

# LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Cabinet

**Date:** 09/02/2026

**Subject:** Revenue Budget and Council Tax Levels 2026/27

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

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

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## SUMMARY

This report sets out the Council's Revenue Budget for 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 impact of the Local Government Finance Settlement (LGFS) and the adequacy of the balances and reserves to ensure that the Council can maintain long term sustainability and maintain the strong financial governance of the resources.

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.

Council Tax in Hammersmith & Fulham remained the third lowest in the country during 2025/26. Since coming to power in 2014, this administration has cut or frozen council tax five times in eleven years. But who pays council tax is just as important as how much they pay, which is why we are rightly proud to have one of the most comprehensive Council Tax Support Schemes in the country providing £9m of support to borough residents who need it. Almost four in ten households receive some sort of discount, with those least able to pay paying nothing at all, and the administration choosing to exclude care leavers and foster carers entirely.

The Council welcomes the continuation of resources for Extended Producer Responsibility (for waste collection and disposal costs) and confirmation that the Household Support Fund will be phased out after March 2026 and replaced by a new Crisis and Resilience Fund, worth £1bn annually, as part of the multi-year settlement, which provides longer-term support and focus on preventative measures as well and emergency aid.

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.

The Fair Funding Review 2.0 and Business Rates Reset from April 2026 will mean lower funding levels from central Government. The Council has a strong track record in presenting balanced annual budgets and managing its resources (as recognised in the external auditors Annual Audit Report for 2024/25 and the LGA's Finance Peer Review).

Our strategy to ensure the continued strong medium term financial governance of the Council will include driving forward service transformation programmes, to improve efficiency and outcomes, combined with a continuing our balanced strategy of combining in-house provision with external service providers to deliver services, maximising income (through fees, charges, commercial opportunities and developer contributions), ongoing review of our policy to align priorities with statutory service obligations and available resources, and strengthening financial resilience, including contingency planning and reserves strategy.

The report also includes equality impact assessments for change proposals, ensuring budget decisions do not disproportionately affect protected groups and complying with statutory regulations. The report also includes an assessment of the robustness of the budget assumptions and an assessment of the council's compliance with the CIPFA (Chartered Institute of Public Accountancy) Financial Management Code, which includes effective medium-term planning, clear accountability for financial decisions, regular monitoring of financial performance and maintenance of adequate reserves.

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## **RECOMMENDATIONS**

That Cabinet is recommended to consider this report, and make the following recommendations to Full Council for approval, for the reasons set out in this report and appendices:

1. To note the three-year settlement numbers for the General Fund, covering 2026/27, 2027/28, and 2028/29
2. To approve a balanced budget for 2026/27 as set out in the report, including the underlying principles and assumptions.
3. To increase the Hammersmith & Fulham element of Council Tax by 2.99% as modelled by the Government in its spending power calculations for local government.
4. To apply the Adult Social Care precept levy of 2% as modelled by the Government in its spending power calculations for local government.
5. To approve fees and charges, as set out in Appendix E, including freezing charges in adult social care and children's services,
6. To approve the Medium-Term Financial Strategy and to note the impact of funding reform from 2026/27 onwards, and budget projections to 2029/30 made by the Executive Director of Finance and Corporate Services in consultation with the Strategic Leadership Team. (Appendix B)
7. To note the statement of the Executive Director of Finance and Corporate Services, under Section 25 of the Local Government Act 2003, regarding the adequacy of reserves and robustness of estimates (paragraph xx).
8. To approve the reserves strategy and forecast as set out in Appendix G.
9. To require all Directors to report on their projected financial position compared to their revenue estimates in accordance with the Corporate Revenue Monitoring Report timetable.
10. To authorise Directors to implement their service spending plans for 2026/27 in accordance with the recommendations within this report, the council's Standing Orders, Financial Regulations, relevant Schemes of Delegation and undertake any further consultation required regarding the Equalities Impact Assessment.
11. Set the council's element of Council Tax for 2026/27 for each category of dwelling, as outlined in the table below and in full in Appendix A and calculated in accordance with Sections 31A to 49B of the Localism Act 2011.

<b>Category of Dwelling</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
Ratio	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9
H&F (£)	672.67	784.78	896.89	1,009.00	1,233.22	1,457.44	1,681.67	2018.00

12. To note, based on the Mayor of London's draft consolidated budget, the element of Council Tax to be charged by the Greater London Authority in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwellings as shown in the table below.

Category of Dwelling	A	B	C	D	E	F	G	H
Ratio	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9
b) GLA (£)	340.34	397.06	453.79	510.51	623.96	737.40	850.85	1,021.02

13. That the overall Council Tax to be set at £1,519.51 per Band D property as follows:

Category of Dwelling	A	B	C	D	E	F	G	H
Ratio	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9
a) H&F (£)	672.67	784.78	896.89	1009.00	1,233.22	1,457.44	1,681.67	2018.00
b) GLA (£)	340.34	397.06	453.79	510.51	623.96	737.40	850.85	1,021.02
c) Total (£)	1,013.01	1,181.84	1,350.68	1,519.51	1,857.18	2,194.84	2,532.52	3,039.02

14. To authorise the Executive Director of Finance and Corporate Services to collect and recover National Non-Domestic Rate and Council Tax in accordance with the Local Government Finance Act 1988 (as amended), the Local Government Finance Act 1992 and the Council's Scheme of Delegation.
15. To note the Council's estimated position on the Collection Fund (as set out in paragraph 60).
16. To note the performance on the management of arrears across the Council on all debts due (as set out from paragraph 71).

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**Wards Affected:** All

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H&F values	Summary of how this report aligns to the H&F Priorities
Being ruthlessly financially efficient	The council has a proud record of maintaining low Council Tax to its residents. The revenue budget for 2026/27 proposes

<b>H&amp;F values</b>	<b>Summary of how this report aligns to the H&amp;F Priorities</b>
	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 26/27 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.

## **Financial Impact**

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

*Verified by James Newman, Assistant Director of Finance, 6th January 2026*

## **Legal Implications**

The council is obliged to set the Council Tax and a balanced budget for the forthcoming financial year in accordance with the provisions set out in the body of the report.

In addition to the statutory provisions the council must also comply with general public law requirements and, in particular, it must take into account all relevant matters, ignore irrelevant matters and act reasonably and for the public good when setting the Council Tax and budget. The council should be satisfied that the proposals put forward are a reasonably prudent use of resources in both the short and long term and that the interests of Council Taxpayers and ratepayers on the one hand and the users of council services on the other are both considered. The recommendations contained in the report have been prepared in line with these requirements.

Section 30 of the Local Government Finance Act 1992 provides that no amount of Council Tax may be set before the earlier of the following— (a) 1<sup>st</sup> March in the financial year preceding that for which the amount is set; (b) the date of the issue to the authority of the last precept capable of being issued to it (otherwise than by way of substitute) by a major precepting authority for the financial year for which the amount is set. The GLA precept is due to be agreed at its meeting of 23 February 2023 in advance of the Hammersmith & Fulham Council Tax setting meeting.

Section 25 of the Local Government Act 2003 requires the Strategic Director of Finance to report on the robustness of the estimates made for the purposes of budget calculations and the adequacy of the proposed financial reserves. The council must take these matters into account when making decisions about the budget calculations.

A public authority must, in the exercise of its functions, comply with the requirements of the Equality Act 2010 and in particular section 149, the Public Sector Equality Duty (“PSED”). Members need to consider this duty in relation to the present proposals. In addition, where specific budget proposals have a potential equalities impact these are considered and assessed by the relevant service as part of the final decision-making and implementation processes and changes made where appropriate.

The protected characteristics to which the PSED applies are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race/ ethnic/ national origin, sexual orientation, religion or belief and sex.

The PSED provides (so far as relevant) as follows:

*(1) a public authority must, in the exercise of its functions, have due regard to the need to:*

*(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;*

*(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;*

*I foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*

*(3) Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:*

*(a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic.*

*(b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.*

*(4) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.*

*(5) Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to —*

*(a) tackle prejudice, and*

*(b) promote understanding.*

*(6) Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act.*

Case law has established the following principles relevant to compliance with the PSED which the council will need to consider:

(106) (i) The PSED is an integral and important part of the mechanisms for ensuring the fulfilment of the aims of anti-discrimination legislation.

(ii) The duty to have "due regard" to the various identified "needs" in the relevant sections does not impose a duty to achieve results. It is a duty to have "due regard" to the "need" to achieve the identified goals.

(iii) Due regard is regard that is appropriate in all the circumstances, including the importance of the area of life of people affected by the decision and such countervailing factors as are relevant to the function that the decision-maker is performing.

(iv) Although the weight to be given to equality issues and countervailing factors is for the decision-maker, it is for the Court to determine whether "due regard" has been given. This will include the court assessing for itself whether in the circumstances appropriate weight has been given by the authority to those "needs" and not simply deciding whether the authority's decision is a rational or reasonable one.

(v) The duty to have "due regard" to disability equality is particularly important where the decision will have a direct impact on disabled people. The same goes for other protected groups where they will be particularly and directly affected by a decision.

(vi) The PSED does not impose a duty on public authorities to carry out a formal equalities impact assessment in all cases when carrying out their functions, but where a significant

part of the lives of any protected group will be directly affected by a decision, a formal Equalities Impact Assessment ("EIA") is likely to be required by the courts as part of the duty to have 'due regard'.

