

	<b>London Borough of Hammersmith &amp; Fulham</b>  <b>CABINET</b>  <b>11 FEBRUARY 2013</b>
<b>REVENUE BUDGET AND COUNCIL TAX LEVELS 2013/14</b>	
<b>Report of the Leader of the Council – Councillor Nicholas Botterill</b>	
<b>Open Report.</b>	
<b>Classification - For Decision</b> <b>Key Decision: Yes</b>	
<b>Wards Affected: All</b>	
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## 1. EXECUTIVE SUMMARY

1.1. This reports sets out the Council's 2013/14 revenue budget proposals which includes :

- Council tax levels
- Detailed Savings and Growth Schedules
- Budget Risks
- A brief overview of the new local government finance system (business rate scheme) and its impact on Hammesmith and Fulham
- New Responsibilities to be undertaken by the Council
- An Equalities Impact Assessment

## 2. RECOMMENDATIONS

- 2.1 That approval be given to a council tax reduction of 3% for the Hammersmith & Fulham element for 2013/14.
- 2.2 That the council tax be set for 2013/14 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 £757.90 per Band D property in 2013/14.*
  - (b) *The element of council tax charged by the Greater London Authority will be confirmed on the 25<sup>th</sup> February and is expected to be £303.00 per Band D property in 2013/14. A reduction of 1%.*
  - (c) *The overall Council Tax to be set will be £1,060.90 per Band D property in 2013/14.*

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	505.27	589.48	673.69	757.90	926.32	1,094.74	1,263.17	1,515.80
b) GLA	202.00	235.67	269.34	303.00	370.34	437.67	505.00	606.00
<b>c) Total</b>	<b>707.27</b>	<b>825.15</b>	<b>943.03</b>	<b>1,060.90</b>	<b>1,296.66</b>	<b>1,532.41</b>	<b>1,768.17</b>	<b>2,121.80</b>

- 2.3 That the Council's own total net expenditure budget for 2013/14 is set at £181.944m
- 2.4 That fees and charges are approved as set out in paragraph 5.2
- 2.5 That the budget projections made by the Executive Director of Finance and Corporate Governance to 2015/16 be noted.
- 2.6 That the statement made by the Executive Director of Finance and Corporate Governance under Section 25 of the Local Government Act 2003 regarding the adequacy of reserves and robustness of estimates be noted (section 14).
- 2.7 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.

- 2.8 That all Executive Directors be required to report monthly on their projected financial position compared to their revenue estimates (as part of the Corporate Monitoring Report).
- 2.9 That all Executive Directors be authorised to implement their service spending plans for 2013/14 in accordance with the recommendations within this report and the Council's Standing Orders, Financial Regulations and relevant Schemes of Delegation.
- 2.10 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.

### **3. REASONS FOR DECISION**

- 3.1 The Council is obliged to set a balanced budget and council tax charge in accordance with the Local Government Finance Act 1992.

### **4. BUDGET OVERVIEW**

- 4.1 **A council tax reduction of 3% is proposed for 2013/14.** This will be the sixth reduction in the last seven years and has been delivered against a background of:

- On-going reductions in government funding
- Major changes in the local government finance system.

#### Reductions in Government Funding.

- 4.2 In the context of the government's aim to eliminate the fiscal deficit by 2017/18<sup>1</sup> local authority funding is expected to be 30% lower than in 2010.
- 4.3 Hammersmith and Fulham is a grant 'floor'<sup>2</sup> authority. As such it faces above average grant reductions. This council's grant funding has already reduced by more than 15% over the past two years. It will reduce by a further £19m (13%) in 2013/14 and 2014/15<sup>3</sup>.

#### Changes to the Local Government Finance System

- 4.4 Following the resource review the government have implemented major changes to the local government finance system.

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<sup>1</sup> Autumn Statement 2012.

<sup>2</sup> Floor authorities receive the maximum possible funding reduction. This is due to historic changes in the funding formula.

