London Borough of Hammersmith & Fulham

Report to: Full Council

Date: 26/02/2020

Subject: Four Year Capital Programme 2020 to 2024 and Capital Strategy 2020/21

Report of: Councillor Max Schmid, Cabinet Member for Finance and Commercial Services

Responsible Director: Hitesh Jolapara, Strategic Director of Finance and Governance

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SUMMARY

This report presents the Council's four-year Capital Programme for the period 2020 to 2024. The programme for this period totals £492.2m. The gross programme for 2020/21 totals £141.4m. This comprises the General Fund Programme of £61.5m and the Housing Programme of £79.9m.

The Government's Flexible Use of Capital Receipts provisions allow the Council to use up to £3.5m of available general fund capital receipts to fund Invest to Save schemes. This comes at revenue cost of £60,000 per annum per £1m capitalised, but, by maintaining reserves, would contribute towards future financial resilience. A final decision on the use of this flexibility will be delegated to the Strategic Director, Finance and Governance, in consultation with the Cabinet Member for Finance and Commercial Services, as part of the closure of the 2019/20 and 2020/21 Accounts.

The current general fund (GF) capital receipts forecast contained in this report assumes no new receipts for financial years 2020/21-2021/22 and 2023/24. Should capital receipts be identified, they will be added to the programme as an additional funding source available and will reduce current forecast Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP). They could also be used to fund any future Invest to Save schemes as set out above.

Headline GF borrowing (excluding self-financing schemes) is forecast to increase by £30.1m over the next four years. This will add a revenue budget pressure, relating to the borrowing costs (MRP plus interest), of £3.7m per annum by the end of 2023/24. GF CFR movements have been detailed in Section 2 of the report and in Appendix 3.

The Council is required by the CIPFA Prudential Code for Capital Finance (2017) and statutory guidance to prepare certain capital related strategies and policies. The Capital Strategy and Minimum Revenue Provision (MRP) Policy are included as Appendices to this report. The Treasury Management Strategy Statement 2020/21 will also be presented to Cabinet in February 2020 under a separate agenda item.

In accordance with the requirements of the Prudential Code for Capital Finance, local authorities are required to maintain a number of prudential indicators. These are set out in the Treasury Management Strategy Statement 2020/21. The indicator used to reflect the underlying need of an authority to borrow for a capital purpose is the Capital Financing Requirement (CFR).

RECOMMENDATIONS

1. To approve the four-year General Fund Capital Programme budget at £492.2m for the period 2020/21-2023/24 (paragraph 2.1, Table 2 and Appendix 1).

2. To approve the four-year rolling programmes, set out in Table 3 (paragraph 2.2), funded from the Council's mainstream resources:

- Capital receipts and borrowing:

	£m
Planned Maintenance/DDA Programme [F&G]	2.40
Column Replacement [ENV]	0.10
Footways and Carriageways [ENV]	2.03
Total	**4.53**

- Contributions from revenue (Parking):

	£m
Controlled Parking Zones [ENV]	0.275
Column Replacement [ENV]	0.246
Total	**0.521**

3. To note the existing mainstream funded schemes previously approved, but now reprofiled to 2020/21 and future years as detailed in Table 3 (paragraph 2.2).

4. To approve the four-year Housing Capital Programme at £199.97m for the period 2020/21-2023/24 as set out in Table 5 (paragraph 3.2) and Appendix 1.

5. To delegate the potential application of capital receipts brought forward (up to £3.5m) under the Government's Flexible Use of Capital Receipts provisions to fund Invest to Save schemes in 2019/20 and 2020/21 (as identified in Appendix 5) to the Strategic Director, Finance and Governance, in consultation with the Cabinet Member for Finance and Commercial Services, as part of the closure of the 2019/20 and 2020/21 accounts.

6. To approve an additional budget envelope of £50m, from 2020/21 onwards, to provide operational flexibility, for taking forward the major projects set out in Capital Strategy Report. Use of this budget will be subject to Cabinet approval, agreement of funding sources and sign-off of an appropriate business case.

7. To approve Capital Strategy 2020/21, as set out in Appendix 4.

8. To approve annual Minimum Revenue Provision policy statement for 2020/21, as set out in Appendix 6.

Wards Affected: None

H&F Priorities

The Council's Capital Programme contains a number of schemes and projects which are directly linked to the Council's Business Plan 2018-22 and which will deliver the Council's priorities, as set out in the plan. The Capital Strategy set out in Appendix 4 provides more detailed information on how these projects link to the Council's objectives.

Our Priorities	Summary of how this report aligns to the H&F Priorities
• Being ruthlessly financially efficient	All capital investment decisions are required to be underpinned by a robust business plan that sets out any expected financial return alongside the broader outcomes including economic and social benefits. As part of being ruthlessly financially efficient the Council is reforming the way capital and other major projects are managed and monitored to achieve greater efficiency and improve delivery. This report provides detailed analysis of the Council's capital programme financial position and highlights any potential risks and their impact on the Council's resources.

Financial Impact

This report is of a wholly financial nature.

Legal Implications

There are no direct legal implications in relation to this report. Legal advice will be sought for each Procurement within the programme and will comply with the Council's Contract Standing Orders and the Public Contract Regulations.

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Background Papers Used in Preparing This Report:
None.

1. INTRODUCTION AND BACKGROUND

1.1. This report sets out an updated four-year capital expenditure and resource forecast and a capital programme for 2020/21 to 2023/24, as summarised in Table 1 below. A detailed analysis of specific schemes by service is included in Appendix 1.

Table 1 - Capital Programme 2020/21 to 2023/24

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total Budget (All years) £'000
CAPITAL EXPENDITURE					
Children's Services	7,372	2,238	2,238	-	**11,848**
Social Care	1,557	-	-	-	**1,557**
Environment Department	7,493	4,808	4,948	4,808	**22,057**
Finance & Governance	8,409	2,400	2,400	2,400	**15,609**
General Fund Schemes under the Economy Department	36,714	76,111	122,366	5,977	**241,168**
Sub-total (General Fund)	**61,545**	**85,557**	**131,952**	**13,185**	**292,239**
Economy Department-HRA Programme	79,882	52,198	41,780	26,110	**199,970**
Sub-total Economy Department (HRA)	**79,882**	**52,198**	**41,780**	**26,110**	**199,970**
Total Expenditure	**141,427**	**137,755**	**173,732**	**39,295**	**492,209**
CAPITAL FINANCING					
Specific/External Financing:					
Government/Public Body Grants	10,244	7,945	4,395	3,550	**26,134**
Grants and Contributions from Private Developers (includes S106/CIL)	15,597	30,835	12,136	-	**58,568**
Leaseholder Contributions (Housing)	2,891	5,787	4,199	3,050	**15,927**
Sub-total - Specific Financing	**28,732**	**44,567**	**20,730**	**6,600**	**100,629**
Mainstream Financing (Internal):					
Capital Receipts - General Fund	2,036	-	3,456	-	**5,492**
Capital Receipts - Housing*	10,623	7,013	5,796	-	**23,432**
Major Repairs Reserve (MRR) [Housing]	24,249	16,512	11,387	23,060	**75,208**
Earmarked Reserves (Revenue)	521	521	521	521	**2,084**
Sub-total - Mainstream Funding	**37,429**	**24,046**	**21,160**	**23,581**	**106,216**
Borrowing	75,266	69,142	131,842	9,114	**285,364**
Total Capital Financing	**141,427**	**137,755**	**173,732**	**39,295**	**492,209**

**Includes use of brought-forward receipts*

1.2. The forecast is based on known funding allocations at December 2019 and will be updated in accordance with relevant government spending announcements. This will include a review of Children's Services and Disabled Facilities Grant (DFG) allocations. At present schools' funding is not confirmed by Government beyond 2019/20. Once confirmed, General Fund capital expenditure is likely to increase.