(vii) The duty to have 'due regard' involves considering not only whether taking the particular decision would unlawfully discriminate against particular protected groups, but also whether the decision itself will be compatible with the equality duty, i.e. whether it will eliminate discrimination, promote equality of opportunity and foster good relations. Consideration must also be given to whether, if the decision is made to go ahead, it will be possible to mitigate any adverse impact on any particular protected group, or to take steps to promote equality of opportunity by, for e.g., treating a particular affected group more favourably.

(viii) The duty is non-delegable and must be fulfilled by the council and Members personally.

(ix) The Council must ensure that it is properly informed before taking a decision.

(x) Council officials must be rigorous in both enquiring and reporting to the council on equalities issues to assist council and Members to fulfil that duty.

(xi) The duty must be exercised in substance, with rigour, and with an open mind. It is not a question of "ticking boxes".

(xii) The duty is a continuing one and equalities issues must be kept under review.

All these matters have been, or will be, considered by service departments as part of the final decision-making and implementation processes, but must also be considered by the council when taking its decision.

To assist the council in fulfilling its PSED, an EIA in respect of the proposed overall budget is attached to this report at Appendix F. This Appendix includes a screening of all budget measures undertaken to ensure that the equality duty has been considered where appropriate. These will need to be carefully read and taken into account by the council, together with the requirements of the PSED itself set out above, in reaching a decision on the recommendations in this report.

Section 106 of the Local Government Finance Act 1992, applies to Members where:

- they are present at a meeting of the Council, the Cabinet or a Committee and at the time of the meeting an amount of Council Tax is payable by them and has remained unpaid for at least two months; and
- any budget or Council Tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

In these circumstances, any such Members shall at the meeting and as soon as practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter. Such Members are not debarred from speaking. Failure to comply with these requirements constitutes a criminal offence, unless any such Members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting.

*Verified by Glen Egan, Assistant Director of Legal Services, 30 January 2026*

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## Background Papers Used in Preparing This Report

None

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### CABINET MEMBER FOR FINANCE AND REFORM FOREWORD

This is a budget that safeguards the services that make Hammersmith & Fulham unique, as well as securing our financial future against the challenges we will face in the coming years.

Our Borough enters the 2026/27 financial year in a strong position. Following the sector's backlog of external audits (caused by Covid 19 and a weakening auditor market), we have closed four sets of accounts in 20 months. We were also one of the first boroughs in the country to complete the 2024/25 audit process which, more importantly, concluded with a clean bill of health.

A Local Government Association Peer Review, by a cross-party group of councillors and finance officers from across the country, in April 2025 highlighted that H&F "is very ambitious and financially well-run" with "a track-record of delivering its savings targets", further external validation of H&F being a competently managed borough.

Our "Ruthless Financial Efficiency" ethos has, with the proposals in this report, delivered cumulative savings of over £156m over the past 13 years, and further achievements include:

- Maintained the third lowest Council Tax in the country;
- Put in place support to help residents with the cost of living, including a £900 crisis grant;
- Taken care leavers and foster carers out of Council Tax completely, while giving military veterans a 25% tax cut;
- Established one of the country's most comprehensive Council Tax Support Schemes, so those least able to pay, pay the least;
- Introduced an Ethical Debt Collection Policy, that has inspired recent central government reforms; and
- Added £1m to our unallocated reserves in the last three years.

Residents and businesses will know that whilst we're a small borough, we punch well above our weight, and this is abundantly clear when it comes to Upstream, our industrial strategy – which demonstrates that our borough is open for business, with the highest economic growth in London.

Since our Industrial Strategy launched in 2017, businesses in H&F have received a total of £6.3bn in growth investment funding, and over 17,000 jobs have been added in high-growth sectors (Life Sciences, Tech & AI, Creative Industries, Climate Tech). But this administration wants everyone to benefit from this success, and our pioneering Upstream Pathway Bond connects young people and parents with opportunities to explore careers in science, technology, engineering, maths, medicine and media (STEM3) — from work experience to workplace visits and mentoring.

The local government sector has seen huge funding reductions since the commencement of austerity, and we have managed this Council and residents' interests with care and compassion. But we know that further pressures are coming.

Changing demographics and a weak national economy will mean demand for council services will continue to rise. The so-called Fair Funding changes, which have been anticipated for over a decade, are now being implemented in 2026/27, with only a year's notice. This will reduce our central government funding over the medium term, and re-distribute more of the Business Rates income this borough generates to other parts of the country. Furthermore, investment will always be needed to ensure that the services we provide continue to be as effective as they can be.

That is why we have put in place four council-wide transformation programmes to drive spending reductions over the medium-term and make us more efficient as an organisation. These focus on staffing, maximising income generation, making the most of our property portfolio, and taking advantage of the latest technological developments and the data the council holds.

While some have chosen to scare monger about the challenges we face, we are different. We are choosing to meet them head on. Our previous prudent management and these larger transformation programmes will safeguard the borough's financial future for years to come and protect the services that matter to you.

## **NATIONAL FINANCIAL CONTEXT AND OUTLOOK**

1. Local government continues to operate in a challenging financial environment for the short and medium term. While inflationary pressures have eased compared to previous peaks, cumulative price increases over recent years continue to impact council budgets and raise the cost of living for residents and businesses. Demand-led services and workforce cost pressures remain significant drivers of financial strain.
2. CPI inflation is forecast to average at around 2.5% in 2026, slightly above the Bank of England's 2% target, before returning to target in 2027. Recent volatility is linked to energy costs and global supply chain factors. The Office of Gas and Electricity Markets (Ofgem) energy price cap for Q1 2026 is forecast to marginally increase (0.2%) from late 2025.
3. The Bank of England base rate is expected to gradually decline through 2026, moving from 3.75% in January 2026 to around 2.75% by December 2026 and stabilising thereafter in 2027.
4. The council's main source of borrowing is via the Public Works Loan Board, whose rates remain elevated compared to pre-2020 levels, with forecasts for 10-year borrowing around 4.3-4.7% in late 2026.
5. This will have an impact on the Council's capital programme and much careful consideration will have to be given by Members on how to finance and pay back any sums borrowed and repayable soon.
6. The table below sets out some of the Office of Budget Responsibility's (OBR) key economic and fiscal indicators over the medium term as at November 2025.

	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
CPI	2.5	2.0	2.0	2.0
Average Earnings	2.2	2.0	2.5	2.8
Interest Rates	3.9	3.7	3.5	3.5
Gilt Rates (5 year)	4.1	4.8	5.3	5.3

## Autumn Budget 2025

7. The Chancellor announced the Autumn Budget on the 26<sup>th</sup> of November 2025, setting out the Government's spending plans and the estimated impact of changes to tax, welfare, and public service spending.

### Local Government Funding

- A multi-year Local Government Finance Settlement will be introduced for the first time in a decade, alongside Fair Funding Review reforms.
- There will be an additional £4bn of funding for local government services, including targeted support for social care and high-need areas.

### Business Rates

- A revaluation will come into effect from 1<sup>st</sup> April 2026, updating rateable values for all non-domestic rating properties to reflect current market conditions and reflect the changes to the tax base.
- The standard multiplier will be updated by September CPI (3.8%).
- New, permanently lower tax rates for eligible retail, hospitality, and leisure properties, 5 pence below the relevant national multiplier.

### Social Care

- Continued priority funding for adult and children's social care, with allocations to be confirmed for Council's with the PLGFS.

### Housing & Homelessness

- Affordable Homes Programme boosted by £500m for 2026/27
- Additional funding for homelessness prevention continues, with allocations expected early 2026
- Local authorities retain 100% of Right-to-Buy receipts, while discounts will be reduced
- Consultation launched on a long-term social housing rent settlement of CPI+1% for five years, with an option for a 10-year settlement

### SEND and Education

- £1bn increased for SEND and alternative provision in 2026/27.
- SEND reform plans will be set out early next year
- Government to take on future SEND costs centrally from 2028/29, relieving councils of statutory override pressures. There is currently no clarity on historic deficits, which is a major financial risk for Councils.

## Roads and Infrastructure

- Local roads maintenance funding rises by £500m in 2026/27

## Council Tax

- High value council tax surcharge – a new tax on owners of residential property in England for properties worth £2m or more. It will be paid by relevant homeowners in addition to council tax. Local authorities will collect the income which will pass through to Government. A consultation will launch in 2026.

## Employer National Insurance Contributions (ENICs):

- No new increase announced for 2026/27, but salary sacrifice changes confirmed for pensions from April 2029 (cap at £2,000 tax-free). This funding stream was separate in 2025/26 but will be rolled into Revenue Support Grant from 2026/27.

## National Living Wage Increase

- The National Living wage will increase by 4.1% to £12.71 per hour from April 2026. The National Minimum wage will also increase, by 8.5%.

## UK Shared Prosperity Fund:

- Extended for one more year at a reduced level of £900m across England

## Cost of Living and Benefits

8. Alongside the Autumn Statement, The Office for Budget Responsibility's (OBR) economic and fiscal outlook was published<sup>12</sup>. It is forecast that unemployment rate to peak at 4.7 per cent up from 4.3%, reflecting slower growth and labour market adjustment. This is expected to ease gradually to 4.1% by mid-2027, returning to its estimated structural rate.