<sup>3</sup> 2013/14 Local Government Finance Settlement. See Appendix E details

<b>Current system</b>	<b>New System</b>
Government provides formula grant plus specific grants	A much lower level of revenue support grant funding.  A change in funding streams (several specific grants are rolled into general funding)
Business rates paid to Central Government	A partial local business rates retention scheme.
Council tax benefit support is mainly funded by a national scheme	Local Council tax discounts - funding will reduce by 10%.
The Council tax requirement is the budget requirement less Formula Grant	The Council Tax requirement is the budget requirement less revenue support grant and locally retained business rates.

4.5 The new system has more moving parts and offers both greater risk and opportunity. In budget terms the local business rates retention scheme will leave the council £4.1m worse off. This is detailed further in section 8.

4.6 The Council's budget proposals reflect this challenging financial background whilst delivering a council tax reduction. There is a focus on key local priorities, protecting front-line services and value for money. Cross-cutting transformational projects are being taken forward whilst significant savings are coming through from collaborative working with the Royal Borough of Kensington and Chelsea and City of Westminster Council.

## **5. THE COUNCIL TAX REQUIREMENT**

5.1 The medium projection of the council tax requirement to 2015/16, is set out in Appendix B with the 2013/14 position summarised in Table 1.

5.2 A number of assumptions underpin the budget:

- **Price inflation** is provided for when there is a contract in place.
- A contingency equivalent to a 1% increase is held for any **pay award**.
- **Fees and charges** have increased in line with the Retail Price Index (3.2% - November 2012). Any exceptions to this standard increase are reported in Appendix F.

- **The employers pension contribution rate** remains at 24.7%. The next actuarial valuation is due in 2013 and will impact from 2014/15.

5.3 Aside from inflation the key elements that make up the budget are:

- Growth and new responsibilities
- Efficiencies
- External funding
- The business rates retention scheme

Sections 6 to 8 of this report consider each of these elements in more detail.

**Table 1: The Council Tax Requirement**

	<b>£'000s</b>
Base budget rolled forward from 2012/13	<b>200,256</b>
<b>Plus:</b>	
Inflation	3,000
Growth (section 6)	3,100
New responsibilities (section 6)	1,026
Contingency and contribution to reserves (section 6)	3,689
Non-domestic rates tariff payable to government (section 8)	2,826
<b>Less:</b>	
Savings and additional income (section 7)	(21,431)
Specific unringfenced grants (section 8)	(10,522)
<b>Net Budget Requirement for 2013/14</b>	<b>181,944</b>
<b>Less :</b>	
Revenue Support Grant (section 8)	(81,225)
Locally retained business rates (section 8)	(49,261)
<b>2013/14 Council Tax Requirement</b>	<b>51,458</b>

## 6. GROWTH AND NEW RESPONSIBILITIES

### Growth

- 6.1 Growth has been provided through the budget process as necessary. This is detailed in Appendix C and summarised, for 2013/14, in Table 2.

**Table 2: Growth Proposals**

	£'000s
Adult Social Care	1,400
Children's Services	0
Environment Leisure and Residents Services	380
Finance and Corporate Services	670
Housing and Regeneration Department	0
Transport and Technical Services	650
<b>Total Growth</b>	<b>3,100</b>

- 6.2 The reasons why growth has been provided are set out in Table 3.

**Table 3: Reasons for Budget Growth**

	£'000s
Government related	150
Other public bodies	900
Increase in demand/demographic growth	1,400
Realignment of budgets regarding one-off 2012/13 savings	500
Other	150
<b>Total Growth</b>	<b>3,100</b>

### New Responsibilities and Contingencies

- 6.3 Local authorities have become responsible for several new duties in 2013/14. Those that fall to be funded through the budget requirement, for which unringfenced grants are provided, are set out below:

**Table 4: New Responsibilities Funded from Unringfenced Resources**

<b>New Grant</b>	<b>£'000s</b>	<b>Purpose</b>
Social Fund (Welfare Reform Act)	713	The current 'social fund' (which is administered by the DWP) is being transferred to local authorities who must devise a local scheme. A tri-borough shared service is to be provided for this new function, administered by RBKC.
Community Right to Challenge/Bid	17	
Local Reform and Community Voices	161	For new NHS advocacy and healthwatch duties.
Council Tax support and new burdens grant	135	This is for costs associated with the administration of the new local council tax discounts.
<b>Total</b>	<b>1,026</b>	

6.4 The Council will also receive specific, ring-fenced grant, for other new responsibilities. The largest, £20.3m, relates to Public Health<sup>4</sup>. As this funding is ring-fenced this will have no net impact on the budget requirement.

