

29 FEBRUARY 2012

**LEADER**

Councillor Stephen  
Greenhalgh

**REVENUE BUDGET AND COUNCIL TAX  
LEVELS 2012/13**

This report sets out the 2012/13 revenue budget proposals, including Council Tax levels, and deals with the precept from the Greater London Authority (GLA), together with ancillary issues.

**Wards**

All

**CONTRIBUTORS**

All Departments

**RECOMMENDATIONS:**

1. To note the Council Tax reduction of 3.75% for the Hammersmith & Fulham element for 2012/13. For planning purposes, there will be a freeze on Council Tax for 2013/14 and 2014/15.
2. The Council Tax be set for 2012/13 for each category of dwelling, as calculated in accordance with Sections 31A to 49B of the Localism Act 2011, as outlined below and in full in Appendix A:
  - (a) The element of Council Tax charged for Hammersmith & Fulham Council will be £781.34 per Band D property in 2012/13.
  - (b) The element of Council Tax charged by the Greater London Authority is £306.72 per Band D property in 2012/13. A reduction of 1%.
  - (c) The overall Council Tax to be set will be £1088.06 per Band D property in 2012/13.

<b>Category of Dwelling</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
Ratio	6/9 £	7/9 £	8/9 £	1 £	11/9 £	13/9 £	15/9 £	18/9 £
A) H&F	520.89	607.71	694.52	781.34	954.97	1,128.60	1,302.23	1,562.68
b)GLA	204.48	238.56	272.64	306.72	374.88	443.04	511.20	613.44
<b>c)Total</b>	<b>725.37</b>	<b>846.27</b>	<b>967.16</b>	<b>1,088.06</b>	<b>1,329.85</b>	<b>1,571.64</b>	<b>1,813.43</b>	<b>2,176.12</b>

3. **The Council's own total net expenditure budget for 2012/13 is set at £200.82m**
4. **That fees and charges are approved as set out in paragraph 4.2.**
5. **That the Executive Director of Finance and Corporate Governances' budget projections to 2014/15 be noted.**
6. **That the Executive Director of Finance and Corporate Governances' statements under Section 25 of the Local Government Act 2003 regarding the adequacy of reserves and robustness of estimates be noted (section 13).**
7. **That the Executive Director of Finance and Corporate Governance be authorised 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 Schemes of Delegation.**
8. **That all Chief Officers be required to report monthly on their projected financial position compared to their revenue estimates (as part of the Corporate Monitoring Report).**
9. **That all Chief Officers be authorised to implement their service spending plans for 2012/13 in accordance with the recommendations within this report and**

**the Council's Standing Orders, Financial Regulations and relevant Schemes of Delegation.**

**10.Members attention is drawn to S106 of the Local Government Finance Act 1992 which requires any Member who is two months or more in arrears on their Council Tax to declare their position and not to vote on any issue that could affect the calculation of the budget or Council Tax.**

## 1 BACKGROUND

- 1.1 The Council is obliged to set a balanced budget and Council Tax charge in accordance with the Local Government Finance Act 1992.
- 1.2 The calculation of the Council Tax is made up from the following elements:
  - the recommended net Council budget for 2012/13 (sections 2 to 6);
  - the Aggregate External Support estimated by the Council (section 7);
  - the Council Tax base set at Council on 30 January 2012 (section 8);
  - the precept notified by the Greater London Authority (section 9).
- 1.3 The requisite calculation for the Council's share of the Council Tax is set out in **Appendix A**.

## 2 BUDGET OVERVIEW

- 2.1 Last year Britain's fiscal deficit was the largest in its peacetime history. In the 2011 Autumn Statement the Chancellor of the Exchequer confirmed plans to eliminate the deficit by 2016/17. As part of the deficit reduction plan the 2010 Spending Review set out spending targets upto 2014/15. For local government, excluding schools, this means an average funding reduction of 26.8% from 2011/12 to 2014/15. Further funding reductions are possible to 2016/17.
- 2.2 As a grant 'floor' authority, the funding reduction for Hammersmith and Fulham is even greater. Underlying Formula Grant previously reduced by 11.3% in 2011/12 and will further reduce by 7.7% in 2012/13. In 2013/14 and 2014/15 the Council's Medium Term Financial Strategy assumes funding reductions of 2.8% and 7.5% respectively.
- 2.3 The budget proposals put forward by the Council play their part in tackling the fiscal deficit whilst focusing available resources on key local priorities. Front-line services and council tax payers are protected as far as possible (**a council tax reduction of 3.75% is proposed for 2012/13, followed by a freeze for the next 2 years**) with a continued emphasis on value for money. A number of new cross-cutting transformational projects are to be taken forward both within the Council and as partners with our collaborative tri and bi borough partners the Royal Borough of Kensington and Chelsea and City of Westminster.
- 2.4 The scale of the financial challenge facing the Council is summarised in Appendix B. **Savings of £23m (11% of the Base Budget) are required to balance the budget in 2012/13**. The total savings requirement over the Spending Review period, from 2011/12 to 2014/15, is estimated at £84m.
- 2.5 It is against this demanding background that the Council's revenue budget proposals are presented for approval.