Welfare spending is forecast to rise from £326.9bn in 2025/26 to £339bn in 2026/27, driven by uprating of benefits and pensions. Long-term trend for welfare spending is expected to reach £377.7bn by 2029/30 (11.1% of GDP), mainly due to ageing population and health/disability caseload growth. The Crisis and Resilience Fund (replacing the Household Support Fund) will continue in 2026/27.

9. The impact of the wider macroeconomic downturn has impacted many vulnerable households. The Council continues to implement a £10m+ support package<sup>3</sup>

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<sup>1</sup> OBR Economic and Fiscal Outlook – November 2025 (CP 1439)

<sup>224</sup> [Economic and fiscal outlook – CP 1439](#)

<sup>3</sup> [Cost of living support | London Borough of Hammersmith & Fulham \(lbhf.gov.uk\)](#)

combining direct funding and national schemes.<sup>4</sup> This package, and other support across the council, includes:

- providing free breakfasts in primary schools
- abolishing home care charges for elderly and disabled residents
- frozen or cut service charges across the council in real terms.
- supporting the local foodbank and local charities
- expanding advice services for anyone in need of extra support
- making more funding available to help prevent emergencies and crisis.
- providing financial help to low-income families with essential living costs.

## **LOCAL GOVERNMENT FUNDING**

### **Local Government Finance Settlement, Core Spending Power and Local Government Finance Reform**

10. The Local Government finance policy statement was published on the 20<sup>th</sup> of November and sets out the framework for the first multi-year Local Government Finance Settlement in a decade, covering 2026/27 to 2028/29. The Government confirmed its commitment to funding reform through Fair Funding Review 2.0, introducing a simpler, needs-based system that allocates resources based on:
  - Relative needs formulas (Adult Social Care, Children’s Services, Highways, Fire and a Foundation Formula for other services.
  - Area cost adjustments for regional variations
  - Resources adjustment reflecting council’s ability to raise Council Tax locally.
11. Key features of the reform are as follows:
  - Business Rates Baseline reset, together with a revaluation from 2026/27
  - Grant Simplification - Consolidation of multiple smaller grants into the Local Government Finance Settlement to reduce complexity and reliance on competitive bidding.
  - Multi-Year Certainty - Councils will receive indicative allocations for three years, enabling better financial planning.
  - Transitional Protection - Funding floors will limit losses for councils that receive less under the new formula; changes phased in over three years.
  - Focus on Deprivation - More funding directed to areas with high deprivation and lower tax bases
12. The Provisional 2026/27 Local Government Finance Settlement (LGFS) was published by MHCLG on the 17<sup>th</sup> of December 2025 and the final settlement was published in the February 2026. The statement outlines provisional funding allocations for local authorities for 2026/27 alongside the Core Spending Power for each authority.
13. The 2026/27 LGFS is expected to set out an increase in Core Spending Power for English councils of 3.1% per year in real terms across the Spending Review period (2024–2029). There will be additional £3.4bn grant funding by 2028/29 compared to

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<sup>4</sup> <https://www.lbhf.gov.uk/cost-living-support>

2024/25. Social care remains a priority with £3.7bn for adult and children’s services through the Settlement, including ring-fenced grants.

14. The settlement assumes that Council tax increases will continue to be capped at 4.99% each year (2.99% general and 2% adult social care precept). It also includes assumptions around a business rates retention system reset from 2026/27, (including compensation for under indexing the multiplier) as well as growth in the Council Tax base.
15. A high level summary of the Council’s Core Spending Power (including impact of transitional funding) in comparison to the previous financial year is set out in the table below.

**Table 1 – Core Spending Power (Government estimate)**

	2025/26 £m	2026/27 £m	Change £m
Government Grants and Estimated Retained Business Rates	156.9	133.4	(23.5)
Estimated Council Tax	84.9	91.1	6.2
<i>Transitional relief funding</i>		6.0	6.0
<b>Total</b>	<b>241.8</b>	<b>230.5</b>	<b>(11.3)</b>

16. Overall Core Spending Power for the Council is forecast to decrease by £11.3m year on year, a reduction of almost 4.7%. This includes transitional funding of £6.0m in 2026/27. An explanation of the key funding streams is outlined below:
17. **Fair Funding Assessment** – The FFA (settlement funding assessment as was) is made up of two elements: The Revenue Support Grant (RSG) and the Baseline Funding Level (BFL). RSG is given to local authorities and can be used to finance revenue expenditure on any service. 17 funding streams will be consolidated into RSG from 2026/27, worth £25.3bn over the 3-year settlement.
18. The BFL is the estimated retained Business Rates as calculated by the Government, usually uprated in line with the small business rates multiplier. The actual business rates estimated by the Council is set out in the business rates section below.
19. **Consolidated Grants:** As part of Fair Funding Review 2.0, 16 funding streams will be consolidated into 4 new ringfenced consolidated grants. Across the three-year multi-year settlement, these grants total £21.5bn nationally:
  - Homelessness, Rough Sleeping and Domestic Abuse Grant - £2.4bn.  
Combines Homelessness Prevention Grant, Rough Sleeping Prevention, Recovery and Accommodation Programme and Domestic Abuse Safe Accommodation Grant
  - Children, Families and Youth Grant - £3.1bn  
Children’s Social Care Reform (which includes Prevention Grant, Families First Partnership, Transformation Fund and Additional investment), Holiday Activities and Food Programme, Pupil Premium plus Post-16
  - Public Health Grant - £13.5bn

Consolidates existing Public Health Grant with Drug and Alcohol Treatment and Recovery, Stop Smoking services, Individual Placement and Support Services and Swap to Stop scheme.

- Crisis and Resilience Fund - £2.5bn  
Combines Household Support Fund and Discretionary Housing Payments.

20. **Compensation for the under-indexing of the business rates multiplier** – this is funding to compensate local authorities for lost business rates income arising from the decision to freeze the small business rates multiplier. As part of Fair Funding Reform, business rates under-indexation funding to 2025/26 is brought into the main Revenue Support Grant, and this is factored into the overall Council funding position.
21. **Social Care Funding** – Social Care Grant (£17.8bn) and Market sustainability and improvement fund (£3.2bn) will be consolidated into RSG grant. This funding is addition to £2.7bn continuing ringfenced funding for adult social care in relation to the Local Authority Better Care Grant.
22. **Extender Producer Responsibility for Packaging (EPR)** – This income will cover the existing costs local authorities incur for managing household packaging waste, provide additional funding for new legal duties, and support much needed investment in the waste and recycling industry. The Council is forecast to receive an estimated £2.6m as a guaranteed payment in 2026/27 towards these costs. However, the government will assess the impact of additional EPR income on the relative needs and resources of individual local authorities, and how it factors into the measurement of local authority spending power, ahead of the 2026/27 Settlement.
23. The Government has outlined as part of the terms of the funding that councils will be subject to monitoring and evaluation of the efficiency and effectiveness of its waste management functions. The council may be subject to improvement actions if it is not deemed 'efficient and effective', and potential deductions on payments from 2027/28 if improvements are not delivered.

## **IMPACT OF FUNDING REFORM ON HAMMERSMITH AND FULHAM**

24. It has been clear, from the two Government consultations over the last year (in December 2024 and June 2025, which included the release of a borough level relative needs formula calculator), the finance policy statement in November and finally the PLGFS, that Hammersmith and Fulham would see a sizeable reduction in Central Government funding in raw terms (ie comparing directly the old and new funding regimes, and before transitional arrangements). This is caused by a combination of relatively lower deprivation levels compared to other local authorities, and a higher resources adjustment, caused by lower than average Council Tax.
25. Government will implement the new Fair Funding framework over 2026/27, 2027/28 and 2028/29. Whilst the 2026/27 funding protection remains at 95% of 2025/26 core spending power level, transitional funding for each of the subsequent two years will be reduced by an amount equivalent to £150 per Band D equivalent of the council tax base (based on Government's forecasts of our council tax base over the period). As a result, total transitional funding across the period will be £34m.

26. The organisation will need to ensure it is ready to absorb these annual funding reductions, which will now present considerably sooner than previously modelled (because of less transitional funding). The three-year settlement information is factored into the Medium Term Financial Strategy at Appendix B.

### **Business Rates reset/revaluation**

27. The Business Rates Baseline funding level in the table above is the product of two numbers - the business rates baseline funding level (30% of rates estimated to be collected, being the borough share), less the tariff we pay to Government from its share of business rates income.
28. Fair Funding and the business rates reset has had a sizeable impact on our position. The tariff H&F pays to Government quadruples, from £12.8m in 2025/26 to £53.6m in 2026/27. This means that from an indicative gross rates collectible within the borough of £300m, Hammersmith and Fulham Council retains 10% of this. The below is Government's estimate from the Calculator it released with the Fair Funding information.

<b>Government estimate of Business Rates</b>	<b>2026/27 - Fair Funding £m</b>
Gross rates payable	301.3
Business Rate Baseline (borough share 30%)	86.3
Tariff (paid to Government)	(53.6)
<b>Baseline Funding Level</b>	<b>32.7</b>
Council budgeted level (safety net)	32.7

29. Within the Fair Funding review, and following strong support expressed in responses to the Fair Funding consultation, the government has increased the Business Rates Baseline Funding Level Safety Net to 100% for 2026/27. This is very much welcomed, given the disruption and uncertainty caused by the business rates revaluation and reset, as part of the comprehensive overhaul of the local government funding framework. H&F will be budgeting at the Baseline Funding Level/100% Safety net for 2026/27. The Safety Net threshold will gradually move back to 92.5% by 2028/29.