6.5 A new responsibility will also arise regarding remand arrangements for children. Indicative funding of £0.24m has been allocated to Hammersmith and Fulham. Budget adjustments will be made when the funding is confirmed.

#### Contribution to Reserves

6.6 A key part of the tri-borough programme is the provision of managed services for a number of transactional back office functions, such as finance and human resources. The implementation of the new arrangements will require significant investment. Whilst final decisions are yet to be taken, and business cases signed-off, it is considered prudent that the council set aside £2.3m for this purpose now. The actual sum required will be subject to agreement by Members.

<sup>4</sup> Public Health is to be managed as a Tri-Borough service hosted by the City of Westminster Council and will be established as a new department.

## 7 SAVINGS AND INCOME GENERATION

7.1 Savings of £21.4m are required in 2013/14 to balance the budget over the next 3 years. In bringing forward proposals to meet this challenge the Council has:

- Protected 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.

7.2 The saving proposals for the next three years are detailed in Appendix C with the 2013/14 position summarised in Table 4.

**Table 5: 2013/14 Savings Proposals**

	<b>£000s</b>
Adult Social Care	4,454
Children's Services	4,194
Environment Leisure and Residents Services	1,272
Finance and Corporate Services	1,956
Housing and Regeneration Department	1,217
Transport and Technical Services	2,531
Corporate transformation programmes	1,726
Centrally managed budgets	4,081
<b>Total Savings</b>	<b>21,431</b>

7.3 For 2014/15, on current projections, savings amounting to £16.8m will need to be delivered on top of the £21.4 million above and for 2015/16



further savings amounting to £11.8 million will be required. The government have announced that a Spending Review will take place in 2013. Local authority funding levels may subsequently be worse than current projections.

- 7.4 A categorisation of the savings is shown in Table 6. They are categorised according to their main element. 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 6: Analysis of the 2013/14 Savings**

<b>Type of Saving</b>	<b>£'000s</b>
Commercialisation / Income	1,894
Commissioning	1,345
Customer Access Transformation Portfolio	716
Debt Reduction Strategy	2,036
Market Management Transformation Portfolio	2,495
People Transformation Portfolio	826
Procurement/Market Testing	953
Reconfiguration/Rationalisation of Services	3,276
Staffing/Productivity	2,079
Transforming Business Portfolio	540
Tri Borough/Bi Borough	5,271
<b>Total</b>	<b>21,431</b>

- 7.5 As part of the budget process the key budget risks that face the council have been carefully considered. These total £21.6m and are detailed in Appendix D. They are summarised in Table 7.

**Table 7: 2013/14 Budget Risks**

	<b>£'000s</b>
Demand Pressures	2,670
Efficiency delivery	2,203
Income variation	5,450
Inflation (above expectation)	3,900
Contract risks	2,400
Government Policy Impacts	4,943
<b>Total</b>	<b>21,566</b>