### 3 THE COUNCIL TAX REQUIREMENT

- 3.1 The Executive Director of Finance and Corporate Governance's medium term projection of the Council Tax requirement to 2014/15 is set out in Appendix B and summarised in Table 1 for 2012/13.

**Table 1: The Council Tax Requirement**

	£000s
<b>Base Budget Rolled Forward From 2011/12</b>	<b>214,585</b>
<i>Plus</i>	
Inflation ( <i>para 4.1 refers</i> )	3,617
Growth	3,719
Contingency	1,584
<i>Less</i>	
Efficiency Savings and Income Generation	(22,687)
<b>Gross Council Budget 2012/13</b>	<b>200,818</b>
<i>Less</i>	
Core Revenue Grants (unringfenced)	(23,322)
Formula Grant ( <i>para 7.1 refers</i> )	(114,921)
<b>Council Tax Requirement</b>	<b>62,575</b>

- 3.2 The relevant Service Directors and Cabinet Members, in conjunction with the Executive Director of Finance and Corporate Governance have considered the detail of the individual estimates. A statement by the Executive Director of Finance and Corporate Governance on the robustness of the 2012/13 budget estimates is set out in section 13.

### 4 Budget Assumptions

- 4.1 **Inflation.** In order to contain growth, no inflation has been applied except where there is a contract in place. A pay freeze is expected and no inflation has been built into the 2012/13 salary budgets. Current inflation is above the long-term government target and sensitivity analysis has been undertaken to identify the potential impact should this be on-going. This is identified as a risk in **Appendix E**.
- 4.2 **Fees and Charges.** The budget has been prepared on the basis of an average 2% increase in fees and charges. Exceptions to the average 2% inflationary uplift are detailed in **Appendix G**.

- 4.3 **Contingency.** A net increase in contingency balances of £1.6m is proposed. Uncertainty around the future economy makes it impossible to predict how financial pressures will manifest. The only certainty is that there will be pressures.

## 5 GROWTH

- 5.1 In the course of the budget process departments have identified areas where additional resources are required. Additional requirements are detailed in **Appendix C** and summarised in Table 2 below for 2012/13.

**Table 2: Growth Proposals**

	<b>£000s</b>
Children's Services	478
Community Services	894
Transport & Technical Services	172
Finance and Corporate Services	700
Housing and Regeneration	0
Environment Leisure and Resident Services	575
Corporate Items (includes post Spending Review growth)	900
<b>Total Growth</b>	<b>3,719</b>

- 5.2 Table 3 summarises why budget growth is required

**Table 3: Reasons for Budget Growth**

	<b>£'000s</b>
Government	650
Other Public Bodies	1,235
Delivery of Efficiencies	750
Other	1,084
<b>Total Growth</b>	<b>3,719</b>

- 5.3 £1.2m of growth relates to other public bodies. The most significant element (£0.7m) relates to cost increases and new usage data for the freedom pass. Higher landfill costs have also increased the charge levied by the Western Riverside Waste Authority (£0.5m) for waste disposal.
- 5.4 New resources are also set aside to help with the delivery of efficiency targets. This includes provision for costs (£0.25m) incurred as part of the asset disposal programme.