### **THE REVENUE BUDGET 2026/27**

30. The budget gap for 2026/27 was estimated at £30.7m (as reported to Council in February 2025). This forecast has been under continuous re-assessment during the financial year as service pressures have emerged and/or been mitigated, plus announcements on funding are known. The key changes that resulted in a balanced budget proposal for 2026/27 are set out in the table below (the individual Directorate budget analysis and other details are set out in Appendix I).

**Table 2: 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)	(5.6)
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)
Fair Funding - Transitional Relief	(6.0)
<b>Budget Gap 26/27</b>	-

31. The Band D Council Tax charge is calculated by dividing the Council Tax requirement by the Council Tax base<sup>5</sup>. The determination of the 2026/27 Council Tax requirement is set out in Table 9. The medium-term forecast to 2029/30 is set out in Appendix B.

## SERVICE AND CORPORATE ITEMS

### Inflation, Investment and Growth

32. As outlined in the national outlook section above, inflation has moderated but is expected to remain above the long-term target, with CPI forecast at 2.5% in 2026, decreasing from 3.6% in October 2025. This represents progress towards the Bank of England's 2% target (expected by 2027) but the cumulative impact of high inflation since 2021 continues to drive up the cost of goods and services. Despite easing inflation rates, the legacy of price increases combined with rising demand linked to demographic changes and the on-going cost of living crisis, has resulted in significant financial pressures across key service areas:
- Temporary Accommodation – costs remain significant, with national spending exceeding £2.8bn in 2024/25 and projected to rise further without subsidy reform

<sup>5</sup> The Council Tax requirement is the expenditure that is to be funded from Council Tax. The Council Tax base is the income that will be generated from a Council Tax charge of £1.

- Children's Services – increased complexity of cases and higher placement costs continue to strain budgets. SEND-related overspends remain a major risk without statutory override ending in March 2026.
  - Adults Social Care – demand pressures persist, compounded by workforce shortages and rising provider costs. National Living Wage increases and Employers National Insurance Contribution changes add further inflationary risk.
33. These pressures are detailed, monitored and are reported to Cabinet through the Corporate Revenue Monitoring process. The Council continues to implement mitigation measures, including income generation projects, costs controls and targeted prevention.
34. The council has been affected by a cyber security incident in a neighbouring council with shared legacy systems. We were able to successfully isolate and safeguard our network. However, it is likely there will be short and medium cost implications to be reported in the future.
35. For 2026/27, the council has allocated £6.9m to services to fund inflationary pressures across third party contracts. This assumes inflation of 3.2% plus additional funding targeted at contracts where inflation is expected to be higher than the 3.2% assumption (for example, energy and fuel costs).
36. The budget also proposes a provision of 2.5% (£4.0m) for the pay award in 26/27. At this time negotiations on the future pay award have not yet been made public so it is unclear what the final settlement will be. The trend in prior years for a cash uplift as opposed to a percentage uplift which is proportionately more beneficial for those on the lower end of the pay scale.
37. In 2026/27, short-term efficiencies arising from lower than budgeted contributions to the concessionary fares (freedom pass) scheme have largely ended. Passenger usage on public transport has returned to near pre-pandemic levels, and the Mayor of London has implemented fare increases in line with the Government's funding settlement, requiring annual rises of RPI +1% until 2030. This means that the cost of the Freedom Pass scheme is rising significantly, driven by higher fares and an ageing population. The total cost of the scheme across London is forecast to increase by £40m to £372m in 2026 with projections of almost £500m by 2030. Boroughs' contributions are expected to rise accordingly and £0.8m has been allocated in respect of this and increases in other levy payments. The total and unavoidable cost of the Freedom Pass to Hammersmith and Fulham in 2026/27 is £9.7m
38. Elected Council Members are now permitted to join the Local Government Pension Scheme (LGPS). Membership is typically available to councillors who receive allowances and wish to build pension benefits linked to those allowances. Contributions are calculated based on the level of pensionable allowances, and the scheme provides defined benefits similar to those for employees, including accrual based on career average earnings. The additional cost must be funded from the Council's resources and £0.3m has been included in the budget as a new, on-going pressure on revenue. This option supports long-term financial security for members while maintaining transparency and accountability in public sector pension arrangements.
39. Any inflation, growth and investment proposals are reviewed and monitored via the regular Corporate Revenue Budget monitoring reports on an ongoing basis as more

information becomes available and any variances to these estimates are reported accordingly where appropriate. In recent years, the council has experienced significant increases in cost and demand for adults and children's social care expenditure as well temporary accommodation, and there is an element of risk that even with mitigation plans and service actions, expenditure may exceed budget for 2026/27. Work is underway across these areas to address cost pressures, but given trends in recent years a corporate contingency and earmarked reserves are also held to mitigate these risks.

## Savings

40. The proposed savings are detailed in Appendix C and summarised in Tables 4 and 5.

**Table 4: 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>

**Table 5: Categorisation of savings**

<b>Savings categories</b>	<b>£m</b>
Commercialisation / income	(5.1)
Procurement / commissioning	(0.2)
Service reconfiguration	(0.2)
Service rationalisation/budget reduced in line with spend	(3.0)
Staffing / productivity	(0.6)
Government related	(0.5)
<b>Sub total Service Savings</b>	<b>(9.5)</b>
Collection Fund savings	(8.4)
<b>Total</b>	<b>(17.9)</b>

## Other Measures

44. Income of £2.6m relating to investing cash balances is expected to materialise in 2026/27 as interest rates continue as per the Bank of England's economic forecast assumptions. This income will be used to balance the budget in 2026/27 and cash balances and base rate assumptions will be reviewed throughout the financial year, in line with the Council's Treasury Management Strategy.
45. For 2026/27, Hammersmith & Fulham will benefit from a reduction in both the primary and secondary employer pension contribution rates following the latest triennial valuation of the Local Government Pension Scheme (LGPS). The primary rate, which

covers future service costs, has decreased (from 20.6% to 19.4%) due to improved funding levels and strong investment returns, while the secondary rate, which addresses past service deficits, has also fallen as the deficit position has improved. This change is expected to deliver a recurring saving of approximately (£2.1m) in 2026/27 compared to the previous year, easing pressure on the Council's revenue budget. These savings have been factored into the Medium-Term Financial Strategy (MTFS) and will support the delivery of efficiency targets without impacting pension fund sustainability.

## **FEES AND CHARGES**

46. *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.*

47. The current proposed exceptions to the standard 3.8% increase and policies above are set out in Appendix E.

## INVESTMENT IN SERVICES

### People's Services (Gross Budget £271.1m, Net Budget £131.4m)

#### Children's and Education Services

- Gross Budget £127.8m, Net Budget £56.7m (excluding non-controllable overheads and the direct delegation of funding to Hammersmith and Fulham schools totalling £52.6m).
- Children's Services was awarded an "Outstanding" rating by Ofsted in 2024.
- £2.3m - Early intervention and prevention focus on intervening with children and their families as early as possible to improve their life chances and reduce the risk of escalating need. Included within the broader offer, targeted direct intervention is offered to circa **700** children per annum.
- £15.47m - Providing effective statutory intervention to keep families together, safeguard children and improve their outcomes with **727** children subject to an episode of social work intervention under child in need and **253** with an episode under child protection in 2024/25 with circa **1,318** statutory assessments completed per annum.
- £1m - Youth Justice Service delivering statutory intervention to children within the criminal justice system including a range court ordered and directed interventions aimed at diverting from criminality, protecting the public and improving outcomes for circa **123** children and young people allocated in 2024/25. Hammersmith & Fulham's Youth Justice Service was rated as "Outstanding" following an HM Inspectorate of Probation review in 2022.
- £21.1m - Delivering on our statutory responsibilities to provide settled and loving care arrangements for approximately **197** children looked after.
- £5.6m - Delivering our statutory responsibilities to approximately **507** Hammersmith and Fulham care leavers we owe a duty to in order to support them to thrive in adulthood.
- £1.4m – Investment into food poverty via schools breakfast clubs, providing over **4,000** breakfasts per day on average. In addition, the holiday activity and food programme provides support to over **2,600 unique** young people across the year.
- £74.5m - Education and Special Educational Needs and Disability (SEND), including:
  - statutory services including SEND travel care and support for **575** residents per annum
  - high needs support for **1,858** residents with an Education and Health Care Plan and Early Years Education supporting an estimated **1,961** full time equivalent places from 9 months to 4 years old under the governments funded entitlements.
- Additionally, there are approximately **3,602** children in Hammersmith and Fulham with SEND support needs.

- £2.2m investment into Family Hubs, providing help and support for children, young people and their families, including children and young people with special educational needs and disabilities across 3 family hub venues.