## **8. EXTERNAL AND BUSINESS RATES FUNDING**

- 8.1 The old formula grant system has been replaced by a new business rates retention system. The key elements of the new system, as they impact on Hammersmith and Fulham, are set out in Appendix H and included within the MTFS forecast (Appendix B).
- 8.2 The new system is more complex and has more moving parts. Local authorities have to take account of both changes in government funding and the level of business rates collected.
- 8.3 The government funding receivable is detailed in Appendix E. On a like-for-like-basis 2013/14 funding is £6m (4.1% in cash terms and 7.3% in real terms) less than in 2012/13. This compares to a national reduction of 4%. The funding includes council tax freeze grant of £0.533m (equivalent to 1% of the Band D charge) receivable for two years.
- 8.4 The launch of the business rates retention scheme disadvantages this authority. Previously all business rates income collected by a local authority was paid to government. Now 30% is to be retained locally whilst 50% is paid to the government and 20% to the Greater London Authority.
- 8.5 Under the starting point of the new system Hammersmith and Fulham is budgeting to be worse-off than under the previous formula grant system. This is because what is actually expected to be collected (the LBHF 30% share) is significantly lower than what is assumed within the system. The gross loss is £7.602m but safety net arrangements cap the loss at £4.054m.
- 8.6 The main reason why Hammersmith and Fulham expects to initially lose out from the new business rates retention scheme is due to very high levels of rating appeals. A schedule of outstanding appeals for Hammersmith and Fulham has been received from the Valuation Office Agency (VOA). This shows that nearly 45% of our overall rating list (£456m at 30 September 2012) is currently subject to appeal. Of these 258 appeals relate to Shepherds Bush Westfield, which are definitely proceeding. In total in the borough there are over 1,800 appeals still outstanding with a rateable value of £219m. There are 277 potential refunds (rateable value £47m) that go back as far as the 2005 rating list.
- 8.7 Appeals are outside the Council's control. The council does not know whether appeals will be considered and decided in the remaining months of this year or in later years. Nor does this authority know what the final impact will be on the business rate yield.
- 8.8 The Council does know that some local appeals have ended in a significant downwards adjustment in rateable value. The Westfield appeals are currently resulting in reductions approaching 30%. The Council estimates that this will reduce annual business rates income by

£10m per annum whilst significant backdated payments will also arise. Just in relation to Westfield, as there are 159 outstanding appeals for the 2010 list and 99 outstanding appeals for the 2005 list. There is a real prospect that at least some of the backdated payments will slip to 2013/14 and beyond.

- 8.9 The lack of transparency around the appeals process makes it very difficult to produce any realistic assessment of the actual business rates income receivable in 2013/14. Given the sheer volume of appeals, and their potential high impact (as demonstrated at Westfield), the only prudent assumption that can be made is that the safety net arrangements will be triggered.
- 8.10 There are obvious shortcomings in the datasets available from the VOA. The Council continues to lobby on how appeals are handled within the business rates retention scheme. Authorities should gain or lose dependant on how they deliver economic growth, not on how well the VOA performs locally.
- 8.11 The current budget assumes a worse case scenario regarding the business rates retention scheme. Final figures for actual collection will not be known until the close of 2013/14. The in-year position will be monitored and updates provided as appropriate.

## 9. COUNCIL TAX BASE

- 9.1 Council on 30th January 2013 formally agreed a Tax Base of 67,895<sup>5</sup> equivalent Band D properties for 2013/14. Therefore the Council's element of the Council Tax can be calculated as follows:

$\frac{\text{Total Council Tax Requirement}}{\text{Tax Base}} = \frac{\underline{\pounds 51.458\text{m}}}{67,895} = \pounds 757.90$
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- 9.3 This represents a 3% cut in the LBHF element of the council tax charge.

## 10. PRECEPTOR'S COUNCIL TAX REQUIREMENTS

- 10.1 The Greater London Authority's precept of £20.572<sup>6</sup>m 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.

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<sup>5</sup> This is 12,192 Band D equivalents less than 2012/13 due to the impact of the new council tax support scheme. Residents that used to receive council tax benefit now receive a council tax discount. The income loss from the taxbase is largely compensated through government grant.

<sup>6</sup> This is the current proposal and is subject to confirmation.

<u>Preceptors Budget Requirement</u>	=	<u>£20.572m</u>	=	£303.00
Tax Base		67,895		

10.2 This represents a 1% reduction from the 2012/13 level.

## 11 OVERALL COUNCIL TAX REQUIREMENTS 2013/14

11.1 It is proposed to reduce Hammersmith and Fulham's element of the Council Tax in 2013/14 by 3% in order to provide a balanced budget in year with £14m - £20m in current reserves (see section 14). The overall amount to be funded from the Council Tax is calculated as follows:

**Table 8 – Overall 2013/14 Council Tax Requirement**

London Borough of Hammersmith & Fulham	<b>£000s</b> 51,458
Greater London Authority	20,572
<b>Total Requirement for Council Tax</b>	<b>72,030</b>

11.2 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.

11.3 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 Council Tax Requirement</u>	=	<u>£ 72.030m</u>	=	£1060.90
Tax Base		67,895		

11.4 For 2014/15 planning purposes, the Executive Director of Finance and Corporate Governance has assumed no change to the 2013/14 Council Tax level.