2. THE GENERAL FUND CAPITAL PROGRAMME

2.1. The General Fund programme is summarised in Table 2, below with details for each service at Appendix 1. The programme includes:

- Civic Campus Programme/ Refurbishment of Hammersmith Town Hall
- Education City Scheme
- The continuation of the Schools' Organisation Strategy (within Children's Services)
- Schools Maintenance Programme
- The continuation of the Council's rolling programmes for Planned Building Maintenance and Footways and Carriageways
- Externally funded Transport and Highways schemes
- Parks Capital Investment
- Social Care capital projects.

Table 2 – General Fund Capital Programme 2020-24

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total Budget (All years) £'000
CAPITAL EXPENDITURE					
Children's Services	7,372	2,238	2,238	-	**11,848**
Social Care	1,557	-	-	-	**1,557**
Environment Department	7,493	4,808	4,948	4,808	**22,057**
Finance & Governance	8,409	2,400	2,400	2,400	**15,609**
General Fund Schemes under the Economy Department	36,714	76,111	122,366	5,977	**241,168**
Total Expenditure	**61,545**	**85,557**	**131,952**	**13,185**	**292,239**
CAPITAL FINANCING					
Specific/External Financing:					
Government/Public Body Grants	10,244	7,945	4,395	3,550	**26,134**
Grants and Contributions from Private Developers (includes S106/CIL)	10,580	20,000	3,303	-	**33,883**
Sub-total - Specific Financing	**20,824**	**27,945**	**7,698**	**3,550**	**60,017**
Mainstream Financing (Internal):					
Capital Receipts - General Fund	2,036	-	3,456	-	**5,492**
Earmarked Reserves (Revenue)	521	521	521	521	**2,084**
Sub-total - Mainstream Funding	**2,557**	**521**	**3,977**	**521**	**7,576**
Borrowing	38,164	57,091	120,277	9,114	**224,646**
Total Capital Financing	**61,545**	**85,557**	**131,952**	**13,185**	**292,239**

2.2. Table 3 below shows the projects funded from mainstream resource (borrowing or capital receipts) and comprises the completion of existing schemes and the continuation of rolling programmes.

Table 3 – General Fund Mainstream Programme 2020-24

	Indicative Budget 2020/21 £'000	Indicative Budget 2021/22 £'000	Indicative Budget 2022/23 £'000	Indicative Budget 2023/24 £'000	Total Budget (All years) £'000
Approved Expenditure					
Ad Hoc Schemes:					
Social Care Capital projects [ASC]	129	-	-	-	**129**
Invest to Save-Flexible Use of Capital Receipts	2,036	-	-	-	**2,036**
Capital Investment in Street Lighting [ENV]	1,100	-	-	-	**1,100**
Hammersmith Town Hall Refurbishment* [ECD]	-	10,831	319	-	**11,150**
Education City regeneration (GF element) [ECD]	2,513	1,753	1,031	448	**5,745**
Carnwath Road [ECD]	1,870	-	-	-	**1,870**
Rolling Programmes:					
Planned Maintenance/DDA Programme [F&G]	6,373	2,400	2,400	2,400	**13,573**
Footways and Carriageways [ENV]	2,030	2,030	2,030	2,030	**8,120**
Column Replacement [ENV]	100	100	100	100	**400**
Total Mainstream Programmes	**16,151**	**17,114**	**5,880**	**4,978**	**44,123**
Financing					
Capital Receipts	2,036	-	3,456	-	**5,492**
Increase/(Decrease) in Borrrowing	14,115	17,114	2,424	4,978	**38,631**
Total Financing	**16,151**	**17,114**	**5,880**	**4,978**	**44,123**

*Hammersmith Town Hall Refurbishment figure contains only mainstream element of funding (£11.2m), the remaining approved budget is funded from CIL which is not included in the mainstream programme.

2.3. The mainstream programme presented in Table 3 does not include self-financing schemes (where the net General Fund revenue borrowing costs are nil). Appendix 3 details the self-financing schemes and their borrowing requirement.

2.4. The General Fund capital programme includes capital receipts of £2m carried forward to 2020/21. These will support invest to save expenditure and IT investment in order to protect the Council's reserves. Separate reports have identified concerns regarding the medium-term adequacy of the Council's reserves and future financial resilience. The identification of additional receipts will protect reserves by enabling, in line with proper accounting or statutory practice, the flexible use of capital receipts to fund invest to save costs and potential capitalisation of other relevant costs. The use of capital receipts to fund new capital expenditure will also reduce the Council's need to borrow and therefore reduce the revenue costs of that borrowing. New borrowing comes at an annual revenue cost of £60,000 per annum per £1m.

2.5. General Fund debt is measured by the Capital Finance Requirement (CFR). The Council is required to make an annual provision from revenue, known as the Minimum Revenue Provision (MRP), which set-asides resource to repay debt and in so doing reduces the CFR. The CFR and MRP are explained in more detail in Appendix 3 and the Council's 2020/21 MRP policy is set out in Appendix 6.

2.6. The forecast for the headline General Fund (GF) CFR is shown in Table 4 below. The GF headline CFR excludes self-financing schemes detailed in Appendix 3.

Table 4 - Forecast General Fund Headline Capital Financing Requirement (CFR)

	Actual	Forecast				
GENERAL FUND CFR ANALYSIS **HEADLINE CFR EXCLUDING SELF FINANCING SCHEMES AND LOANS**	**2018/19** **£m**	**2019/20** **£m**	**2020/21** **£m**	**2021/22** **£m**	**2022/23** **£m**	**2023/24** **£m**
Opening Capital Finance Requirement (CFR)	**50.47**	**70.85**	**112.13**	**124.68**	**139.93**	**139.85**
Revenue Repayment of Debt (MRP)	(0.21)	(0.35)	(1.56)	(1.87)	(2.50)	(2.59)
Mainstream Programme (Surplus)/Shortfall	20.59	41.63	14.12	17.11	2.42	4.98
Closing Capital Finance Requirement (CFR)	**70.85**	**112.13**	**124.68**	**139.93**	**139.85**	**142.24**

2.7. The forecast General Fund Headline CFR at the end of 2020/21 is £124.68m and is expected to increase to £142.24m by the end of 2023/24. The movements in the headline GF CFR are detailed in Table 3.

