provides a diverse range of services to the residents of Hammersmith & Fulham including Homelessness Prevention and Assessment, Temporary Accommodation, Housing Standards and the Housing Strategy including Rough Sleeping reduction.
8. This report focuses on the Housing General Fund. There is a separate presentation to this Policy and Accountability Committee covering the Housing Revenue Account. The services funded from the HRA are not included in the list above.

### **Homelessness in Hammersmith & Fulham – Trends and Historical Context**

9. Across London, councils now spend over £5m a day on homelessness prevention. The revised budget will support the Council in tackling the national homelessness crisis within the borough and the existing financial pressures, the key drivers of which are set out below:
- Increasing Demand for Homelessness Services
  - Lack of Available Supply (New Social/Affordable Housing Build)
  - Deregulated Private Rented Sector (Property Standards)
  - Legislative Matters (Section 21 Evictions, Renters Rights Act)
  - Cost of Living (Spiralling Private Sector Rents)
  - Inflation and Interest Rates – Repossessions / Unaffordable Mortgages
  - Pressure on Household Incomes (Wages/Unemployment)
  - Withdrawal of Resources from Social Housing (Rent Reduction 2016/20, Local Housing Allowance Limits)

## Strategy to Manage Homelessness

10. The Housing Solutions division actively addresses homelessness by providing a range of housing options to enable an informed decision, to ensure that services and budgets are effective and efficient, and to reflect the council's priorities.
11. The service focuses on homelessness prevention, providing housing advice and discharge pathways, supporting residents facing financial pressures and evictions, and strengthening work with landlords to increase access to suitable homes.
12. The service actively procures its temporary accommodation portfolio to meet the range of needs of homeless households and is successful in avoiding the placement of families into bed and breakfast accommodation, reducing reliance on costly nightly-paid options, and continually seeks opportunities to secure better-value placements.
13. The service priorities include reducing rough sleeping through specialist outreach, tailored accommodation pathways, and partnership working with health, social care and voluntary organisations.
14. The service provides safe housing, resettlement support and community integration services for refugees, reinforcing our commitment as a borough of sanctuary.
15. The service is strengthening enforcement against non-compliant landlords, raising private sector housing standards through targeted inspections and data-led interventions, and expanding licensing compliance activity.
16. Some notable examples of our work are:
  - To reduce the new flow into Temporary Accommodation (TA) when households first approach and stringent application of the s188 duty to place in TA.
  - Working to contain rising costs and numbers of households in more expensive temporary accommodation by moving to less expensive provision through effective procurement and negotiation with suppliers to ensure supply of affordable and suitable properties.
  - To progress housing options for residents into settled housing through allocations and offers of a permanent home from both private rented and council supply.
  - Continuing to prevent and relieve homelessness by implementing innovative resident-focused support and systemic action planning at the right time. To date this financial year, homelessness has been prevented or relieved for 331 households. These households were supported to remain in their home or assisted with finding a new home and placement into temporary accommodation was avoided.
  - Continuing to work toward reducing rough sleeping by providing supported accommodation and associated services.
  - H&F is seen as a flagship within London for Afghan and Ukrainian refugee support.

## Financial Performance

17. There is a strong track record of financial efficiency to deliver savings and a balanced budget within Housing Solutions. However, the national homelessness crisis has meant that Housing Solutions continues to face financial challenges in temporary accommodation provision relating to the cost-of-living (particularly relating to high inflation on external contracts), increased demand for homelessness services and a lack of available supply. The position for 2025/26 is reported separately in the regular financial performance reports to Cabinet. It is expected that the homelessness crisis will continue to have a major impact on both the demand for the department's services and its budget in 2026/27.

### Budget 2026/27

18. The Housing General Fund revenue budget for 2026/27 is summarised at directorate level in the table below.

**Table 4 – Housing General Fund budget 2026/27**

|                        | <b>Budget<br/>25/26<br/>£000s</b> | <b>Changes<br/>£000s</b> | <b>Budget<br/>26/27<br/>£000s</b> |
|------------------------|-----------------------------------|--------------------------|-----------------------------------|
| Gross Expenditure      | 47,248                            | 4,094                    | 51,342                            |
| Gross Income           | (30,359)                          | 485                      | (29,874)                          |
| <b>Net Expenditure</b> | <b>16,889</b>                     | <b>4,579</b>             | <b>21,468</b>                     |

**Table 5 – Housing General Fund Budget Main Changes 25/26 – 26/27**

|                                       | <b>£000s</b>  |
|---------------------------------------|---------------|
| <b>Net Expenditure Budget 25/26</b>   | <b>16,889</b> |
| Inflation (3.2%)                      | 965           |
| Savings                               | (1,200)       |
| Depreciation (see paragraph 13 below) | 4,814         |
| <b>Net Expenditure Budget 26/27</b>   | <b>21,468</b> |

19. The net budget is £21.5m and will ensure the continued investment of resources in key services for residents. In particular, the following matters should be noted:
- The Housing Solutions service has seen market changes since 2022/23 resulting in significant increases in the costs of procuring temporary accommodation. Rents for these properties are rising as the cost-of-living crisis impacts landlords – evidence within the London rental market points to increases of c.4.3% during the last 12 months. The average private rent in London is £2,265, while the average private rent in Hammersmith and Fulham is £2,731. The service is

managing inflationary pressures on temporary accommodation through effective suppliers to procure more affordable properties and pursuing effective inter-borough accommodation agreements. However, an inflationary uplift in the temporary accommodation budget of £1.0m is required for 2026/27. This assumes that mitigating actions will enable the management of inflationary pressures on temporary accommodation.

- Revenue savings of £1.2m will be made to enable the Council to contain the increasing net cost of temporary accommodation. The Council is exploring the establishment of a wholly owned housing company as part of its strategy to reduce the financial pressure on the General Fund associated with temporary accommodation. The proposal involves transferring the management of leased temporary accommodation properties to the housing company. This approach would enable the company to operate outside the current Housing Benefit subsidy framework, allowing households to claim Universal Credit rather than Housing Benefit. This change would align rental levels with current Local Housing Allowance (LHA) rates, ensuring fuller recovery of costs through Universal Credit and reducing the subsidy shortfall that currently impacts the Council's budget. Tenants will continue to occupy properties under licence arrangements, and statutory homelessness duties, including suitability and safeguarding requirements, will remain fully in place. The proposal is designed to maintain service standards while improving financial sustainability.
  - The remaining £4.8m relates to other budget adjustments including a technical accounting adjustment for depreciation on private sector leased temporary accommodation, inflation and corporate support service recharges.
20. The main risks affecting Housing Solutions relate to managing the impact of the national homelessness crisis (rising demand, high costs, constraints in supply, Welfare Reform, legislative requirements). A schedule of risks is set out at Appendix 2.

### **List of Appendices:**

Appendix 1 – Savings proposals

Appendix 2 – Service Risks

Appendix 3 – Equality Impact Assessments

Appendix 4 – Fees and Charges