11.5 The reduction of 3% is the sixth reduction in the past seven years. Table 8 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 2013/14 is the lowest charge since that approved for 2000/01.

**Table 9 – 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	757.90	-23.44	-3.00
2014/15 (indicative)	757.90	0	0
2015/16 (indicative)	757.90	0	0

11.6 Council tax in Hammersmith & Fulham has reduced by 17% in cash terms (46% in real terms) from 2006/07 to 2013/14. This compares to a forecast London average increase of 8% over the same period. This represents a £1,297 cash saving for Hammersmith & Fulham residents against the average Borough increase from 2006/07 to 2013/14.

## **12 CONSULTATION WITH NON DOMESTIC RATEPAYERS**

12.1 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.

12.2 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.

### **13 COMMENTS OF THE SCRUTINY COMMITTEE**

- 13.1 As part of the Scrutiny process each department's estimates have been reviewed by a relevant Scrutiny Committee. There are no formal comments to report.

### **14 COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE GOVERNANCE.**

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

- 14.1 Under Section 25 of the Local Government Act 2003, the Executive Director of Finance and Corporate Governance is required to include, in the budget report, a statement of her view of the robustness of the 2013/14 estimates.

- 14.2 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 2012/13 in order to re-align budgets where required.
- A review via the Council Business Board of proposed savings and their achievability.

- A Member review and challenge of each department's proposals for the budget.
- The establishment of appropriate management and monitoring arrangements for the delivery of transformation programmes.
- A prudent approach has been adopted on the local share of income receivable through the business rates retention scheme.

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

- 14.3 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**

- 14.4 The Council's general balance stood at £17m as at 1<sup>st</sup> April 2012 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.
- 14.5 The Council's budget requirement for 2013/14 is in the order of £181.9m. 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 D and amount to £21.6m. The Council has in place rigorous budget monitoring arrangements and a policy of restoring balances once used.
- 14.6 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 £14m - £20m. This compares to a range of £8m-£9m in 2006/07. The optimal level of £14m-£20m 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**

- 14.8 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.

## **Council Tax Setting**

- 14.9 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 2013/14 local authorities “will be required to seek the approval of their local electorate in a referendum if, compared with 2012/13, they set an increase in the relevant basic amount of council tax that is more than 2%”. This will not apply to the Council.

## **LEGAL IMPLICATIONS**

- 15.1 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.
- 15.2 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.
- 15.3 The recommendations contained in the report have been prepared in line with these requirements.
- 15.4 Section 25 of the Local Government Act 2003, which came into force on 18 November 2003, requires the Executive Director of Finance and Corporate Governance 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.
- 15.5 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.
- 15.6 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).
- 15.7 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.

(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.

15.8 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 to determine, provided it acts reasonably. However it has been held in some cases that 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 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.

15.9 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.

15.10 To assist the 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 the 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 below.

15.11 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.

## **16. EQUALITY IMPLICATIONS**

16.1 Published with this report is an Equality Impact Analysis ('EIA'). The EIA assesses the impacts on equality of the main items in the budget proposed to Full Council as well as the decision to reduce Council tax by 3%. Its findings are summarised here and members should refer to the full EIA for more detail.

16.2 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 Local Council Tax Support ('LCTS'). 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 state. LCTS comes into effect from 01 April 2013, and replaces Council Tax Benefit which is abolished as part of the Government's Welfare Reforms (which include the introduction of Universal Credit). The proposed scheme for H&F for 2013/14 is to retain the same criteria and level of support as for Council Tax benefit. Therefore, for the purposes of the EIA, CTB data is used because LCTS comes into effect on 01 April 2013 and replaces CTB.

16.3 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, this reduction will be £23.44 (being the reduction for a Band D Council Tax payer, based on the LBHF element of Council Tax calculation).

16.4 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/LCTS or partial CTB/LCTS. 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.

16.5 Those who are eligible for partial CTB/LCTS (which includes a much larger proportion of pensioners than is present in the borough population as a

whole – 29.98% as against 10.2% and a somewhat higher proportion of women than is present in the population as a whole – about 62.33 % as against 51.3%) will also benefit from a reduction in Council Tax, but to a lesser extent because of the way partial CTB/LCTS is calculated.