2.8. Headline General Fund (GF) borrowing is forecast to increase by £30.1m over the next four years. This will add a revenue budget pressure, regarding the borrowing costs (Minimum Revenue Provision plus interest), of £3.7m per annum by the end of 2023/24. Of this, £1.7m relates to Hammersmith Town Hall Refurbishment (Civic Campus) and Education City projects which are due to complete in 2021/22 and 2022/23 retrospectively. Calculation of MRP on these schemes assumes that the charges are deferred until year after the completion and interest is capitalised during the construction period, therefore there will be no impact on revenue budgets until the projects have been completed.

2.9. Any capital receipts received during the year may be applied to lower the closing CFR. In addition, the Council may opt to apply additional Section 106 or CIL identified during the year to fund elements of the capital programme to reduce the closing CFR.

2.10. The calculation of CFR and MRP for expenditure in relation to the Civic Campus programme and Hammersmith Town Hall Refurbishment is based on the cash flow information provided by the project team. The identifies project funding through a combination of Community Infrastructure Levy (£33.7m) and borrowing (£11.9m). The CFR forecast is sensitive to the timing and amount of the CIL receipt.

2.11. In January 2020 the Cabinet approved £19.81m budget for acquisition of 145 King Street to be completed in 2019/20. The purchase will be funded by borrowing and will result in additional revenue budget costs of an estimated £1.17m per year. In the short-term this cost will largely be off-set by savings in rental payments. Significant financial benefits will be realised over the longer-term. Opening CFR for 2020/21 has been adjusted to reflect this purchase.

3. THE HOUSING CAPITAL PROGRAMME

3.1. The Housing Capital Programme is funded by borrowing, revenue contributions appropriated to the Major Repairs Reserve, S106, capital receipts from both Right-to-Buy (RTB) and sales of surplus non-dwelling sites and revenue contributions to capital from general Housing Revenue Account budgets and reserves.

3.2. The overall Housing Capital Programme expenditure and resource forecast is summarised in Table 5, below. Key areas of spend include the approved Asset Management Compliance Strategy and Capital Programme, the Building Homes and Communities Strategy and other Housing schemes. The detailed programme is included at Appendix 1.

Table 5 – Housing Expenditure and Resource Forecast 2020-24

	Indicative 2020/21 Budget £'000	Indicative 2021/22 Budget £'000	Indicative 2022/23 Budget £'000	Indicative 2023/24 Budget £'000
Approved Expenditure				
HRA Asset Management and Compliance Programme	61,740	36,179	29,161	26,110
Building Homes and Communities Strategy	4,009	540	-	-
Other HRA Capital Schemes	14,133	15,479	12,619	-
Total Housing Programme	**79,882**	**52,198**	**41,780**	**26,110**
Available and Approved Resource				
Capital Receipts - Unrestricted	5,221	2,369	2,010	-
Capital Receipts - RTB (141)	5,402	4,644	3,786	-
Major Repairs Reserve (MRR)	24,249	16,512	11,387	23,060
Contributions Developers (S106)	5,017	10,835	8,833	-
Contributions from leaseholders	2,891	5,787	4,199	3,050
Use of reserves (Fire Safety EMR)	-	-	-	-
Borrowing	37,102	12,051	11,565	-
Total Funding	**79,882**	**52,198**	**41,780**	**26,110**

Under the 1-4-1 scheme, Right to Buy (RTB) receipts can be retained by the authority on the proviso that they are recycled into the provision of a replacement dwelling. Accordingly, these receipts must be ring-fenced until they can be matched to qualifying expenditure.

3.3. The forecast Housing Capital Finance Requirement (HRA CFR) is shown in Table 6, below.

Table 6 – Housing CFR Forecast 2020-24

	Actual	Forecast				
HRA CFR Forecast	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**
Closing Forecast HRA CFR	204.85	217.75	254.86	266.91	278.47	278.47
Appropriation of EdCity affordable housing units to HRA	-	-	-	-	-	24.29
Application of resources to reduce CFR	-	-	-	-	-	(0.95)
Total Closing Forecast HRA CFR	**204.85**	**217.75**	**254.86**	**266.91**	**278.47**	**301.81**

The Housing Revenue Account CFR is forecast to be £254.86m by the end of 2020/21 and £301.81m by 2023/24. The impact of an increase in HRA CFR on HRA revenue budgets is currently being assessed in the HRA Business Plan and the Financial Plan for Council Homes (HRA Financial Strategy) 2020/21 which is due to go to the Cabinet in February 2020. The total borrowing costs affecting HRA revenue budgets will be known once the factors such as interest rates and potential capitalisation of borrowing costs have been confirmed.

3.4. The HRA CFR presented in Table 6 includes the proposed appropriation of Education City Affordable Housing units from the General Fund on completion of the scheme (currently forecast for 2023/24). The appropriation will result in an increase in the HRA CFR by £24.29m. However, this increase will be reduced by an application of external resources to reduce borrowing by £0.95m.

4. EQUALITY IMPLICATIONS

4.1. There are no direct equalities implications in relation to this report. This paper is concerned entirely with financial management issues and, as such, the recommendations relating to increase in capital allocations will not impact directly on any group with protected characteristics, under the terms of the Equality Act 2010.

4.2. Implications verified by: Fawad Bhatti, Policy & Strategy Officer, Public Services Reform, tel: 07500 103617

5. VAT IMPLICATIONS

5.1. With regard to all major capital schemes and disposals, the Council will need to give careful consideration to its VAT partial exemption threshold. Ordinarily, entities cannot reclaim VAT incurred in the provision of VAT exempt activities, however special provision for Local Authorities means that Council can reclaim such costs, providing these do not exceed 5% of the Council’s overall VAT liability in any one year. If this threshold is breached without HMRC mitigation, then all VAT incurred in support of exempt activities, in that year, can no longer be reclaimed from HM Revenue and Customs (HMRC) and becomes payable by the Council. This would represent a cost of approximately £2m to £3m per year of breach.

5.2. Capital transactions represent a significant portion of the Council’s VAT-exempt activity and accordingly pose the biggest risk to the partial exemption threshold. The Council monitors the partial exemption position closely, however unanticipated expense or slippages can present challenges to this process. The Cabinet has adopted the following VAT policy to aid the management of the Partial Exemption position:

- In all cases of new or reprofiled projects, the VAT team should be consulted in advance.
- Projects should be 'opted-to-tax' where this option is available and is of no financial disadvantage to the Council.