## 6 SAVINGS AND INCOME GENERATION

6.1 Over £48m of savings are required to balance the budget over the next 3 years. In bringing forward proposals to meet this challenge the Council has:

- Looked to protect front-line services.
- Continued to focus on asset rationalisation to reduce accommodation costs and deliver debt reduction savings.
- Built on previous practice of seeking to deliver the best possible service at the lowest possible cost. Effective budget management is essential.
- Considered thoroughly what benefits can be obtained from commercialisation and competition.
- Recognised that more cross-cutting action is necessary. A number of council wide transformation portfolios have been created such as; Transforming business, Market Management and Customer access portfolios.
- Taken forward working collaboratively with others. New collaborative working arrangements (Tri-Borough) are now in place or in development with the City of Westminster and the Royal Borough of Kensington and Chelsea. Other shared solutions will be taken forward as and when appropriate.
- Made best use of the NHS funding for social care.

6.2 The saving proposals put forward are detailed in **Appendix D** with the 2012/13 position summarised in Table 4.

**Table 4: Savings Proposals**

	<b>£000s</b>
Children's Services	2,955
Community Services	7,647
Transport & Technical Services	5,550
Finance and Corporate Services	2,465
Housing and Regeneration	956
Environment, Leisure and Resident Services	1,643
Corporate Items (Excluding benefits)	1,471
<b>Total Savings</b>	<b>22,687</b>

6.3 A categorisation of the savings is shown in Table 5. Some savings fit within more than one category – for the purposes of this analysis they are categorised according to the main element. Posts will need to be deleted. The latest estimate is a reduction of 336.8 fte's including the potential movement of staff to the mutual. Significant numbers of redundancies are unavoidable but will be kept to a minimum by focusing on vacant posts, controlling recruitment, improving redeployment procedures and releasing agency staff.

**Table 5: Analysis of the 2012/13 Savings**

Type of Saving	£'000s
Tri Borough Transformation portfolio	3,105
Staffing / Productivity	1,586
Commissioning	3,632
Procurement/Market Testing	345
Commercialisation / Income	5,472
Transforming Business Portfolio	1,190
Market Management Transformation Portfolio	903
Customer Access Transformation Portfolio	1,591
Reconfiguration/Rationalisation of Services	1,879
NHS PCT Partnerships	2,984
<b>Total</b>	<b>22,687</b>

## 7. EXTERNAL FUNDING

- 7.1 **Formula Grant.** Formula grant is the main source of funding allocated by central government to local government. In 2012/13 the Council will receive Formula Grant of £114.9m (net of 2011/12 Council Tax freeze grant of £1.6m) – a reduction of 7.7% from the 2011/12 allocation. A comparison against the London and National Position is set out in Table 6.

**Table 6: Formula Grant Decreases**

	2011/12	2012/13
Hammersmith and Fulham	-11.3%	-7.7%
Inner London	-11.2%	-7.4%
Outer London	-11.3%	-7.9%
National Average	-9.9%	-7.3%

- 7.2 Hammersmith and Fulham is a 'floor' authority and receives above average funding reductions. Were the 'floor' arrangements not in place our funding allocation would reduce by a further £29m. Under the present system this authority will remain at the 'floor' for the indefinite future.
- 7.3 The Government are considering making radical changes to the Local Government Finance system. Under the 'localisation' agenda local authorities may be able to retain an element of business rate growth (or bear a part of any reduction) and be responsible for operating a local council tax benefits scheme. Both these changes may come into force in 2013/14 and create considerable uncertainty about the future resource allocation beyond 2012/13.



7.4 **Core Revenue Grants (unringfenced).** In addition to Formula Grant local authorities receive a number of other government revenue grants that can be used for any purpose. The 2012/13 allocations are set out in Table 8. They include new one-off funding of £1.6m for authorities that freeze or reduce their Council Tax in 2012/13.

**Table 8: Core Revenue Grants (unringfenced)**

Grant	Amount £'000s	Notes
Early Intervention Grant	9,874	This grant that is intended to give local areas the freedom and flexibility to invest in early intervention. It is pulled together from a number of old specific grants (such as Sure Start) and ABG.
Learning Disabilities Grant	4,061	This is replacement funding. It reimburses the Council with budgets that have transferred from the PCT.
New Homes Bonus	1,822	It rewards Councils where new homes are built by match funding the Council Tax for six years.
Council Tax Freeze Grant	3,244	Council tax freeze grant. The grant is equivalent to a 2.5% increase in 2011/12 and 2012/13 council tax.
Housing Benefit and Council Tax Administration Grant	2,215	This grant continues from previous years but is reduced from 2011/12 by £0.73m.
Preventing Homelessness	1,775	This continues from previous years but is £0.07m lower than in 2011/12.
Lead Flood Authority	331	Intended to fund the new roles for the council under the Floods and Water Management Act 2010
<b>Total</b>	<b>23,322</b>	

**Note:** Confirmation is still awaited on the allocation for the PFI grant.

7.5 **Core Revenue Grants (ringfenced).** Funding for schools continues to be provided through ring-fenced Dedicated Schools Grant. The 2012/13 allocation for Hammersmith and Fulham will not be known until June 2012. The direct government funding of this service requires the Council to exclude it from its council tax requirement.