### **Adult Social Care**

- Working compassionately with young people and adults so that they enjoy independent, healthy and fulfilling lives.
- The gross Adult Social Care Gross expenditure budget for 2026/27 is £115.3m (excluding non-controllable budgets). The net budget is £74.4m.
- This represents the full cost of delivering statutory adult social care services including residential and nursing care, home-based support, direct payments, and supported living.
- The main gross budgeted expenditure for residents is spent on:
  - Residential and Nursing placements with an investment of £40.5m (33%), supporting **459** residents, with a significant proportion aged over 75.
  - Community based services to remain independence, with £19.6m (16%) invested in Home Care supporting **1,623** residents and delivering 1.164m annual care hours in the community.
  - We are the only council in the country to provide free Home Care for those who need it, helping **1,623** residents who would otherwise have to pay for expensive care at a time when they are most vulnerable.
  - Direct Payments, with £10.9m (9%) continue to play a major role in personalisation, a total of 636 residents.
  - Supported Living and Extra Care accommodation is forecasted to have a budget allocated of £13.8m (11%) and support 285 residents, with a predominantly younger cohort requiring long-term support.
  - The “Meals and a Chat” service which supports 41 residents and an estimated 11,700 total volumes of meals delivered annually
  - The budget reflects continuing demographic and cost pressures across both older people’s services and younger adults with lifelong and complex needs
- Growth continues to be driven by:
  - Increasing demand for support due to the ageing older people population.
  - Market driven inflationary pressures in care provision.
  - Higher acuity of need.

### **Public Health**

- The provisional Public Health grant for 2026-27 is £28m and the expenditure plan is on a full range of Public Health services including sexual health services, substance misuse services, children and families' services, health promotion and prevention services.

## **Place** (Gross Budget £148.7m, Net Budget £10.6m)

(Budgets excluding non-controllable overheads)

### Public Realm

- Investing more than £30m a year in keeping the borough clean and collecting and disposing of waste and recycling from around 81,000 homes.
- Investing almost £3m a year in keeping the borough's parks, cemeteries and open spaces as an enjoyable space for all - earning 25 prestigious national Green Flag awards.

### Uxbridge Road

- Uxbridge Road is one of the borough's most important high streets and we are prioritising investment (funded from a combination of General Fund and s106) to ensure it remains a place where residents are proud to live, shop, and spend their free time.
- In the immediate term this includes deep-cleaning pavements, decluttering street furniture and tackling derelict shopfronts, supporting local artists and businesses to improve shutters and façades and expanding safety measures, (totalling £750k).
- £130k has been allocated to visual improvement of the high street by funding the painting of shop shutters by local artists.
- We are increasing greenery along the Uxbridge Road corridor.
- Via our Planning Enforcement Team, we have enforced new rules for shopfront trading and continued to engage with phone companies to press for the removal of derelict phone boxes in the area.
- We have doubled the number of patrols by the Law Enforcement Team (LET) on Uxbridge Road and neighbouring streets.
- We are progressing the establishment of a Shepherds Bush Business Improvement District, as has already been established in Hammersmith and separately Fulham, to further enhance this part of the borough and increase footfall.
- There will be a consultation on the draft Local Plan in 2026/27.

### Community Safety

- Investing £4.6m a year in the groundbreaking H&F Law Enforcement Team - 72 Council funded uniformed officers helping to make H&F one of the safest London boroughs.
- Investing £1m a year in the Gangs, Violence and Exploitation Unit (GVEU). Since its launch in 2020 the Council has supported around 200 young people and families identified as at risk of exploitation or serious youth crime.
- Investing £0.8m a year in ending Violence Against Women and Girls (VAWG) and Modern Slavery and Exploitation (MSE) - supporting around 500 women and 300 children who have been affected by violence every year.
- Investing £0.6m a year to manage and maintain one of the most advanced Council CCTV networks in the UK, with 2,000 cameras being monitored 24/7 by council staff.

### Climate Change & Ecology

- Investing more than £1m every year in the team that's driving the Council's ambitious climate change and ecology strategy.

## Housing (General Fund) (Gross Budget £44.3m, Net Budget £14.5m)

(Budgets excluding non-controllable overheads).

Pressure continues to rise due to increasing homelessness demand, constrained supply of affordable housing, rising temporary accommodation costs, and wider economic factors such as inflation, private rent growth and changes in legislation. In response, the Housing service (General Fund) works tirelessly to prevent homelessness, provide safe accommodation, improve housing standards, and support vulnerable residents across Hammersmith & Fulham and remains committed to delivering excellence while maintaining strong financial governance and ensuring every pound spent delivers value.

- We will invest £6.2m in **Homelessness Prevention and Assessment**, providing statutory homelessness assessments, prevention work, housing advice. This includes expanding early-intervention and prevention activity to reduce new homelessness presentations, improving discharge pathways into the private rented sector and social housing, supporting residents impacted by the cost-of-living crisis, Section 21 evictions, unaffordable private rents, and strengthening relationships with landlords to increase the supply of suitable accommodation.
- We will manage the £36.8m gross cost of **Temporary Accommodation**, managing demand through investing in maintaining and improving the current temporary accommodation portfolio, increasing placement stability and quality, reducing nightly-paid usage where possible and enhancing procurement of suitable accommodation that minimises cost and improves outcomes for families.
- We will spend £1.6m on **Housing Standards and Enforcement** teams to ensure safe, high-quality homes across the private sector by strengthening enforcement activity against non-compliant private landlords, including mandatory HMO licensing and selective licensing enforcement, improving property standards through targeted inspections and data-led interventions, supporting the work tackling severe non-compliance in HMOs and expanding enforcement in selective licensing areas to increase compliance and income.
- We will continue to work to reduce **Rough Sleeping** and provide **Support Pathways**, spending £3.8m providing outreach, specialist accommodation pathways for individuals with complex needs, and partnership working with health, adult social care and voluntary sector services.
- We will invest £2.7m to provide safe homes, tailored resettlement support, and community integration services for **refugees**, ensuring families fleeing conflict can rebuild their lives with stability and dignity. This funding will strengthen our role as a borough of sanctuary by expanding housing provision, specialist casework, education and employment support, and wider partnerships that help refugees thrive as valued members of our community.

## **Finance and Corporate Services** (Gross Budget £56.3m, Net Budget £41.2m)

(Budgets excluding non-controllable overheads).

Finance and Corporate Services is responsible for a range of back-office and customer facing functions that support the strategic aims of the Council. The delivery exceptional services and strong financial governance remain key priorities.

- We will spend £14.7m on Digital Services providing the necessary digital hardware, systems and support to all areas of the Council, leading on digital change and projects, and keeping our data safe.
- We will spend £6.2m providing governance and democratic services and support to the Council including delivery of Electoral Services, Registrars, Mortuary and Coroners' Services.
- We will spend £5.7m via our Revenues and Benefits team on the billing, collection and recovery of Council Tax (£139.4m, including GLA's share), Business Rates (£300m, including shares that statutorily go to GLA and Central Government), Housing Benefit overpayments and sundry debts. The team will also carry out the assessment and payment of Housing Benefit, Council Tax Support, free school meals, uniform grants, accessible transport solutions, and discretionary housing payments.
- We will spend £4.7m on our Finance function, establishing a clear Medium Term Financial Strategy to ensure the Council resources are well managed, completing statutory obligations, year-end accounts and ensuring the Council's financial resilience.
- We will spend £4.6m on the provision of face-to-face resident services and the Council's corporate contact centre, the administration of parking permits as well as coordinating and managing resident's complaints, requests for information and Ombudsman cases.
- We will spend £4m on our legal services ensuring the authority acts lawfully, defensibly, and in the public interest across everything it does.
- We will spend £3.7m investing in the third sector to enable community-focused projects, advice services, and development support, aiming to enhance residents' well-being, inclusion, and resilience, particularly for vulnerable groups.
- We will spend £10.7m across a range of support services including HR, Business Intelligence, Communications and Community Engagement, Audit, Fraud, Risk and Insurance services, Procurement, and on our Finance and HR system and managed service.
- The department will also lead the Council's transformation agenda to improve services and reduce costs including the delivery of the Council's Resident Experience and Access Programme and support assurance on delivery of the Council's H&F Plan, Third Sector Investment Strategy and major projects and programmes.
- We are funding the council's comprehensive Council Tax Support Scheme, which benefits 4 in 10 rate payers across the borough which costs £10. This year the scheme has been expanded, providing 100% Council Tax discounts to care leavers and foster carers, and for the first time anywhere in the country, a 25% discount for military veterans.

