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|  | <p align="center">London Borough of Hammersmith & Fulham</p> <p align="center">CABINET</p> <p align="center">3 FEBRUARY 2014</p> |
| <p align="center">REVENUE BUDGET AND COUNCIL TAX LEVELS 2014/15</p> | |
| <p align="center">Report of the Leader of the Council – Councillor Nicholas Botterill</p> | |
| <p>Open Report.</p> | |
| <p>Classification - For Decision Key Decision: Yes</p> | |
| <p>Wards Affected: All</p> | |
| <p align="center">Accountable Executive Director: Jane West - Executive Director of Finance and Corporate Governance</p> | |
| <p>Report Author: Andrew Lord- Head of Strategic Planning and Monitoring</p> | <p>Contact Details: Tel: 020 8753 2531 E-mail: andrew.lord@lbhf.gov.uk</p> |

1. EXECUTIVE SUMMARY

1.1. This report sets out the Council's 2014/15 revenue budget proposals which includes :

- Council tax levels
- Savings and growth proposals
- Changes to fees and charges
- An update on budget risks
- Equalities Impact Assessments

2. RECOMMENDATIONS

- 2.1 That approval be given to a 3% 2014/15 council tax reduction for the Hammersmith & Fulham element.
- 2.2 That the council tax be set for 2014/15 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 £735.16 per Band D property in 2014/15.*
 - (b) *The element of council tax charged by the Greater London Authority will be £299.00 per Band D property in 2014/14*
 - (c) *The overall Council Tax to be set at £1,034.16 per Band D property in 2014/15.*

| 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 | 490.11 | 571.79 | 653.48 | 735.16 | 898.53 | 1,061.90 | 1,225.27 | 1,470.32 |
| b) GLA | 199.33 | 232.56 | 265.78 | 299.00 | 365.45 | 431.89 | 498.34 | 598.00 |
| c) Total | 689.44 | 804.35 | 919.26 | 1,034.16 | 1,263.98 | 1,493.79 | 1,723.61 | 2,068.32 |

- 2.3 That the Council's own total net expenditure budget for 2014/15 is set at £172.033m.
- 2.4 That fees and charges are approved as set out in paragraph 6.1
- 2.5 That the budget projections made by the Executive Director of Finance and Corporate Governance to 2016/17 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 2014/15 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 3% cut in the Hammersmith and Fulham element of council tax is recommended for 2014/15.** This will be the seventh cut in the last eight years. The 2014/15 Band D charge is £181.81 (20%) less than in 2006/07. The real terms cut is 39%.
- 4.2 The council tax cut has been delivered against a challenging financial background. Government grant funding¹ has fallen by £13m (9%) in 2014/15 whilst the Council continues to lose over £4m from the operation of the business rates retention scheme. Government funding is expected to continue falling until at least 2017/18 as action is taken to address the national fiscal deficit².
- 4.3 Savings of £17.9m are necessary to balance the 2014/15 budget. The budget focuses on key local priorities, protecting front-line services and value for money. Significant savings continue to be realised by reducing debt, sharing services with the Royal Borough of Kensington and Chelsea and Westminster City Council and reforming the way services are delivered. The Council believes that its future direction will be less as a direct provider of services and more of a commissioner of services.

¹ This reduction is on a like for like basis and relates to grant that can be used for any purpose. The figures are detailed in Appendix E .

² Chancellor's Autumn Statement 2013

5. THE COUNCIL TAX REQUIREMENT

- 5.1 The Band D council tax charge is calculated by dividing the council tax requirement by the council tax base³. The 2014/15 council tax requirement is £51.369m and is summarised in Table 1. The medium-term forecast, to 2016/17, is set out in Appendix B.

Table 1: The Council Tax Requirement

| | £'000s |
|---|----------------|
| Base budget rolled forward from 2013/14. | 189,899 |
| Plus: | |
| Inflation | 2,800 |
| Growth (section 6) | 4,696 |
| Contingency | 900 |
| Less: | |
| Savings and additional income (section 7) | (17,905) |
| Specific unringfenced grants (section 8) | (9,799) |
| Contribution to General Balances | 1,442 |
| Net Budget Requirement for 2014/15 | 172,033 |
| Less : | |
| Revenue Support Grant (section 8) | (66,038) |
| Locally retained business rates (section 8) | (53,839) |
| One off Collection Fund Surplus | (787) |
| 2014/15 Council Tax Requirement | 51,369 |

- 5.2 The key elements that change the council tax requirement are:

- Inflation and growth
- Savings and income generation.