5.3. VAT Implications completed by: Christopher Harris, Chief Accountant, Corporate Finance, Tel: 020 8753 6440.

6. RISK MANAGEMENT

6.1. The report content presents a balanced and measured profile of the main aspects, risks and issues relating to the Capital Programme and its deliverables.

The exposure to property market conditions, consultation requirements, potential delays due to legal challenge, gaining planning consent, protracted negotiations, or exchange of contracts with potential purchasers are known risks and these are outlined in the report. Each may affect the likelihood or timeliness of expenditure meeting projected receipts. Mitigation is undertaken on a case by case basis and it is the responsibility of departments to capture risks that may affect the successful delivery of capital projects contained in their programme in their departmental registers. A number of significant opportunity risks to regenerate areas of the borough have previously been considered on the Council's risk and register which has been reviewed by the Strategic Leadership Team. Exposure to risks such as the potential for Fraud and Bribery in relation to its property and asset dealings are covered through the councils existing Anti-Fraud and Bribery policies. The service maintains a register of key risks, where there may become significant they may be escalated onto the Corporate risk register.

6.2. Implications verified/completed by: Michael Sloniowski, Risk Manager, Tel: 020 8753 2587

7. IMPLICATIONS FOR BUSINESS

7.1. The Council's Capital Programme represents significant expenditure within the Borough and consequently, where supplies are sourced locally, may impact either positively or negatively on local contractors and sub-contractors. Where capital expenditure increases, or is brought forward, this may have a beneficial impact on local businesses; conversely, where expenditure decreases, or is slipped, there may be an adverse impact on local businesses.

7.2. Projects contained in the capital programme are approved on individual basis and the business implications for each of them are considered in more detail in their specific reports.

7.3. Implications completed by: Albena Karameros, Economic Development Team, Tel 07739 316 957.

LIST OF APPENDICES:

Appendix 1 – Council Capital Programme by Service Area
Appendix 2 – Anticipated General Fund capital receipts
Appendix 3 – The Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP)
Appendix 4 – Capital Strategy 2020/21
Appendix 5 – Flexible Use of Capital Receipts Guidance and Proposed Application
Appendix 6 – Minimum Revenue Provision (MRP) Statement 2020/21

APPENDIX 1 – Detailed Analysis by Service

Children's Services

	2020/21 Budget £'000	Indicative Future Years Analysis 2021/22 Budget £'000	2022/23 Budget £'000	2023/24 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary					
Schools Organisational Strategy	4,734	-	-	-	4,734
Schools Window Replacement Project	400	-	-	-	400
School Maintenance Programme	2,238	2,238	2,238	-	6,714
Total Expenditure	**7,372**	**2,238**	**2,238**	**-**	**11,848**
Capital Financing Summary					
Specific/External or Other Financing					
Capital Grants from Central Government	5,401	2,238	2,238	-	9,877
Grants and Contributions from Private Developers (includes S106)	1,971	-	-	-	1,971
Sub-total - Specific or Other Financing	**7,372**	**2,238**	**2,238**	**-**	**11,848**
Total Capital Financing	**7,372**	**2,238**	**2,238**	**-**	**11,848**

APPENDIX 1 – Detailed Analysis by Service

Social Care Services

	2020/21 Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000	2023/24 Budget £'000	Total Budget (All years) £'000
		Indicative Future Years Analysis			
Scheme Expenditure Summary					
Extra Care New Build project (Adults' Personal Social Services Grant)	957	-	-	-	957
Transforming Care (Winterbourne Grant)	300	-	-	-	300
Social Care Capital Grant	300	-	-	-	300
Total Expenditure	**1,557**	**-**	**-**	**-**	**1,557**
Capital Financing Summary					
Specific/External or Other Financing					
Capital Grants from Central Government	1,128	-	-	-	1,128
Capital Grants/Contributions from Non-departmental public bodies	300	-	-	-	300
Sub-total - Specific or Other Financing	**1,428**	**-**	**-**	**-**	**1,428**
Borrowing	129	-	-	-	129
Total Capital Financing	**1,557**	**-**	**-**	**-**	**1,557**

APPENDIX 1 – Detailed Analysis by Service

Finance & Governance

	2020/21 Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000	2023/24 Budget £'000	Total Budget (All years) £'000
		Indicative Future Years Analysis			
Scheme Expenditure Summary					
Invest to Save - Flexible Use of Capital Receipts	2,036	-	-	-	2,036
Planned Maintenance/DDA Programme	6,373	2,400	2,400	2,400	13,573
Total Expenditure	**8,409**	**2,400**	**2,400**	**2,400**	**15,609**
Capital Financing Summary					
Mainstream Financing (Internal Council Resource)					
Capital Receipts	2,036	-	2,400	-	4,436
Sub-total - Mainstream Funding	**2,036**	**-**	**2,400**		**4,436**
Borrowing	6,373	2,400	-	2,400	11,173
Total Capital Financing	**8,409**	**2,400**	**2,400**	**2,400**	**15,609**

APPENDIX 1 – Detailed Analysis by Service

Environment Department

	2020/21 Budget £'000	Indicative Future Years Analysis 2021/22 Budget £'000	2022/23 Budget £'000	2023/24 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary					
Footways and Carriageways	2,030	2,030	2,030	2,030	8,120
Transport For London Schemes	2,157	2,157	2,157	2,157	8,628
Controlled Parking Zones	275	275	275	275	1,100
Column Replacement	346	346	346	346	1,384
Capital Investment in Street Lighting	1,100	-	-	-	1,100
Parks Capital Rolling Programme	164	-	-	-	164
Other Parks Capital Schemes	330	-	-	-	330
Shepherds Bush Common Improvements	431	-	-	-	431
Fulham Football Cl;ub -Bishops Park	660	-	-	-	660
Leisure Centre Capital Investment	-	-	140	-	140
Total Expenditure	**7,493**	**4,808**	**4,948**	**4,808**	**22,057**
Capital Financing Summary					
Specific/External or Other Financing					
Grants and Contributions from Private Developers (includes S106)	1,585	-	140	-	1,725
Capital Grants and Contributions from GLA	2,157	2,157	2,157	2,157	8,628
Sub-total - Specific or Other Financing	**3,742**	**2,157**	**2,297**	**2,157**	**10,353**
Mainstream Financing (Internal Council Resource)					
Capital Receipts	-	-	1,056	-	1,056
Use of Reserves	521	521	521	521	2,084
Sub-total - Mainstream Funding	**521**	**521**	**1,577**	**521**	**3,140**
Borrowing	3,230	2,130	1,074	2,130	8,564
Total Capital Financing	**7,493**	**4,808**	**4,948**	**4,808**	**22,057**