## COUNCIL TAX, BUSINESS RATES AND LEVIES

### COUNCIL TAX SETTING

48. As part of the Localism Act 2011, the Government replaced the power to cap excessive budgets and Council Tax increases with compulsory referenda on Council Tax increases above limits it sets. For 2026/27 local authorities “will be required to seek the approval of their local electorate in a referendum if, compared with 2025/26, they set an increase in the relevant basic amount of Council Tax that is 3% or higher”. As the proposed Council Tax increase for this Council is 2.99%, no such referendum is required.
49. In addition, the Government has modelled setting a precept to fund social care for adults of 2% in 2026/27. This levy is included in the Council’s budget proposals.
50. **The Council has a successful track record of keeping Council Tax low, either cutting or freezing Council Tax in five of the last eleven years.** Nationally, Council Tax is around 57% of the total Core Spending Power but only accounts for 39% in Hammersmith and Fulham, reflecting the Council’s relatively low tax base and government grant funding compared to the national average.
51. Funding reforms, inflationary lag, continued wage growth above current CPI levels and elevated interest rates makes a Council Tax increase in 2026/27 unavoidable. A 2.99% increase in the Hammersmith & Fulham element of Council Tax is required to achieve a sustainable budget. As the current level of Council Tax is so low, even an increase of 2.99% keeps the overall level well below other local authorities. For 2026/27, despite the financial pressures on the council, our ruthlessly financially efficient approach has allowed us to keep Council Tax levels low. There are fewer better places to be a Council Taxpayer than here in Hammersmith & Fulham. Not only do we have the third lowest council tax rates in the country, but our Council Tax Support Scheme, providing a total of £9m support for residents across the borough, gives a discount to 14% of households, with the most vulnerable paying nothing at all.
52. In 2025, this administration took the decision to exempt care leavers from paying Council Tax entirely, along with exemptions for in-house foster carers and special guardians. As such, these groups who do so much for our communities do not pay a penny of Council Tax, showing the administration’s commitment to being a compassionate council. 2025 marked 80 years since the end of the Second World War. As a token of thanks to the brave men and women who have risked their lives to protect our country, all military veterans will be eligible for a 25% Council Tax cut in 2026/27.
53. The level of Council Tax increase reflects the assumption that has been outlined by Central Government in the Autumn Statement made on the 26<sup>th</sup> November by the Chancellor and assumed in the funding settlement for local government. The additional income will fund rising costs, protect, and support investment in key services for residents, and strengthen future financial resilience. The increase is equivalent to £27.37 per annum, or less than 53p per week, for 2025/26 (at Band D). The Council Tax charge for Hammersmith & Fulham is the third lowest in the country.
54. **The council is also proposing to levy a 2% Adult Social Care precept.** The increase is equivalent to £19.22 per annum, or less than 37p per week, for 2026/27 (at Band D)

and is ringfenced to support Adult Social Care. The continued delay in the national review of the funding of adult social care is a major concern and the government is continuing with the strategy of using an adult social care precept (since 2016/17). In the first years of the levy, Hammersmith & Fulham was determined not to apply the levy even though the council's funding from Government was modelled on the assumption that it would. Due to the continued high levels of inflation and instability in the social care market, the impact of the Covid-19 pandemic and the absence of a long-term funding solution to social care funding, the council has accepted the need to apply this levy to fund core services to vulnerable adults.

55. As set out below 62% of dwellings in Hammersmith & Fulham are liable for 100% Council Tax with exemptions/discounts for Council Tax support claimants, students, care leavers and single person households.

**Table 7: Liability for Council Tax**

<b>Total dwellings in the borough</b>	<b>95,707</b>	<b>%</b>
<b><i>Reductions:</i></b>		
Demolished dwellings	(25)	0
Exemptions (mainly students, includes care leavers and vacant properties)	(3,321)	3%
Council Tax support claimants (elderly & working age on low income, including those with other discounts)	(13,061)	14%
Discounts only (primarily single person discount of 25%)	(33,424)	35%
<b>Dwellings liable for 100% of Council Tax</b>	<b>58,937</b>	<b>62%</b>

## CONSOLIDATED GRANTS

56. As outlined above, as part of the Fair Funding Review the Government has consolidated 16 funding streams into four new ringfenced consolidated grants. Hammersmith and Fulham's borough allocations of these grants for 2026/27 and the following two years are as follows.

	<b>2026/27 £m</b>	<b>2027/28 £m</b>	<b>2028/29 £m</b>
<b>Consolidated Grant allocations</b>			
Homelessness, Rough Sleeping and Domestic Abuse	4.5	4.5	4.7
Public Health	28.1	28.9	29.4
Crisis and Resilience Fund	2.9	2.9	2.8
Children, Families and Youth Grant	3.0	3.0	2.6

57. The Public Health grant, the biggest of the consolidated grants, protects and promotes the wellbeing of the community through Health Protection and Health Improvement. It funds a number of services for Sexual Health, Substance Misuse, Families and Children and a range for Council front services.
58. The homelessness, rough sleeping and domestic abuse grant supports local authorities to deliver homelessness and rough sleeping services, as well as meeting their domestic

abuse duties. This will in part support our temporary accommodation function, but other key services too.

58. The Crisis and Resilience fund will provide continuation of support across a wide range of services and support to our more vulnerable residents, including discretionary housing payments, homelessness prevention, cost of living advice and payments to pensioners and the disabled.
59. The Children Families and Youth Grant will enable the continuation of investment in preventative services through the transition to Family Help and child protection reforms. It provides capacity for transformation in line with policy and legislative expectations for direct investment in preventative activity and multi agency child protection working.

## COUNCIL TAX REQUIREMENT 2026/27

**Table 8: Base Budget Requirement for 2026/27**

<b><i>Budgeted expenditure 2026/27</i></b>	<b><i>£m</i></b>
<i>Housing benefit payments</i>	90.7
<i>Gross Departmental expenditure budgets (including non-controllable overheads):</i>	
<i>People</i>	342.1
<i>Place</i>	148.7
<i>Housing Solutions</i>	51.6
<i>Finance and Corporate Services</i>	65.7
<i>Centrally Managed Budgets</i>	39.1
<i>Less capital financing</i>	(26.1)
<b><i>Gross budgeted expenditure</i></b>	<b>711.2</b>
<i>Customer and client receipts</i>	(125.1)
<i>Specific and ringfenced govt grants</i>	(266.4)
<i>Reimbursements and contributions</i>	(33.1)
<i>Interest and other</i>	(63.7)
<b><i>Gross revenue income budget requirement</i></b>	<b>(488.3)</b>
<b><i>Net revenue budget requirement</i></b>	<b>222.9</b>
<b><i>To be met from:</i></b>	
<i>General grants</i>	(85.9)
<i>Locally retained business rates</i>	(32.7)
<i>Transitional funding</i>	(6.0)
<i>Collection Fund</i>	(5.7)
<b><i>2026/27 Council Tax requirement (including the adult social care precept)</i></b>	<b>(92.6)</b>

The overall amount to be met from the Council Tax, including the GLA element, is £139.379m. This will provide a balanced budget in 2026/27.

**Table 9: Overall 2026/27 Council Tax requirement**

London Borough of Hammersmith & Fulham	£92,551,534
Greater London Authority (proposed)	£46,827,040
<b>Total requirement for Council Tax</b>	<b>£139,378,574</b>

- In accordance with the Local Government Finance Act 1992, the Council is required to calculate and approve a Council Tax requirement for its own budgetary purposes (section 9) and then add the separate Council Tax requirements for each of the preceptors (section 10). The requisite calculation is set out in Appendix A.
- The council must then set the overall Council Tax for the Borough. These calculations must be carried out for each of the valuation bands, A to H. The amount per Band D equivalent property is calculated as follows:

$\frac{\text{Total Council Tax Requirement}}{\text{Tax Base (Band D equivalent)}} = \frac{£139,378,574}{91,726} = £1,519.51 \text{ Band D}$
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- On the 19<sup>th</sup> of January 2026, Cabinet agreed a Council Tax base of 91,726 equivalent Band D properties for 2026/27. Therefore, the council's element of the Council Tax for Band D properties can be calculated as followed:

$\frac{\text{Total Council Tax Requirement}}{\text{Tax Base (Band D equivalent)}} = \frac{£92,551,534}{91,726} = £1,009.00 \text{ Band D}$
--

- This represents a 2.99% increase in the Hammersmith & Fulham element of the Council Tax charge and a 2% levy for the adult social care precept.

**PRECEPTOR'S (Greater London Authority) COUNCIL TAX REQUIREMENT**

58. The Greater London Authority's (GLA) precept is also funded from Council Tax. The following table analyses the total amount to be funded and the resulting proposed overall Band D Council Tax level. The Mayor of London's budget proposals set out a provisional Band D charge of £510.51. This is subject to formal approval by the Mayor of London following the London Assembly meeting of 26 February 2026. The preceptors budget requirement will be amended should there be a change to the Mayor's proposed Band D charge.

$\frac{\text{Preceptor's Budget Requirement}}{\text{Tax Base (Band D equivalent)}} = \frac{£46,827,040}{91,726} = £510.51 \text{ Band D}$
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59. The proposed GLA charge represents an increase of £20.13 (4.1%), compared to 2025/26. This includes a 3% increase in both the police and non-police services precepts.<sup>6</sup>

### **Business Rates**

60. In 2024-25, the Chancellor received powers to vary the increases in the small and standard multipliers (the small multiplier has been frozen in the last two years, the standard multiplier has been indexed). From 2026-27, the Chancellor also has powers to set up new multipliers. New multipliers will be set up from 2026-27 for Retail, Hospitality and Leisure (RHL) properties, with a further multiplier on high-value properties.

61. The overall business rates forecast assumes that Hammersmith & Fulham will receive and retain the minimum amount guaranteed, the safety net threshold, by Government, which for 2026/27 is set at 100% of the baseline funding level. As explained above, this is £32.7m for 2026/27.

### **Collection Fund**

62. It is currently estimated that there will be one-off surpluses of £5.7m for 2026/27 which will be agreed as part of outturn for 2025/26. Any further residual resources identified will be carried forward and dealt with in budget planning for 2027/28. These variations are due to several factors adjustments, collection rates, review of single person discount entitlements and other technical adjustments relating to tariffs.

### **Levies**

63. The Council, alongside other London local authorities, contributes towards London wide services in the form of levy payments. Levies are paid to the following agencies:

- Environment Agency (for flood defences)
- London Pension Fund Authority
- London Councils (for concessionary travel for those 60+)
- Lea Valley Regional Park Authority
- Western Riverside Waste Authority

64. As at time of writing, not all of these levies have been confirmed and therefore the budget for 2026/27 is based on the charge from 2025/26 uplifted by inflation and projected demographic changes. Once these are confirmed, the budgets will be amended before final approval at Full Council if necessary.