³ 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.

- External funding
- The business rates retention scheme

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

6. INFLATION AND GROWTH

Inflation

6.1 The following provision is made for inflation:

- **Price inflation** is provided for when there is a contract in place.
- A contingency equivalent to a 1% increase is held for any **2014/15 pay award**.
- **Fees and charges** have increased in line with the Retail Price Index (3.3% - August 2013). Any exceptions to this standard increase are reported in Appendix F

Growth

6.2 Growth is provided through the budget process as necessary. This is detailed in Appendix C and summarised in Table 2.

Table 2: 2014/15 Growth Proposals

| | £'000s |
|---|--------------|
| Adult Social Care | 205 |
| Children's Services | 470 |
| Environment, Leisure and Residents Services | 0 |
| Finance & Corporate Services | 540 |
| Housing and Regeneration Department | 1,545 |
| Transport & Technical Services | 536 |
| Libraries | 0 |
| Public Health | 0 |
| Centrally Managed Budgets | 1,400 |
| Total Growth | 4,696 |

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

Table 3: Reasons for 2014/15 Budget Growth

| | £'000s |
|---------------------------------------|--------------|
| Government related | 2,085 |
| Other public bodies | 0 |
| Increase in demand/demographic growth | 675 |
| Other | 1,936 |
| Total Growth | 4,696 |

6.4 A contribution of £1.4m to general balances is also proposed. This recognises the significant financial risks faced by the council. This is detailed further in section 14 of the report.

7 SAVINGS AND INCOME GENERATION

- 7.1 Savings of £17.9m are required in 2014/15 to balance the budget. 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 continued to deliver savings, such as; Business Intelligence, Transforming Business and the Peoples Portfolio.
 - 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.
 - Given consideration to the public sector equality duty ('PSED')

7.2 The saving proposals for the next three years are detailed in Appendix C with the 2014/15 position summarised in Table 4.

Table 5: 2014/15 Savings Proposals

| | £000s |
|---|-----------------|
| Adult Social Care | (4,664) |
| Children's Services | (2,780) |
| Environment, Leisure and Residents Services | (1,105) |
| Libraries | (100) |
| Finance & Corporate Services | (2,192) |
| Housing and Regeneration | (750) |
| Transport & Technical Services | (2,725) |
| Centrally Managed Budgets | (2,686) |
| Corporate Transformation Savings | (903) |
| Departmental Total | (17,905) |

7.3 For 2015/16, on current projections, cumulative savings of £42.5m will need to be delivered rising to £52.6m by 2016/17.

7.4 A categorisation of the savings, according to their main element, is shown in Table 6. 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 2014/15 Savings

| Type of Saving | £'000s |
|---------------------------------|---------------|
| Commercialisation / Income | (1,975) |
| Commissioning | (3,247) |
| Debt Reduction Strategy | (1,336) |
| People Transformation Portfolio | (470) |
| Procurement/Market Testing | (745) |

| | |
|---|-----------------|
| Reconfiguration/Rationalisation of Services | (3,099) |
| Staffing/Productivity | (1,980) |
| Transforming Business Portfolio | (893) |
| Tri Borough/Bi Borough | (4,160) |
| Total | (17,905) |

8. EXTERNAL AND BUSINESS RATES FUNDING

- 8.1 A new business rates retention system was implemented in 2013/14. The key elements of the system, as they impact on Hammersmith and Fulham, are set out in Appendix H. Local authorities have to take account of both changes in government funding and the level of business rates collected.
- 8.2 The government funding receivable is detailed in Appendix E. On a like-for like-basis 2014/15 funding is £13m (9% in cash terms and 11.5% in real terms) less than in 2013/14. The funding includes council tax freeze grant of £0.609m (equivalent to 1% of the Band D charge) which will subsequently be built into the baseline for future years.
- 8.3 This authority is disadvantaged by the business rates retention scheme. Prior to 2013/14 all business rates income collected by a local authority was paid to government. Now 30% is retained locally whilst 50% is paid to the government and 20% to the Greater London Authority.
- 8.4 Under the new system Hammersmith and Fulham is budgeting to be £4.1m 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. Safety net arrangements cap the loss at £4.1m⁴.
- 8.6 The main reason why Hammersmith and Fulham loses out from the business rates retention scheme is the very high levels of rating appeals. A schedule of outstanding appeals has been received from the Valuation Office Agency (VOA). This shows that nearly £140m of our overall rating list is subject to appeal. Of these £20m of appeals relate to Shepherds Bush Westfield, which are definitely proceeding. To date those appeals that have been settled at Westfield have seen rateable values reduce by 28%. Other appeals have typically led to a net reduction of 10%. There are even potential refunds (rateable value £21m) that go back as far as the 2005 rating list.