APPENDIX 1 – Detailed Analysis by Service

Economy Department General Fund Managed Schemes	Indicative Future Years Analysis				
	2020/21 Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000	2023/24 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary					
Civic Campus					
Hammersmith Town Hall Refurbishment	6,966	20,549	3,164	-	30,679
HTH Refurbishment -Fit Out	-	10,282	318	-	10,600
Acquisition of commercial units	-	-	63,000	-	63,000
Equity Loan (Civic Campus)	-	-	25,000	-	25,000
JV Partnership Loan	15,000	30,000	-	-	45,000
Subtotal Civic Campus	**21,966**	**60,831**	**91,482**	**-**	**174,279**
Building Homes and Communities Strategy (GF sites)					
Schools Regeneration Programme	2,029	-	-	-	2,029
Education City/Ark Swift redevelopment	10,658	8,943	13,730	1,841	35,172
Education City Loan	75	6,337	17,154	4,136	27,702
Subtotal Building Homes and Communities Strategy (GF sites)	**12,762**	**15,280**	**30,884**	**5,977**	**64,903**
Other GF Capital Schemes managed by the Economy					
Sands End Community Centre	116	-	-	-	116
Carnwath Road	1,870	-	-	-	1,870
Subtotal Other GF Capital Schemes managed by the Economy	**1,986**	**-**	**-**	**-**	**1,986**
Total Expenditure	**36,714**	**76,111**	**122,366**	**5,977**	**241,168**
Capital Financing Summary					
Specific/External or Other Financing					
Grants and Contributions from Private Developers (includes S106)	58	-	-	-	58
Community Infrastructure Levy (CIL)	6,966	20,000	3,163	-	30,129
Capital Grants/Contributions from Non-departmental public bodies	58	-	-	-	58
Capital Grants and Contributions from GLA Bodies	1,200	3,550	-	1,393	6,143
Sub-total - Specific or Other Financing	**8,282**	**23,550**	**3,163**	**1,393**	**36,388**
Borrowing (Borrowing-GF)	28,432	52,561	119,203	4,584	204,780
Total Capital Financing	**36,714**	**76,111**	**122,366**	**5,977**	**241,168**

APPENDIX 1 – Detailed Analysis by Service /cont.

Economy Department- HRA Capital Programme

Indicative Future Years Analysis

	2020/21 Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000	2023/24 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary					
HRA Asset Management and Compliance Programme					
Pre Agreed Works	22,814	500	-		23,314
Fire Safety Compliance Programme	13,431	6,877	2,540		22,848
Fire Safety Complex Schemes	6,014	10,337	10,000		26,351
Pre Agreed Lift Scheme	2,644	1,474	836		4,954
Pre Agreed Boiler Scheme	2,768	1,000	1,139		4,907
Safety Works - Electrical	3,922	5,406	4,031		13,359
Safety Works	1,175	1,961	1,380		4,516
Void Works	240	240	-		480
Neighbourhood, parking & garage improvements	1,163	694	-		1,857
Surveying and fees	1,500	1,500	-		3,000
Capitalised salaries	2,805	2,861	2,918		8,584
Capitalised repairs	3,264	3,329	3,396		9,989
Unallocated budget - Priority schemes to be confirmed	-	-	2,921	26,110	29,031
Subtotal HRA Asset Management and Compliance Programme	**61,740**	**36,179**	**29,161**	**26,110**	**153,190**
Building Homes and Communities Strategy (HRA sites)					
Homes & Communities Strategy	1,361	-	-	-	1,361
White City Estate Regeneration	1,728	540	-	-	2,268
Old Laundry Yard	920	-	-	-	920
Subtotal Building Homes and Communities Strategy (HRA sites)	**4,009**	**540**	**-**	**-**	**4,549**
Other HRA Capital Schemes					
Housing Development Project	2,405	-	-	-	2,405
Stanhope Joint Venture	6,777	15,479	12,619	-	34,875
Affordable Housing Delivery Framework	1,751	-	-	-	1,751
Hartopp & Lannoy	3,200	-	-	-	3,200
Subtotal Other HRA Capital Schemes	**14,133**	**15,479**	**12,619**	**-**	**42,231**
Total Expenditure	**79,882**	**52,198**	**41,780**	**26,110**	**199,970**

APPENDIX 1 – Detailed Analysis by Service /cont.

Economy Department- HRA Capital Programme

Indicative Future Years Analysis

Capital Financing Summary

	2020/21 Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000	2023/24 Budget £'000	Total Budget (All years) £'000
Specific/External or Other Financing					
Contributions from leaseholders	2,891	5,787	4,199	3,050	15,927
Grants and Contributions from Private Developers (includes S106)	5,017	10,835	8,833	-	24,685
Sub-total - Specific or Other Financing	**7,908**	**16,622**	**13,032**	**3,050**	**40,612**
Mainstream Financing (Internal Council Resource)					
Capital Receipts (HRA)	10,623	7,013	5,796	-	23,432
Major Repairs Reserve (MRR) / Major Repairs Allowance	24,249	16,512	11,387	23,060	75,208
Sub-total - Mainstream Funding	**34,872**	**23,525**	**17,183**	**23,060**	**98,640**
Borrowing(HRA)	37,102	12,051	11,565	-	60,718
Total Capital Financing	**79,882**	**52,198**	**41,780**	**26,110**	**199,970**

APPENDIX 2 – Anticipated General Fund capital receipts

Financial Year	Forecast Future Recipts £'000s
2020/21	
Capital receipts b/f from previous years	2,036
Total 2020/21	**2,036**
2021/22	
Total 2021/22	**-**
2022/23	
Forecast capital receipts	3,600
Cost of Sales (4%)	(144)
Total 2022/23	**3,456**
2023/24	
Total 2023/24	**-**
Total All Years	**5,492**

APPENDIX 3 - THE CAPITAL FINANCING REQUIREMENT (CFR) AND MINIMUM REVENUE PROVISION

1. The CFR measures an authority's underlying need to borrow for a capital purpose. It is considered by the Chartered Institute of Public Finance Accountancy (CIPFA) as the best measure of Council debt as it reflects both external and internal borrowing. It was introduced by the Government in 2004 and replaced the 'credit ceiling' as the Council's measure of debt.

2. The CFR is the difference between capital expenditure incurred and the resources set aside to pay for this expenditure. Put simply it can be thought of as capital expenditure incurred but not yet paid for in-full and serves as a measure of an authority's indebtedness.

3. An important caveat is that the CFR does not necessarily equal the outstanding loans of the authority. A council may be 'cash rich' and pay for a new asset in full without entering into new loans. However, unless the council simultaneously funds these from grants, capital receipts or sets aside reserves (either through recognising a revenue cost or transferring existing reserves from 'usable' to 'unusable' in the bottom half of the balance sheet) the CFR will increase it has effectively borrowed internally. The CFR should therefore be thought of as the total of internal and external borrowing.