65. For concessionary travel budget is estimated to require £0.8m of additional investment (bringing budget to £10.2m) for 2026/27. Demand for travel has gradually returned near to pre-pandemic levels and TfL has confirmed that tube fares will increase by 5.8% in 2026.

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<sup>6</sup> Source: [Mayors Consultation Budget 2026-27 \(2\).pdf](#)

## **CONSULTATION**

### **Non-Domestic Ratepayers**

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

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

67. As part of the consultation process the budget proposals have been reviewed by the Policy and Oversight Board, and the relevant Policy and Accountability Committees.

## **VIEWS OF THE EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE SERVICES**

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

68. Under Section 25 of the Local Government Act 2003, the Executive Director of Finance and Corporate Services is required to include, in the budget report, a view of the robustness of the budget estimates.

69. Budget estimates are exactly that, estimates of spending and income at a point in time. This statement about the robustness of estimates cannot give a guaranteed assurance about the budget but gives Members reasonable assurances that the budget has been based on the best available information and assumptions. For the reasons set out below the Executive Director of Finance and Corporate Services, is satisfied with the accuracy and robustness of the estimates included in this report:

- The budget proposals have been developed following guidance from the Executive Director of Finance and Corporate Services and have been through a robust process of development and challenge with the Strategic Leadership Team, service leads and Directors and Cabinet Members.
- The assumptions made for pay and price inflation, investment and other expenditure are pragmatic and prudent.
- The rigorous budget monitoring framework will be continued in 2026/27 and any risk/pressures arising will be reported and mitigating actions identified and implemented.
- Ongoing pressures identified as part of the budget monitoring process will be considered as part of MTFS proposals.
- Service directors have made reasonable assumptions about growth pressures which, where not manageable within current budgets, have resulted in additional investment.
- Rigorous mechanisms will be in place to monitor sensitive areas of expenditure and the delivery of savings. The council recognises that it faces an increasing financial challenge due to the combination of the impact of the Covid-19 pandemic, government grant funding cuts of £39m since 2010/11, new burdens from government, demographic trends including increasing demand and complexity and cost of that demand. The latest current year Corporate Revenue Monitoring Report (month 6) forecasts an overspend of £6.8m (reducing to £2.2mm should current mitigating actions be delivered, and the use of contingency budgets).

- Key risks have been identified and considered.
- Prudent assumptions have been made about interest rates payable and the budget proposals are joined up with the requirements of the Prudential Code and Treasury Management Strategy. The revenue effects of the capital programme are reflected in the budget with an increase of £0.7m in the revenue net cost of borrowing.
- The recommendations regarding fees and charges are in line with the assumptions in the budget.
- A review with the Strategic Leadership Team of proposed savings, their impact and their achievability has taken place.
- Cabinet Members have reviewed and challenged all budget proposals. In addition, the Oversight Board and relevant Policy and Accountability Committees have scrutinised the budget proposals.
- There are appropriate management and monitoring arrangements for the delivery of savings programmes.
- A prudent approach has been adopted on the local share of business rates income receivable based on the latest information available on appeals and debt management arrangements.

## **Risk and Debt Management**

70. Under Section 25 of the Local Government Act 2003, the Executive Director of Finance and Corporate Services is required to include, in budget reports, views of the adequacy of the balances and reserves the budget provides for considering the medium-term risks facing the authority.

71. The key financial risks that face the council have been identified in Appendix D and the substantive risks include:

- On-going economic uncertainty – inflation remains above trend, interest rates are forecast to stay relatively high and wage pressures continue. These factors increase the cost to the Council of delivering services and borrowing costs for capital projects. They also put additional pressure on disposable household income, impacting council tax recovery and fees and charges income.
- Legislative and regulatory changes – New burdens from the Fair Funding Review 2.0, reset of the Business Rates Retention System, compliance with environmental and social legislation (Extended Producer Responsibility for Packaging, Environment Act 2021, Social Regulation 2023, Employment Rights Bill) will add additional pressures on our service delivery.
- Funding reform uncertainty - multi year settlement and redistribution of government grants will create “winners and losers”. Transitional arrangements will mitigate some impact but the Council is forecast to face funding cuts of up to 12% by 2028-29.
- Regulatory burdens from Central Government (e.g., Housing Ombudsman, CQC) may increase our cost pressures if not fully funded.
- Demographic and demand-led pressures - Adult and Children’s Social Care costs continue to escalate driven by ageing populations, complex needs and Special Educational Needs and Disabilities demand. Homelessness and temporary accommodation costs remain acute.
- Higher pay inflation particularly given current labour shortages - National Living Wage increases and higher employer National Insurance contributions will add costs to services such as Adult Social Care.

- The stabilisation and restoration of Hammersmith Bridge the council continues to incur revenue and capital costs. Government funding is uncertain.
  - The impact of the wider economy on major council development projects and future contributions from developers – economic volatility and higher financing costs may affect developer contributions and the viability of large scale projects.
  - The impact of, and costs of, tackling climate change
  - The challenge of identifying further significant future savings that balance the budget over the longer-term whilst maintaining the provision of core services. The LGA project a funding gap for Councils in England of £6.2bn for 2026/27
72. The Council holds a corporate contingency which can be called upon to manage risks to the agreed budget reduction programme in any one year as well as addressing unforeseen budget pressures which may manifest themselves through the financial year and the medium term. The budgeted level of contingency for 2026/27 and across the remainder of the MTFS is in the region of £3m.

## Debt Management

- 73 Debt on the Council's balance sheet reduced from reduced by £7m in between March 2024 and March 2025, from £110m to £103m. Whilst there were reductions for debt relating to Business Rates (£4.2m), Housing Benefit Overpayments (£2.1m), and sundry creditors (£2.4m), Council Tax arrears rose by £1.9m and Housing rents debt increased by £1m
74. Improvements in debt management procedures were implemented during 2025/26. These included a Debt Management Board which continues to monitor performance, challenge services to take action to reduce debt balances and share best practice. There is a continuing drive to reduce the creation of new debt and to balance financial support offered to residents through the cost-of-living crisis with responsible lending.
75. The Council Tax debt position remains an area of priority. Residents have been helped by our ethical approach to debt recovery and repayment plans – which is both empathetic and effective in collecting revenues. However, for those who refuse to pay their council tax and haven't spoken to us about help with their finances, we have no other option other than to recoup this funding through legal means, where necessary. This includes the use of recovery agents. We have a duty to those taxpayers who are paying to pursue those that can pay but won't.
76. Initiatives such as use of algorithms to predict rent arrears and transformation programmes to free officer time for debt recovery and development have been implemented. There has been an increase in following up overdue debts with legal action and changes in the Council's policies which now allow for using enforcement agents to recover Council Tax debts from ex-residents. There will be a continued focus on the Top 10 debtors.
77. Provisions on the debts outstanding have been set aside based on prevailing regulations and guidelines (and are reviewed/endorsed by our external auditors).
78. The cyber security incident that the Council experienced in November 2025 may have an impact on collection rates. This will become clearer in early 2026 and will be considered through the revenue monitoring process and at financial year-end.

## **General Balances and Earmarked Reserves**

79. In accordance with guidance from CIPFA, the council sets aside specific funding to mitigate risk, ensure it has contingency for any unexpected financial liabilities, invest in its strategic corporate priorities and the carry forward of grants ringfenced for project delivery.
80. The lack of an appropriate safety net has resulted in several councils running into financial difficulties. The issuance of a section 114 notice (this is a notice from the s151 officer in their view that a Council's resources are not sufficient to fund its forecasted expenditure for a financial year) has become increasingly common in recent years and one in five local authorities have reported that they "think it is very or fairly likely that their chief finance officer will need to issue a Section 114 notice this year or next due to a lack of funding to keep key services running".
81. The Executive Director of Finance and Corporate Services considers that current reserves are adequate to deal with anticipated risks and liabilities. Reserves can only be spent once and need careful management and review to safeguard future financial resilience and deliver service transformation and key resident priorities. All reserves are regularly reviewed to ensure they are appropriate balances and in line with strategic priorities and may be reallocated to align with any change in strategy or to meet budgetary pressures should the budgeted contingency and mitigation plans not be sufficient.
82. The use of general balances or revenue reserves should not be regarded as a sustainable long-term strategy to fill the gap from core funding reductions and emerging demand and demographic budget pressures. Continued focus will be required on keeping spend within budget, avoiding the use of reserves to balance future budgets and on rebuilding reserves to support future investment. In the previous 2 financial years, the council ran a budget surplus and added to its revenue reserves.
83. The Council's detailed Reserves Strategy is set out in Appendix G. General balances are forecast to remain within the optimum range in 2026/27. The council's general balance is budgeted to be £22.1m at the start of 2026/27. This is well within the medium-term optimal range of £19m to £23m set as part of the council's reserves strategy (Appendix H). The Executive Director of Finance and Corporate Services considers that this optimal range is sufficient to allow for the risks identified and to support effective medium-term financial planning.

## **Section 106 and the community infrastructure levy**

84. Planning obligations under section 106 of the Town and Country Planning Act 1990 (as amended), known as section 106 agreements, are a mechanism which make a development proposal acceptable in planning terms, which would not otherwise be acceptable. They are focused on site specific mitigation of the impact of development. Property developments have placed increased pressure on council services in recent years.