⁴ The gross loss is not yet confirmed as the government have not yet issued final guidance on how the scheme will operate in 2014/15.

- 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 lack of transparency around the appeals process makes it very difficult to produce any realistic assessment of the actual business rates income receivable in 2014/15. 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.
- 8.9 The current budget assumes a worst case scenario regarding the business rates retention scheme. Final figures for actual collection will not be known until the close of 2014/15. The in-year position will be monitored and updates provided as appropriate.

9. COUNCIL TAX BASE

- 9.1 Council on 29 January formally agreed a Tax Base of 69,875 equivalent Band D properties for 2014/15. Therefore the Council's element of the Council Tax can be calculated as follows:

| |
|--|
| $\frac{\text{Total Council Tax Requirement}}{\text{Tax Base}} = \frac{\underline{\pounds 51.369m}}{69,875} = \pounds 735.16$ |
|--|

- 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 £20.893m is also funded from council tax. The following table analyses the total amount to be funded and the resulting overall Band D council tax level.

| |
|--|
| $\frac{\text{Preceptors Budget Requirement}}{\text{Tax Base}} = \frac{\underline{\pounds 20.893m}}{69,875} = \pounds 299.00$ |
|--|

- 10.2 This represents a 1.3% cut from the 2013/14 level.

11 OVERALL COUNCIL TAX REQUIREMENTS 2014/15

- 11.1 It is proposed to reduce Hammersmith and Fulham's element of the council tax in 2014/15 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 7 – Overall 2014/15 Council Tax Requirement

| | |
|--|------------------------|
| London Borough of Hammersmith & Fulham | £000s 51,369 |
| Greater London Authority | 20,893 |
| Total Requirement for Council Tax | 72,262 |

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:

| |
|---|
| $\frac{\text{Total Council Tax Requirement}}{\text{Tax Base}} = \frac{\text{£ 72.262m}}{69,875} = \text{£1,034.16}$ |
|---|

11.4 For 2015/16 planning purposes, the Executive Director of Finance and Corporate Governance has assumed no change to the 2014/15 council tax level.

11.5 The reduction of 3% is the seventh reduction in the past eight 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 2014/15 is the lowest charge since that approved for 1999/2000.

Table 8 – Band D council tax for Hammersmith and Fulham from 2002/03

| | Band D Hammersmith and Fulham Element | Change | Change |
|-------------------------|--|---------------|---------------|
| | £ | £ | % |
| 1999/2000 | 706.83 | +30.44 | +4.50 |
| 2000/01 | 738.58 | +31.75 | +4.49 |
| 2001/02 | 772.41 | +33.83 | +4.58 |
| 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 (proposed) | 735.16 | -22.74 | -3.00 |
| 2015/16 (indicative) | 735.16 | 0 | 0 |
| 2016/17 (indicative) | 735.16 | 0 | 0 |

11.6 Council tax in Hammersmith & Fulham has reduced by 20% in cash terms (39% in real terms) from 2006/07 to 2014/15, compared to an estimated average London increase of 8% over the same period. This represents a £1,371 cash saving for Hammersmith & Fulham residents against the average Borough increase from 2006/07 to 2014/15.

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 SELECT COMMITTEES

- 13.1 As part of the Scrutiny process each department's estimates have been reviewed by a relevant Select Committee. A verbal update will be given if there are any formal comments.

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 2014/15 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 2013/14 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 £18m as at 1st April 2013 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 2014/15 is in the order of £172m. 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 £17.2m. They are summarised in Table 9. The Council has in place rigorous budget monitoring arrangements and a policy of restoring balances once used.