4. The Table 1 below shows the Council's forecast total GF CFR for the period 2020/21-2023/24:

Table 1- Forecast General Fund CFR 2020/21-2023/24

	Actual	Forecast				
GENERAL FUND CFR ANALYSIS	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
HEADLINE CFR EXCLUDING SELF FINANCING SCHEMES AND LOANS	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Opening Capital Finance Requirement (CFR)	**50.47**	**70.85**	**112.13**	**124.68**	**139.93**	**139.85**
Revenue Repayment of Debt (MRP)	(0.21)	(0.35)	(1.56)	(1.87)	(2.50)	(2.59)
Mainstream Programme (Surplus)/Shortfall	20.59	41.63	14.12	17.11	2.42	4.98
Closing Capital Finance Requirement (CFR)	**70.85**	**112.13**	**124.68**	**139.93**	**139.85**	**142.24**
SELF FINANCING SCHEMES AND LOANS	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Opening Capital Finance Requirement (CFR)	**6.57**	**7.32**	**9.00**	**30.80**	**70.59**	**188.25**
Equity loan repayment	-	-	-	-	-	(25.00)
Appropriation of Education City affordable housing units to HRA	-	-	-	-	-	(24.29)
Revenue Repayment of Debt (MRP)	(0.27)	(0.22)	(0.20)	(0.19)	(0.19)	(2.83)
In Year Borrowing	1.02	1.90	22.00	39.98	117.85	4.14
Closing Capital Finance Requirement (CFR)	**7.32**	**9.00**	**30.80**	**70.59**	**188.25**	**140.27**
Finance leases/PFI/ Deferred costs of disposal	9.84	8.73	7.93	7.13	6.33	5.53
Total Closing CFR	**88.01**	**129.86**	**163.41**	**217.64**	**334.43**	**288.04**

5. The current forecast for the General Fund Headline CFR is £124.68m at the end of 2020/21 and £142.24m by the end of 2023/24. The increase in GF Headline CFR puts additional pressures on revenue budgets.

6. The headline CFR figures exclude:

- £7m Schools Windows Replacement Programme
- potential development (loan) funding of £45m to the Civic Campus programme
- Potential £28.58m loan to the Education City Development project
- £63m investment in acquisition of Civic Campus commercial units.

Whilst these will impact on the Council's CFR, it is assumed that all Minimum Revenue Payment (MRP) and interest costs will be fully reimbursed through the charging of a state-aid compliant interest rate and commercial income.

7. CFR movements related to these schemes are presented under "Self-Financing Schemes and Loans" heading in the Table 1. CFR for these schemes is forecast to increase to £30.8m in 2020/21 and to £140.27m by the end of 2022/23. Table 2 details the CFR movements regarding these schemes:

Table 2- Self -financing schemes and loans CFR movements 2020/21-2023/24:

	Indicative Budget 2020/21 £'000	Indicative Budget 2021/22 £'000	Indicative Budget 2022/23 £'000	Indicative Budget 2023/24 £'000	Total Budget (All years) £'000
Approved Expenditure					
Ad Hoc Schemes:					
JV loan - HTH	15,000	30,000	-	-	**45,000**
Acquisition of commercial units (Civic Campus)	-	-	63,000	-	**63,000**
Equity Loan (Civic Campus)	-	-	25,000	-	**25,000**
Education City regeneration (HRA element)	6,925	3,640	12,699	-	**23,264**
JV loan -Education City	75	6,337	17,154	4,136	**27,702**
Total Mainstream Programmes	**22,000**	**39,977**	**117,853**	**4,136**	**183,966**
Financing					
Increase/(Decrease) in Borrrowing	22,000	39,977	117,853	4,136	**183,966**
Total Financing	**22,000**	**39,977**	**117,853**	**4,136**	**183,966**
Equity Loan (Civic Campus) repayment	-	-	-	(25,000)	**(25,000)**
Appropriation of Education City Affordable Housing Units to HRA	-	-	-	(24,289)	**(24,289)**
CFR movement	**22,000**	**39,977**	**117,853**	**(45,153)**	**134,677**

8. The report regarding investment in Civic Centre commercial units is also proposing one-off equity loan payment of £25m towards Civic Campus redevelopment scheme, currently forecast to be issued in 2022/23. The issue of the equity loan will result in an increase in GF CFR by the same amount. However, this loan is expected to be repaid in the following financial year and therefore it will not have any impact on the MRP. Repayment of the loan will result in decrease in GF CFR in 2023/24 by £25m.

9. As the development site for Education City scheme is currently General Fund land, it is assumed that the total development costs will be charged to General Fund until the site completion. This will result in an increase in GF

CFR. On the completion costs and debt associated with HRA element of the redevelopment (affordable housing units) will be appropriated to HRA. The appropriation will result in decrease in GF CFR and increase in HRA CFR by the same amount. Forecast expenditure for HRA affordable housing units is currently £24.29m. As any interest charges will be capitalised and MRP will not be charged until year after the completion, there will be no direct impact on general fund revenue budgets in respect to HRA costs. However, should the scheme be cancelled before the completion of HRA affordable homes, risks and costs associated with the termination could potentially have an impact GF revenue budgets.

10. Minimum Revenue Provision (MRP) is the minimum amount which a Council must charge to its revenue budget each year, to set aside a provision for repaying external borrowing (loans). This is an annual revenue expense in a Council's budget. The MRP will, over time, reduce the CFR.

11. The statutory guidance issued by the Secretary of State (Ministry for Housing, Communities and Local Government) details the ways how MRP should be charged on various items of capital expenditure. MRP charges presented in the Table 1 follow this guidance and assume the following:

    - MRP charges are deferred for development projects until year after their completion. The rate charged is based on the estimated life of an asset (50 years for new developments).
    - MRP on rolling capital programmes and smaller scale ad hoc schemes is charged year after the expenditure incurs. The rate used is based on weighted average life of an assets (currently 3.01%).

APPENDIX 4 – CAPITAL STRATEGY 2020/21

1. From 2019/20 onwards, the Prudential Code[1] obliges local authorities to approve a capital strategy.

2. The Hammersmith and Fulham capital strategy sets out the long-term context in which capital investment decisions are made and the governance for those decisions. It supports the development of a capital programme that is affordable, prudent, and sustainable whilst giving due consideration to risk and reward and delivery of the Council's business plan.

3. The Council's priorities include being ruthlessly financial efficient. The capital strategy sets out the way capital projects are managed to improve delivery and achieve greater efficiency.

4. A key focus of the capital strategy is future finance resilience. Capital investment can enable the delivery of invest to save projects and grow future income and resources.