- 16.6 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 also includes proportionately more pensioners (35.25% as against 10.2%) and proportionately more women (62.33% as against 51.3%) than in the general population.
- 16.7 All residents may consider that there may be an indirect adverse impact to them because if Council Tax is reduced by 3%, the Council will forego income of £1.6M which might otherwise have been used to provide services. In particular, those eligible for CTB/LCTS or partial CTB/LCTS are more likely to be in receipt of Council services (especially care services) than those who pay full Council Tax.
- 16.8 However, in the proposed budget the £1.6M sum is outweighed by the Government Grant for freezing Council Tax of £0.6M, by figures such as budget savings of £5.2m from tri-borough/bi-borough working and £2m from the capital debt reduction programme. 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.
- 16.9 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.
- 16.20 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 (although in most cases steps to mitigate that impact have either already been identified or will be identified as part of more detailed EIAs in due course).
- 16.21 Items that will promote equality of opportunity include the growth in the areas of ASC and FCS which will support the participation of disabled people in public life, and help to advance equality of opportunity between disabled and non-disabled people. These items will help to manage the demand for services for older and disabled people and those with mental health needs, as well as to help fund free travel on almost all public transport in London.
- 16.22 The proposal not to increase home care charges will mean that any disabled people who pay Council Tax (at any level) will not lose the benefit of the cut through an increase in home care charges. In other areas of the

Council, charging proposals are to be reviewed at a later date and so at present there is no impact. If, when those proposals are reviewed (which it is envisaged will be throughout 2013/14) it is decided that the adverse impact on any protected group will be too great, the Council has sufficient in reserves to fund the continuation of those services at current rates.

- 16.23 Items that may have a negative impact include the increase charged to service users for Meals on Wheels, from £4.30 to £4.50. As given in the EIA, the Council subsidises this service. H&F continues to try and keep its price lower by making efficiencies in the costs of delivery. This proposed increase will be of high relevance to disabled and older people who are the users of the Meals on Wheels service. However, it is anticipated that the modest increase will be affordable for this group. The impact of the proposed increase will be monitored at the point that the meal charge rises to see if any users either cancel services saying they cannot afford them, or reduce services to fit their respective budgets. In such circumstances, social care will ensure the reasons why the service user has stopped using the service are recorded and appropriate action would be taken. It is anticipated that through this mechanism the adverse impact on users of the Meals on Wheels service can be mitigated.
- 16.24 In a few cases, detailed EIAs will be required before the full nature of any impact the particular budget proposal can be assessed, or mitigating measures identified.
- 16.25 Ultimately if, on further analysis, it is decided that any particular proposed policy would have an unacceptable negative impact (or an insufficient positive impact) on any protected group, H&F could, if it is considered appropriate, use reserves or virements to subsidise those services in 2013/14.

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

<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext of holder of file/copy</b>	<b>Department/ Location</b>
1.	None		

## **LIST OF APPENDICES:**

Appendix A – The Requisite Council Tax Calculations for Hammersmith and Fulham

Appendix B – Medium Term Financial Forecast

Appendix C – Growth and Savings Proposals

Appendix D - Budget Risks

Appendix E – Government Grant Funding

Appendix F – Fees and Charges – exceptions to standard 3.2% increase.

Appendix G – Equalities Impact Assessment (published separately)

Appendix H – The Business Rates Retention Scheme for Hammersmith and Fulham

## 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.	684,006
(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.	(611,976)
(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.	72,030
(d)	Being the amount calculated by the council as the council tax base for 2013/14 and formerly agreed by council on the 30 <sup>th</sup> January.	67,895
(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.	1,060.90
(f)	Hammersmith and Fulham proportion of the Basic amount of its Council Tax (Band D)	757.90

(g) Valuation Bands – Hammersmith & Fulham Council:

<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>
505.27	589.48	673.69	757.90
<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
926.32	1,094.74	1,263.17	1,515.80

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 for the year 2013/14 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>
202.00	235.67	269.34	303.00
<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
370.34	437.67	505.00	606.00

(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 2013/14 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>
707.27	825.15	943.03	1,060.90
<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
1,296.66	1,532.41	1,768.17	2,121.80