Table 9: 2014/15 Budget Risks

| | £'000s |
|---------------------------|---------------|
| Demand Pressures | 6,160 |
| Efficiency delivery | 334 |
| Income variation | 7,560 |
| Government Policy Impacts | 3,100 |
| Total | 17,154 |

- 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. As set out in section 6 an additional contribution of £1.505m is proposed to general balances, in 2014/15, in recognition of the financial risks facing the Council.

Earmarked Reserves

- 14.7 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.

Council Tax Setting

- 14.8 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 2014/15 local authorities "will be required to seek the approval of their local electorate in a referendum if, compared with 2013/14, they set an increase in the relevant basic amount of council tax that is more than a certain percentage (this has yet to be announced)". This will not apply to the Council.

Prior Year Collection Fund Surplus

- 14.9 The Local Government and Finance Act 1988 requires that all council tax and non-domestic rates income is paid into a Collection Fund, along with payments out regarding the Greater London Authority precept, the business rates retention scheme and a contribution towards a Council's own General Fund. As at the close of 2012/13, due to the receipt of higher than expected income, the Collection Fund was in surplus by £1.094m. The Hammersmith and Fulham share of this surplus is £0.787m and this is included within the 2014/15 budget proposals. The balance of £0.307m is payable to the Greater London Authority.

15 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). 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.
- 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 Equality Impact Analysis ('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 16 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%. The full EIA is attached, in Appendix G.
- 16.2 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 a small indirect benefit to all residents through the reduction in cost to the public purse of LCTS payments by the state
- 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 £22.74 for those who are Band D council tax payers: this relates to the LBHF element of the calculation of council tax.

- 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 LCTS or partial LCTS. These are likely to include greater proportions of pensioners, 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 LCTS (which includes a proportion of pensioners that is over-represented as compared with the LBHF population at 39.1% as against 9%, as well as a high proportion of women) will also benefit from a reduction in council tax, but to a lesser extent because of the way partial LCTS is calculated. Based on data available for all LCTS claimants, this group is likely to include more women than men, as against the general population, and a higher proportion of black and minority ethnic (BME) groups.
- 16.6 There will be no benefit to those who are eligible for full LCTS or who are exempt from paying it. The effect on this group will be neutral. Based on data available for all LCTS claimants, this group is likely to include more women than men, as against the general population, as well as more pensioners than non-pensioners, as against the general population, and a higher proportion of BME groups.
- 16.7 Of 18, 283 claimants (i.e. full and partial LCTS), 54.72% (pensioner) and 54.7% (non-pensioner) are single female, with 31.42% (pensioner) and 29.36% (non-pensioner) being single male, and 13.82% (pensioner) and 15.94% (non-pensioner) being in a couple. These statistics are set out in more detail in Table 3 of the EIA (Appendix G). As most couples will be male/female, the total percentage of female LCTS claimants is therefore about 61.63% (pensioner) or 62.67% (non-pensioner), which is rather higher than the percentage of females in the H&F population as a whole which is 51.3% (see the most recent release of data from the 2011 Census at Table Seven in Annex Two of the accompanying EIA).
- 16.8 All residents may consider that there may be an indirect adverse impact to them because if council tax is reduced by 3%, H&F will forego income of £1.6m. This may be a particular concern for those in the lower income/savings bracket (even though they will, relative to their income, benefit the most from the reduction) because, broadly speaking, they are more likely to be in receipt of Council services (especially care services) than those who are better off. However, in the proposed budget the £1.6m income that H&F will forego is balanced against the Government Grant for freezing Council Tax of £0.6m, by figures such as budget savings of £3.8m from tri-borough/bi-borough working and £1.4m 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 provided to borough residents, it is not therefore possible to say that there is any direct link between the proposed council tax reduction and any particular proposed service change. The potential equality impact of the budget as a whole is assessed in Section D of the EIA.