Strategic Context

5. The Council's Business Plan 2018-22 sets out the Council's main priorities for the next four years. From a capital investment perspective these include:

Building shared prosperity

- The Council has pledged to build at least 1,500 genuinely affordable homes, of which 500 will be affordable part-ownership homes to buy, prioritising local residents. This will be achievable through development of a new partnership strategy with housing association partners
- Speed up Aids and Adaptations services for Disabled people
- Providing affordable office space
- Work with Old Oak Regeneration Corporation to deliver thousands of new affordable homes to rent and buy for H&F residents
- Review all small sites that could be used to increase the number of affordable homes on every possible spare piece of land
- Deliver new affordable space through planning agreements with developers to support small businesses by May 2022

Doing things with residents, not to them

- The Council is also seeking to invest in a community-led redesign of the North End Road providing a long-term enhancement of the market and supporting the growth of existing and new businesses
- Delivering the fire safety plus programme

Taking pride in Hammersmith & Fulham

- Hammersmith and Fulham is aiming to be the greenest Borough in Britain

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[1] The CIPFA Prudential Code for Capital Finance in Local Authorities (2017) – by regulation local authorities are required to have regard to the Code when carrying out their duties.

- The Council is seeking to put together scheme that works with private investors and TFL to build a Hammersmith Flyunder
- Continuing to invest in CCTV so that residents feel secure in their homes and on the streets

Creating a compassionate council

- The Council will support their outstanding special schools and will continue to ensure that services are designed to meet the additional needs of disabled children and their families
- The Council has a plan to develop a running track at Hurlingham Park for use by schools, and safer, pollution- free opportunity for recreational jogging for all ages. There are also plans to develop more physical education, sport and youth facilities by May 2020.
- Reintroduce convalescent homes

Being ruthlessly financially efficient

- Hammersmith & Fulham will continue to be the best value council in the country
- The Capital Strategy is identified as a key document for delivering ruthless financial efficiency. We are reforming the way capital projects are managed to achieve greater efficiency and improve delivery. We are also improving the management of capital projects and introducing new reporting systems to tighten up oversight.
- Capital investment is an enabler of more efficient working and can enhance future financial resilience through growing income and other resources.

6. The Council's current four-year capital programme already contains schemes which address some of the above-mentioned priorities. Cabinet, or Full Council, have agreed to individual capital schemes during the year which haven't been included in the Capital Programme. In addition, in July 2019, Cabinet agreed two important capital strategies, the Housing Asset Management Compliance Strategy and Capital Programme and the Building Homes and Communities Strategy. The programme will continue to be developed in line with the Council's priorities and new schemes will be added as and when they are identified and approved. A brief overview of the current and planned major schemes is provided in the Major Projects section of the report. Where budgets have been approved for these schemes, these are included in the Capital Programme.

MAJOR PROJECTS

Civic Campus Programme

7. In January 2019, the Full Council approved plans for major regeneration of the King Street area which will also include redevelopment of Hammersmith Town Hall, creating a Civic Campus. This involves entering into a joint venture with not-for-profit housing provider, A2 Dominion, for the delivery of the scheme,

conditional land sale agreement from the Council to the JV, and the associated funding for the Civic Campus.

- The development will create a new civic and community campus, including new fit-for-purpose, inclusively designed office accommodation for the Council and act as a catalyst for change, with the inclusion of open public realm and shared spaces within the Town Hall used by the neighbourhood as well as the greater community. The Civic Campus Programme will: provide urgent intervention in the failing existing Town Hall office buildings, refurbishing and restoring the heritage elements of the Town Hall, whilst creating an opportunity for improved ways of working in order to be ruthlessly financially efficient and address the financial challenges faced by the Council;
- contribute to the borough's housing ambitions by increasing the supply of good quality, genuinely affordable housing for local residents to meet local housing need;
- create pride in H&F by transforming King Street into a new civic and cultural destination; improving the public realm and Grade II listed Town Hall, providing new local amenities for residents, including a new four screen cinema, café/restaurant, retail and public event spaces; and
- promote economic growth in line with the H&F Industrial Strategy, Economic Growth for Everyone, through the creation of new retail and commercial space, including affordable space for start-up businesses to combat High Street decline.

8. The budget for the scheme has been included in the Council's 2020/21 to 2023/24 Capital Programme. The Council is also considering an investment into the acquisition of the commercial units on the Campus which from a civic and operational point of view, the would allow the Council to select proposed commercial tenants and occupiers that complement the new civic campus, whilst also allowing the Council to benefit from the regeneration opportunity that they present.

Education City

9. In the absence of a national programme for capital investment in existing schools, the Council and Absolute Return for Kids (ARK) have been working together to plan and co-fund a new Education City, to create a new mixed used education hub on the site of the ARK Swift Primary School including:
   - A high-quality primary school
   - New and expanded nursery for 75 children
   - New adult education facilities
   - New youth facilities
   - An office for educational charities
   - 132 new homes, 50% of which will be affordable housing.

10. The funding for the school and the office will be provided by ARK. The Council will fund the residential. Both parties will share in the cost of the youth facility, the nursery and the adult education facilities, as well as the construction of shared amenities. The Council budgets for the scheme were agreed on 29 April 2019 and have been included in the Capital Programme.

Housing Asset Management Compliance Strategy and Capital Programme

11. The Council is the responsible landlord for over 17,000 homes across Hammersmith and Fulham. Housing Asset Management and Compliance Strategy was agreed by Cabinet in December 2018 and the Capital Programme agreed in July 2019. The programme prioritises work to deliver Fire Safety Plus, other health and safety compliance works and other pre-agreed works to ensure the safety and welfare of all residents through investment decisions about the housing stock.

12. Included within the Housing Asset Management Compliance Strategy and Capital Programme is the demolition of **Hartopp and Lannoy Points**. As agreed by Cabinet on 29 April 2019, Hartopp and Lannoy Points will be demolished to address the serious health and safety concerns following detailed investigatory work and consultation with residents. Within the current programme there is budget provision for feasibility work on the prospect of a new development on the cleared site. Demolition works are expected to commence in spring 2020 and complete by the end of 2020/21.

Building Homes and Communities Strategy

13. The Building Homes and Communities Strategy sets out a self-funding programme of investment in homes and community assets where the Council will utilise its land and property assets to meet key administration priorities to deliver affordable housing and support the Council's financial challenge it aims to:
    - build new, genuinely affordable housing which will help maintain the borough's vibrant social mix
    - support the Council's Business Plan priority of 'Building Shared Prosperity'
    - renew key community assets, including schools and leisure centres
    - generate income to reinvest in frontline services

14. The approach would see the Council directly deliver housing from Council-owned land enabling the Council to deliver a substantial number of private and affordable homes which would not otherwise be delivered by the market. It would also allow the Council to benefit directly from the revenue generated from market and social rent housing as well as accruing long-term assets.

15. Schemes that have been approved for early design stage and resident consultation within the Strategy are the **White City** and **Old Laundry Yard**.

Schools Renewal Programme

16. Now also included within the Building Homes and Communities Strategy is the Council's commitment to a Schools Renewal programme, agreed by Cabinet in March 2019.The programme is intended to:
    - to re-provide modern, fit for purpose schools to support the borough's ambition to give children the best start in life
    - to support the funding of education in Hammersmith and Fulham including the future repair and planned maintenance requirements across the school community

- to fund school development through the creation of badly needed affordable housing which will help maintain the borough's vibrant social mix.