7.6 A summary of the 2011/12 and 2012/13 grant allocations is provided in **Appendix F**. Overall external funding, excluding Dedicated Schools Grant, has reduced by £6.4m from 2011/12 to 2012/13.

## 8 COUNCIL TAX BASE

- 8.1 Council on 30 January 2012 formally agreed a Tax Base of 80,087 equivalent Band D properties for 2012/13. Therefore the Council's element of the Council Tax can be calculated as follows:

$\frac{\text{Total Council Tax Requirement}}{\text{Tax Base}} = \frac{\text{£62.575m}}{80,087} = \text{£781.34}$
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- 8.2 This represents a 3.75% cut in the LBHF element of the Council Tax charge.

## 9. PRECEPTOR'S COUNCIL TAX REQUIREMENTS

- 9.1 The Greater London Authority's precept of £24.564m also has to be funded from Council Tax. The following table analyses the total amount to be funded and the resulting overall Band D Council Tax level.

$\frac{\text{Preceptors Budget Requirement}}{\text{Tax Base}} = \frac{\text{£24.564m}}{80,087} = \text{£306.72}$
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- 9.2 This represents a 1% reduction from the 2011/12 level.

## 10 OVERALL COUNCIL TAX REQUIREMENTS 2012/13

- 10.1 It is proposed to reduce Hammersmith and Fulham's element of the Council Tax in 2012/13 by 3.75% in order to provide a balanced budget in year with £10m-£17m in current reserves (see section 13). The overall amount to be funded from the Council Tax is calculated as follows:

**Table 9 – Overall 2012/13 Council Tax Requirement**

London Borough of Hammersmith & Fulham	<b>£000s</b> 62,575
Greater London Authority	24,564
<b>Total Requirement for Council Tax</b>	<b>87,139</b>

- 10.2 In accordance with the Local Government Finance Act 1992, the Council is required to calculate and approve a Council Tax for its own budgetary purposes (section 8) and then add the separate Council Tax requirements for each of the

preceptors (section 9). With effect from 3 December 2011 the Localism Act 2011 has made changes to council tax legislation. The principal effect of the change is to replace the obligation to calculate a budget requirement for a financial year with an obligation to calculate a council tax requirement. The requisite new calculation is set out in Appendix A.

10.3 The Council must then set the overall Council Tax for the Borough. These calculations have to be carried out for each of the valuation bands A to H, and are set out in the recommendations at the front of the report. The amount per Band D equivalent property is calculated as follows:

<u>Total Budget Requirement</u>	=	<u>£87.139m</u>	=	£1,088.06
Tax Base		80,087		

10.4 The robust forward financial plans set out in the Council’s MTFs has enabled an indicative Council Tax figure to be provided for 2012/13 of £781.34. For 2013/14 planning purposes, the Executive Director of Finance and Corporate Governance has assumed no change to the 2012/13 Council Tax level.

10.5 The current Band D Council Tax charge is the 4th lowest in London and, subject to decisions by other authorities, may become the 3<sup>rd</sup> lowest. The reduction of 3.75% follows a one year freeze and four successive 3% decreases. Table 10 sets out the changes in the Band D charge for the Hammersmith and Fulham element of Council Tax since 2002/03. The proposed Band D charge for 2011/12 is the lowest charge since that approved for 2002/03.