- 16.9 Overall, the budget contains some items that will promote equality of opportunity for vulnerable groups (in particular older people, the disabled, women and BME groups), 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).
- 16.10 Savings items that will directly support equality of opportunity, and encourage participation in public life include reducing admissions into residential and nursing homes through better support in the community through reablement, in Adult Social Care ('ASC'). This arises from low scale integration work, whereby a more planned discharge of clients back into their homes results in better outcomes and a lower number of clients because people are not having to be re-admitted to hospital so often. This will help to advance equality of opportunity for older and disabled people and to encourage participation in public life by helping them with their care after hospital. It is of high relevance to disabled adults, and to older people who have been admitted to hospital, with the focus being on managing the exit from hospital in a proactive and holistic way such that money is saved.
- 16.11 This line item also supports delivery of one of the Council's two Equality Objectives, as required by S153 of the Equality Act 2010, agreed by Cabinet in December 2011, and reported on in February 2013. The objective is:
- Continuity of Care: Reduce unplanned admissions to hospitals and nursing care homes through early intervention by integrated health and social care services.*
- 16.12 Another ASC saving includes work on the customer journey for operational services, which will review social work practice and how services are delivered. This includes processes used to help residents and how these could be made easier to navigate to cost less but also to provide better services to older and disabled people. This saving is therefore of high relevance to older and disabled people and people with learning disabilities and the impact should be positive.
- 16.13 Growth items that will promote equality of opportunity include the growth in the areas of ASC and Housing and Regeneration Department ('HRD'). One of these in ASC deals with the increase in demand for learning disabled people placements and care packages, which will all be of high

relevance to disabled people, and will support the participation of disabled people in public life, and help to advance equality of opportunity between disabled and non-disabled people. Overall, there will be a neutral impact as the increase in budgets will meet the needs of these groups.

- 16.14 Another of these items is the proposals for managing the homelessness impact of welfare reforms in HRD. Any equalities impacts will arise from changes in Government policy. To the extent that the growth is mitigation leading to the prevention of homelessness or of the use of bed and breakfast (B&B), the impact will be positive to BME groups and households headed by women, which tend to be over-represented amongst homeless households.
- 16.15 There are no fees and charges increases that are relevant to equality.
- 16.16 The identification of risk items in ASC will indirectly 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 anticipate the demand for services for older and disabled people and ensure that these demands can be met, avoiding potentially negative impacts.
- 16.17 Items that may have a negative impact include the Children's Services (CHS) respite item, which informs a new model for delivering overnight care. However, a full EIA will be developed (as given in the CHS section in the accompanying EIA).
- 16.18 In a few cases, detailed EIAs will be required before the full nature of any impact can be assessed, or mitigating measures identified. These are in the accompanying EIA.
- 16.19 Ultimately if, on further analysis, it is decided that any particular proposed policy would have an unreasonable detrimental impact on any protected group, H&F could, if it is considered appropriate, use reserves or virements to subsidise those services in 2014/15.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

| No. | Description of Background Papers | Name/Ext of holder of file/copy | Department/ Location |
|------------|---|--|-----------------------------|
| 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 3.3% increase.

Appendix G – Equalities Impact Assessment

Appendix H – The Business Rates Retention Scheme for Hammersmith and Fulham (to follow after agreement of the Business Rates Tax Base)

APPENDIX A

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

| | | <u>£'s</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. | 676,096,000 |
| (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. | (603,834,000) |
| (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. | 72,262,000 |
| (d) | Being the amount calculated by the council as the council tax base for 2014/15 and formerly agreed by council on the 30 th January. | 69,875 |
| (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. | 1,034.16 |
| (f) | Hammersmith and Fulham proportion of the Basic amount of its Council Tax (Band D) | 735.16 |

(g) Valuation Bands – Hammersmith & Fulham Council:

| Band A | Band B | Band C | Band D |
|---------------|---------------|---------------|---------------|
| 490.11 | 571.79 | 653.48 | 735.16 |
| Band E | Band F | Band G | Band H |
| 898.53 | 1,061.90 | 1,225.27 | 1,470.32 |

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 2014/15 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:

| Band A | Band B | Band C | Band D |
|---------------|---------------|---------------|---------------|
| 199.33 | 232.56 | 265.78 | 299.00 |
| Band E | Band F | Band G | Band H |
| 365.45 | 431.89 | 498.34 | 598.00 |

(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 2014/15 for each of the categories of dwellings shown below:

| Band A | Band B | Band C | Band D |
|---------------|---------------|---------------|---------------|
| 689.44 | 804.35 | 919.26 | 1,034.16 |
| Band E | Band F | Band G | Band H |
| 1,263.98 | 1,493.79 | 1,723.61 | 2,068.32 |