85. The council has determined that a key priority area for the investment of available section 106 funds is to support regeneration, housing, and other infrastructure schemes.
86. Several section 106 agreements have been negotiated which will result in the receipt of additional funds in the future. There is a level of uncertainty and risk around the receipt of future section 106 funds as this relies on developments commencing and achieving specified trigger points which may be delayed or not progressed due to the impact of Covid-19 and broader economic conditions.
87. The Community Infrastructure Levy (CIL) is a planning charge, introduced by the Planning Act 2008, which can be levied by local authorities on new development in their area. It is an important tool for local authorities to use to help them deliver the infrastructure needed to support development in their area. The levy only applies in areas where a local authority has consulted on, and approved, a charging schedule which sets out its levy rates and has published the schedule on its website. Most new development which creates net additional floor space of 100 square metres or more, or creates a new dwelling, is potentially liable for the levy. The Community Infrastructure Levy Regulations set out various reliefs or exemptions from the levy and there are also economic factors which might impact on future CIL receipts.
88. In 2024/25 the council reported £22.4m of investment resulting from section 106 and CIL charges. This money is contributing to improvements across the borough such as regeneration, improvements to the public realm, and increasing community safety. Consistently raising such large sums is a testament to the administration's approach to negotiating with property developers, to ensure that the whole borough can benefit from new developments in the area.
89. The council will continue to monitor the receipt of section 106 and CIL funds expected in the short and medium term, where the level of uncertainty around trigger points increases.

### **CIPFA Financial Management Code**

90. An initial compliance analysis against the CIPFA Financial Management Code has been undertaken as part of the 2025/26 budget assurance work. The Code requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities, and circumstances. Demonstrating this compliance with the CIPFA Financial Management Code is a collective responsibility of elected members, the Section 151 Officer, and professional colleagues in the leadership team.
91. The annual compliance analysis is included at Appendix I and shows that the Council achieves a high level of compliance against the vast majority of the CIPFA Financial Management Code statements of standard (or best) practice. Where there is only a medium level of compliance, actions are suggested that would take the council to high level. The compliance analysis should be seen as an organic piece of work, re-visited at least annually as part of the budget process, with any actions or recommendations implemented on an ongoing basis.

### **EQUALITY IMPLICATIONS**

92. Published with this report there is a corporate budget EIA which assesses the impacts on equality of the decision to increase Council Tax and apply the social care precept increase to Full Council. The full EIA is attached at Appendix F.

## **RISK MANAGEMENT IMPLICATIONS**

93. In line with the council's priorities of Being Ruthlessly Financially Efficient and Being a Compassionate Council, members and officers will need to be mindful of the following factors faced by the council, in common with other local authorities, in approving the proposed budget, including savings and growth proposals:

- **Future Pressures:** It is inevitable that, in addition to the ongoing financial pressures relating to national economic conditions, further, as yet unidentified and therefore unquantified, budget pressures will manifest over the term of the current Medium Term Financial Strategy (MTFS), both in terms of additional/unplanned expenditure and reductions in sources of funding and income. The council must be prepared for such eventualities and maintain the progress for further savings, efficiencies and income generating initiatives and retain sufficient reserves to manage unexpected costs.
- **Demand Pressures:** There is a real risk of increased demand for children's services, adult social care, and homelessness services over the coming years. These are difficult areas in which to accurately quantify future demand, particularly given economic uncertainty. However, recent years have demonstrated that cost pressures are appearing because of diminishing resources, growing demand and new duties placed upon local authorities by central government. Current demand pressures exist in several areas including Social Care, Children's Services and Temporary Accommodation.
- **Use of Balances:** The risk associated with drawing on balances is that they are one-off non-sustainable options rather than permanent efficiencies. Prudent levels of balances should be maintained for later years where grant losses continue.
- **Procurement and Contracts:** The council will continue to review and develop forward planning for Commissioning and Procurement activities to identify new efficiencies and opportunities, increasing value to its residents. Continued robust management of the council's contracts is essential to ensure that they remain resilient during the challenges posed by changes resulting from the trade deal agreed with the European Union in December 2020. In addition, the new Procurement Act has introduced further requirements and burdens on local authorities from 24 February 2025.
- **Cost of living crisis:** The impact of the ongoing inflationary rises over the past three years, interest rates and fuel, food and other commodities is having a significant impact on residents. The report sets out additional support which is being and will be made available to support residents. However, the ongoing economic situation is likely to lead to increasing demand for services and increasing cost of procured services.

94. The economic climate in which the council must operate continues to be extremely challenging. Cost overspends on significant projects can pose a risk for financing, particularly in the current economic climate when funding is limited. Project and budget management processes are currently in place to limit the risk of overspend or slippage whilst accounting advice is sought to mitigate against any such risk should it occur. Real terms cuts to local government funding for more than a decade, external cost pressures and the need to fund local priorities mean that the council must continue with its significant savings and transformation programmes.
95. The report sets out several risks facing the council (at paragraphs 69 and 71 and in Appendix D), along with other local authorities in terms of previous reductions in local government funding and future prospects for funding, increases in demand for key services and the need to maintain adequate levels of reserves in the face of these pressures and the significant investment which the council is applying or seeking to apply to a range of key programmes. The report clearly sets out the increased level of financial risk and the known and planned reductions in the level of reserves. Strong programme governance and oversight is in place, and it is important that this is maintained to ensure that key objectives and outcomes are being delivered within approved budgets.
96. Appendix D sets out the financial risks against which the 2026/27 budget and MTFs are being proposed for approval. There are significant financial risks around ongoing demand for transport for children and young people with Special Educational Needs and increases in referrals, funding for social care services, increases in the demand for and cost of temporary accommodation, the reliability of a range of income and funding streams (in particular where affected by the cost of living crisis) needed to support the delivery of front-line services, along with inflationary pressures on staffing and employment costs and contracts. Appendix D contains high level mitigating actions in many cases. It is vital that clear mitigation plans are developed for all risks identified, which will then be implemented, monitored, and reported on to ensure that the council is able to deliver vital services within its overall cost envelope.
97. Similarly, Appendix C sets out a range of savings proposals which will need to be appropriately planned, implemented, managed, monitored, and reported on. Robust controls and governance will need to be applied to ensure that key activities support the delivery of the council's objectives while ensuring that costs are appropriately controlled, savings delivered, and growth investment achieves the required outcomes. Where actions are not delivering savings or mitigating financial pressures, prompt and appropriate action will need to be identified and taken.

*Implications verified by: Moira Mackie, Head of Internal Audit, 13 January 2026*

## **PROCUREMENT IMPLICATIONS**

98. There are no direct implications resulting from this report.

**List of Appendices:**

Appendix A – The requisite Council Tax calculations for Hammersmith & Fulham

Appendix B – Medium term financial forecast

Appendix C – Investment and savings proposals

Appendix D – Budget risks

Appendix E – Fees and charges

Appendix F – Equalities Impact Assessment

Appendix G – Reserves strategy and forecast

Appendix H – CIPFA FM Code Compliance

Appendix I – 2026/27 Budget Schedules

## APPENDIX A

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

		<b>£</b>	
(a)	Being the aggregate of the amounts which the council estimates for the items set out in section 31A (2) (a) to (f) of the Act.	734,310,200	
(b)	Being the aggregate of the amounts which the council estimates for the items set out in Section 31A (3) (a) to (d) of the Act.	594,931,626	
(c)	Being the aggregate difference of (a) and (b) above calculated by the council in accordance with Section 31A (4) of the Act, as its Council Tax requirement for the year.	139,378,574	
(d)	Being the amount formally agreed by council as the Council Tax base for 2026/27.	91,726	
(e)	Being the amount at (c) divided by the amount at (d) above, calculated by the council in accordance with Section 31B of the Act as the Basic amount of Council Tax (Band D) for the year.	1,519.51	
(f)	Hammersmith & Fulham proportion of the Basic amount of its Council Tax (Band D)	1,009.00	
(g) Valuation Bands – Hammersmith & Fulham Council:			
<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>
672.67	784.78	896.89	1009.00
<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
1,233.22	1,457.44	1,681.67	2,018.00
being the amounts given by multiplying the amount at (f) above by the number which, in proportion set out in section 5 (1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which that proportion is applicable to dwellings listed in band D, calculated by the council, in accordance with Section 36 (1) of the Act, as the amounts to be taken into account for the year in respect of dwellings listed in the different valuation bands.			
(h) Valuation Bands – Greater London Authority			
That it be noted that the following amounts in precepts issued to the council in respect of the Greater London Authority, its functional and predecessor bodies, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:			

<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>
340.34	397.06	453.79	510.51
<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
623.96	737.40	850.85	1,021.02

(i) That having calculated the aggregate in each case of the amounts at (g) and (h) above, the council, in accordance with Section 30 (2) of the Local Government Finance Act 1992, hereby sets the following amounts of Council Tax for the year 2025/26 for each of the categories of dwellings shown below:

<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>
<b>1,013.01</b>	<b>1,181.84</b>	<b>1,350.68</b>	<b>1,519.51</b>
<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
<b>1,857.18</b>	<b>2,194.84</b>	<b>2,523.52</b>	<b>3,039.02</b>