**Table 10 – Band D Council Tax for Hammersmith and Fulham from 2002/03**

	<b>Band D Hammersmith and Fulham Element</b>	<b>Change</b>	<b>Change</b>
	£	£	%
2002/03	772.41	0	0
2003/04	848.49	+76.08	+9.85
2004/05	890.07	+41.58	+4.90
2005/06	903.42	+13.35	+1.50
2006/07	916.97	+13.55	+1.50
2007/08	889.45	-27.52	-3.00
2008/09	862.77	-26.68	-3.00
2009/10	836.89	-25.88	-3.00
2010/11	811.78	-25.11	-3.00
2011/12	811.78	0	0
2012/13	781.34	-30.45	-3.75

2013/14 (indicative)	781.34	0	0
2014/15 (indicative)	781.34	0	0

10.6 Council Tax in Hammersmith and Fulham has reduced by 15% in cash terms (36% in real terms) from 2006/07 to 2012/13. This compares to a forecast London average increase of 8% over the same period. This represents a £1,027 cash saving for Hammersmith and Fulham residents against the average Borough increase from 2006/07 to 2012/13.

## **11 CONSULTATION WITH NON DOMESTIC RATEPAYERS**

11.1 In accordance with the Local Government Finance Act 1992, the Council is required to consult with Non Domestic Ratepayers on the budget proposals. The consultation can have no effect on the Business Rate, which is set by the Government.

11.2 As with previous years, we have discharged this responsibility by writing to the twenty largest payers and the local Chamber of Commerce together with a copy of this report.

## **12 COMMENTS OF THE SCRUTINY COMMITTEES**

12.1 As part of the Scrutiny process each department's estimates have been reviewed by a relevant Scrutiny Committee. There have been no additional formal comments made.

## **13 COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE GOVERNANCE**

### **The Robustness of the Budget Estimates**

13.1 Under Section 25 of the Local Government Act 2003, the Executive Director of Finance and Corporate Governance is required to include in budget reports a statement of her view of the robustness of the estimates for 2012/13 included in the report.

13.2 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 Governance 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 Governance and have been through a robust process of development and challenge.
- Contract inflation is provided for.
- Adequate allowance has been made for pension costs.
- Service managers have made reasonable assumptions about growth pressures.
- Mechanisms are in place to monitor sensitive areas of expenditure and the delivery of savings.
- Key risks have been identified and considered.
- Prudent assumptions have been made about interest rates 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 have been reflected in the budget.
- The recommended increases in fees and charges are in line with the assumptions in the budget.
- The provision for redundancy is reasonable to meet future restructuring and downsizing.
- The use of budget monitoring in 2011 -12 in order to re-align budgets where required.
- A review via the Council Executive Management Board of proposed savings and their achievability.
- A Member review and challenge of each department's proposals for the budget.
- The establishment of new management and monitoring arrangements for the delivery of transformation programmes.

### **Risk, Revenue Balances and Earmarked Reserves**

13.3 Under Section 25 of the Local Government Act 2003, the Executive Director of Finance and Corporate Governance is required to include in budget reports a statement of her view of the adequacy of the balances and reserves the budget provides for. The level of balances is examined each year along with the level of reserves in light of the risks facing the Authority in the medium term.

### **General Fund Balances**

13.4 The Council's general balance stood at £16m as at 1 April 2011 and it is currently projected that this will not reduce in the current financial year. This will leave general balances at 9%, as a minimum, of the current budget requirement.

13.5 The Council's budget requirement for 2012/13 is in the order of £200.8m. Within a budget of this magnitude there are inevitably areas of risk and uncertainty particularly within the current challenging financial environment. The key financial risks that currently face the Council have been identified and quantified. They are

set out in Appendix E and amount to £9.47m. The Council has in place rigorous budget monitoring arrangements and a policy of restoring balances once used.

- 13.6 Given the on-going scale of change in local government funding, the Executive Director of Finance and Corporate Governance considers that a wider than normal range needs to be specified for the optimal level of balances. She is therefore recommending that reserves need to be maintained within the range £10m - £17m. This compares to a range of £8m-£9m in 2006/07. The optimal level of £10m-£17m is projected to be broadly met over the next 3 years and is, in the Executive Director of Finance and Corporate Governance's view, sufficient to allow for the risks identified and to support effective medium term financial planning.

### **Earmarked Reserves**

- 13.7 The Council also holds a number of earmarked reserves to deal with anticipated risks and liabilities, and to allow for future investment in priority areas. Reviews are undertaken of the need for, and the adequacy of, each earmarked reserve as part of the budget process and again when the accounts are closed. These are formally reported to the Audit and Pensions Committee in June and September of each year.

### **Council Tax Setting**

- 13.8 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 2012-13 onwards. For 2012-13 local authorities "will be required to seek the approval of their local electorate in a referendum if, compared with 2011-12, they set a Council tax increase that exceeds 3.5% for other principal authorities". This will not apply to the Council.

## **14 COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)**

- 14.1 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.
- 14.2 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.
- 14.3 The recommendations contained in the report have been prepared in line with these requirements.

14.4 Section 25 of the Local Government Act 2003, which came into force on 18 November 2003, requires the 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.

14.5 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). 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.

14.6 The protected characteristics to which the Public Sector Equality Duty ("PSED") applies now include age as well as the characteristics covered by the previous equalities legislation applicable to public authorities (i.e. disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, sexual orientation, religion or belief and sex).

14.7 The PSED is set out in section 149 of the Equality Act 2010 ("the Act") 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;

(c) 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.

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

(i) Compliance with the general equality duties is a matter of substance not form.

(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) The weight to be given to the countervailing factors is in principle a matter for the authority. However in the event of a legal challenge it is for the court to determine whether an authority has given "due regard" to the "needs" listed in s149. 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 whether taking the particular decision would itself 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.

14.9 All these matters 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.



14.10 To assist Council in fulfilling its PSED, the EIA that has been carried out in respect of the proposed budget, including the proposed Council Tax reduction, is attached to this report. This will need to be read and taken into account by Council, together with the requirements of the PSED itself set out above, in reaching a decision on the recommendations in the report. In addition, the equality implications are summarised in section 15.

14.11 The EIA addresses the broad issue of the proposed reduction in Council Tax and identifies the areas of the budget which may have particular equality implications. It also identifies areas that are likely to require further detailed consideration prior to implementation during the financial year and which may, as a result, be subject to change. The courts have found that this is a legitimate approach.

## **15. EQUALITY IMPLICATIONS**

15.1 Annexed to this report in appendix H is an Equality Impact Assessment ('EIA'). This EIA assesses the impacts on equality of the main items in the budget proposed to Full Council on 29 February 2012, including the recommendation to reduce Council Tax by 3.75% that is proposed in the light of that budget.

15.2 The EIA looks first at the proposal to reduce Council Tax. It finds those who will directly benefit from a decision to reduce Council Tax will be all those who pay full Council Tax and, to a proportionately lesser extent, those who receive partial Council Tax benefit (CTB). In addition, there will be an indirect benefit to all residents through the reduction in cost to the public purse of CTB payments by the government.

15.3 All full Council Tax payers will benefit from the reduction in Council Tax. So, too, will those who pay Council Tax in a lower band than they otherwise would do because they benefit from the Council's scheme for reducing Council Tax for disabled people who need extra room in their home on account of their disability. On average, the reduction will be £30. (Being the reduction for the LBHF element of a Band D Council Tax payer).

15.4 Those to whom the reduction in Council Tax is likely to be most beneficial are those low income groups whose incomes are just above the threshold for CTB or partial CTB. These are likely to include greater proportions of disabled people, ethnic minority groups, women on maternity leave, single parents (who are normally women) and families with young children than are present in the borough population as a whole. A decision to reduce Council Tax will promote equality of opportunity for these groups.

- 15.5 Those who are eligible for partial CTB (which includes a much larger proportion of pensioners than is present in the borough population as a whole – 35% as against 10.2% and a somewhat higher proportion of women than is present in the population as a whole – about 62% as against 52%) will also benefit from a reduction in Council Tax, but to a lesser extent because of the way partial CTB is calculated.
- 15.6 There will be no benefit to those who are eligible for full CTB or who are exempt from paying it. The effect on this group will be neutral. This group includes proportionately more pensioners (26% as against 10.2%) and proportionately more women (62% as against 52%) than in the general population.
- 15.7 All residents may consider that there may be an indirect adverse impact to them because if Council Tax is reduced by 3.75%, the Council will forego income of £2.4m which might otherwise have been used to provide services. In particular, those eligible for CTB or partial CTB are more likely to be in receipt of Council services (especially care services) than those who pay full Council Tax.
- 15.8 However, in the proposed budget the £2.4m sum is outweighed by the Government Grant for freezing Council Tax of £3.244m (Council Tax freeze grant for both 11/12 and 12/13), by £3.1m additional income that will be received from the NHS for care services and by various efficiency transformation savings. Although the proposed budget is based in part on various proposed changes to the ways in which services (in all areas) are to be provided to borough residents, it is not possible to say that there is any direct link between the proposed Council Tax reduction and any particular proposed service change.
- 15.9 The EIA also assesses, insofar as it is possible to do so on the basis of the information available, the overall impact of the budget on which the proposed reduction in Council Tax is based.
- 15.10 Overall, the budget contains some items that will promote equality of opportunity for vulnerable groups (in particular older people, the disabled, women and ethnic minorities), a large number of items that are neutral in their impact on equalities and some items where there may be some negative impact. In the latter cases, steps to mitigate that impact have either already been identified or will need to be identified as part of more detailed EIAs specific to the decisions that will need to be made on a case by case basis.
- 15.11 Items that will promote equality of opportunity include the growth in the areas of Children's Services, Community Services and Finance and Corporate Services which will (among other things) be used to allow more time for review of personal support planning, to sustain home support for out-of-borough placements for mental health placements, to provide support to the Supporting People Careline and to fund Freedom Passes and Concessionary Fares. They also include the proposal not to increase charges for school meals (despite increases in cost of

that service) and new IVR technology in libraries (which will be beneficial for many disabled people.

- 15.12 Items that, though of high potential relevance to the protected groups, are expected to have a neutral impact on equality include those savings that are concerned with better business processes such as more efficient procurement, working to deliver services in the same way across RBKC and WCC, and reductions in staffing.
- 15.13 Items that may have a negative impact on equality include the savings in relation to Housing Options Functions. It will be necessary to consider mitigating measures before any final decision is taken on that matter. Similarly, changes to library services have the potential to impact adversely, particularly on some disabled people, although obvious mitigating measures have already been identified in relation to the proposed changes. The proposal to increase the charge for Meals on Wheels from £4.10 to £4.30 per meal has obvious potential adverse impact on the disabled and aged who are the main users of the service. It will be necessary to ensure that any risk of significant adverse impact is mitigated through careful monitoring in individual cases.
- 15.14 In a few cases, detailed EIAs will be required before the full nature of any impact can be assessed, or mitigating measures identified.
- 15.15 Ultimately if, on further analysis, it is decided that any particular proposed policy would have an unreasonable detrimental impact on any protected group, Hammersmith and Fulham could, if it is considered appropriate, use reserves or virements to subsidise those services in 2012/13.

**LOCAL GOVERNMENT ACT 2000**  
**LIST OF BACKGROUND PAPERS**

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Revenue Budget	Andrew Lord Ext. 2531	Finance Department Room 38 Town Hall
2.	Formula Grant Papers	Andrew Lord Ext. 2531	Finance Department Room 38 Town Hall
3.	Finance and Corporate Services Budget Papers	Dave Lansdowne Ext. 2549	Finance Department Room 10 Town Hall
4.	Community Services Budget Papers	Mark Jones Ext. 5006	Community Services Department 77 Glenthorne Road
5.	Children's Services Budget Papers	Dave McNamara Ext 3404	Children's Services Department Cambridge house
6.	Housing and Regeneration Budget Papers	Kathleen Corbett Ext. 3031	Housing and Regeneration Department Town Hall Extension
7.	Environment, Leisure and Residents Services Budget Papers	Mark Jones Ext. 3031	Residents Services Department 77 Glenthorne Road
8.	Transport & Technical Services Budget Papers	Dave McNamara Ext. 3404	Environment Department Town Hall Extension

## APPENDIX A

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

		<u>£000s</u>
(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.	714,623
(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.	(627,484)
(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.	87,139
(d)	Being the amount calculated by the council as the council tax base for 2012/13 and formerly agreed by council on the 30 <sup>th</sup> January.	80,087
(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.	1088.06
(f)	Hammersmith and Fulham proportion of the Basic amount of its Council Tax (Band D)	781.34

(g) Valuation Bands – Hammersmith & Fulham Council:			
Band A	Band B	Band C	Band D
520.89	607.71	694.52	781.34
Band E	Band F	Band G	Band H
954.97	1,128.60	1,302.23	1,562.68
<p>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.</p>			

(h) Valuation Bands – Greater London Authority

That it be noted that for the year 2012/13 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>
204.48	238.56	272.64	306.72
<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
374.88	443.04	511.20	613.44

(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 2012/13 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>
725.37	846.27	967.16	1,088.06
<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
1,329.85	1,571.64	1,813.43	2,176.12