17. Flora Gardens Primary School and Avonmore Primary Schools are the first projects within this programme and work is currently underway to assess viability, produce a detailed business case and proceed to planning application stage as appropriate.

Other Housing projects

18. In addition to the Housing Asset Management Compliance Strategy and Building Homes and Communities Strategy the Council is progressing a number of housing projects in relation to the provision of affordable housing these include the following schemes.

19. Affordable Housing at **Spring Vale Estate**: A contractor is on site and is expected to complete the development of 10 affordable homes on the Estate by the end of 2020/21

20. **Affordable Housing Delivery Framework**: This framework is made up of Housing Associations who can offer to acquire and build additional affordable housing on former Council owned sites. In order to maximise affordable housing provision on these sites the Council can elect to use its right to buy receipts as passported grant funding to the developing housing associations. The current sites in progress are the former hostel at **Lavender Court**, the **former housing office at Fulham North** and **Emlyn Gardens Estate**. All of these are expected to complete by the end of 2020/21.

21. The redevelopment of **Edith Summerskill House** is being taken forward through the Council's joint venture with Stanhope. The scheme was considered by planning in October 2017 and has resolution to grant for 133 new genuinely affordable homes, 80% of which will be social rent with the remainder let as sub-market intermediate rent. Demolition is complete and Peabody Housing Trust will develop the new scheme with the Council transferring the land and providing a grant towards construction costs.

Old Oak and Park Royal Opportunity Area

22. As part of developing the business case for a High Speed 2 / Crossrail interchange at Old Oak Common the London Boroughs of Brent, Ealing and Hammersmith & Fulham and the GLA published a joint Vision for the Old Oak area to encourage appropriate development and to maximise regeneration benefits in the area. Since then the Old Oak and Park Royal Mayoral Development Corporation (OPDC) was established in April 2015 and is now the planning authority for the Old Oak and Park Royal Opportunity Area. More detailed information about the project can be found on the OPDC's website at: https://www.london.gov.uk/about-us/organisations-we-work/old-oak-and-park-royal-development-corporation-opdc.

23. The Council remains responsible for all other services such as waste collection, highways enforcement, car parking, parks management and maintenance etc. within the OPDC boundary

Hammersmith Bridge

24. Hammersmith Bridge repair works have commenced following the bridge closure in April 2019 due to structural damage. The first stage of repair works is estimated to cost £25m and will be fully funded by TfL. As the works are carried out directly by TfL contractors, there is no impact on LBHF Capital Programme.

Linford Christie Stadium

25. The Linford Christie Stadium is located on Wormwood Scrubs which is managed by the Wormwood Scrubs Charitable Trust. The sole corporate trustee for the Trust is the London Borough of Hammersmith and Fulham. The stadium is in a poor state of repair and would benefit from refurbishment and the Council and the Trust have undertaken a consultation exercise and are exploring options for the future of the Stadium. Any future decision on this will be made by the Trust following a detailed options appraisal and business case.

Community Infrastructure Levy (CIL)

26. The Council has adopted its own CIL, which took effect on 1 September 2015. This is a levy that local authorities can choose to charge on new developments in their area and in part replaces the use of Section 106 agreements to support the provision of infrastructure.

27. To date the Council has received £11.2m of Borough CIL. Due to the current economic circumstances, it is harder to predict the future CIL receipts, however, based on current performance, it is considered prudent to assume that increasing sums will be received in following years.

28. Council CIL can be used for the delivery, operation, maintenance and repair of infrastructure to support development in the borough. There are obligations to spend 15% on projects agreed with the community (or 25% where there is a neighbourhood plan in place). There is no legislative framework to define how this is done. To achieve this agreement, the Council has implemented a CIL page on Spacehive to enable community groups to put forward projects and the members of the public to contribute to, as a mechanism of achieving agreement.

Invest to Save Projects

29. The Council has a number of Invest to Save projects, both in train and planned, which will deliver future revenue savings. The Council reserves the right to fund some of this expenditure from available general fund capital receipts under Flexible Use of Capital Receipts dispensation. This enables the Council to preserve its reserves and free them up to meet expenditure pressures or to invest in priorities. More detailed guidance on Flexible Use of Capital Receipts as well as a summary of the current Invest to Save projects to be capitalised under this dispensation in 2019/20 and 2020/21 can be found in Appendix 5 of this report.

Health and Safety

30. Health and Safety works have been included within the Housing Asset Management Compliance Strategy and Capital Programme, which gives priority to fire and other health and safety works in the Council's housing stock. The Council's is committed to the safety and welfare of all residents and other capital projects and budgets including the School's Maintenance and Corporate Planned Maintenance Programme include Health and Safety related works.

Other schemes

31. The Council's Capital Programme contains a number of schemes which are necessary investments in the Council's assets to ensure their sustainability, to address health and safety and legislative requirements and to provide future revenue savings. Examples of such schemes are:
    - Schools Organisation Strategy within the Schools' Capital programme expected to exceed £4.7m in 2020/21.
    - Schools Maintenance Programme of £6.7m
    - Schemes funded from ring-fenced resources within the Housing Revenue Account (HRA) such as major refurbishments, heating works, lift works, garage improvements, electrical installations, estate roads, disabled adaptations, etc.
    - Required investment from Council resources, including capital receipts, to support strategic priorities such as investment in the highways infrastructure, ICT, asset management and parks.

32. The Council set out its strategic ambition around specialist housing (short and long-term care and accommodation for groups such as care leavers, rough sleepers etc) through a report to Cabinet in December 2018. This provided an anchor for future investment decisions and strategic commissioning around these key preventative services. There are issues with supply of this type of housing, and the suitability of the borough's current stock to meet changing needs, much of which is owned and operated by housing associations. The Council continues work on understanding the type of capital investment required and the levers for renewing this portfolio of assets which can help to reduce current and future pressures on the Council's revenue budget. This work will help define future calls on the Council's capital programme.

33. All capital investment decisions will be underpinned by a robust business plan that set out any expected financial return alongside the broader outcomes including economic and social benefits.

Governance

34. As part of being ruthlessly financially efficient the Council is reforming the way capital and other major projects are managed to achieve greater efficiency and improve delivery. The Council is also improving the management of capital projects and introducing new reporting systems to tighten up oversight. The reforms include:
    - Capital project audit - An audit of all major schemes and projects was carried out to assess governance and financial controls.
    - Capital project management - Directors must involve finance at the inception of significant capital projects to consider business cases (including affordability, best value, funding and ongoing revenue costs and savings).

- For all large capital spend schemes - detailed reporting arrangements are in place for all relevant service management teams, strategic leadership groups, the political administration and Cabinet.
- Finance Board is chaired by the Strategic Director of Finance and Governance. In addition to revenue budgets, S106, commercial income and audit issues, its remit will extend to large capital schemes. Capital expenditure governance, monitoring, controls, and slippage will be a standard item.

35. Finance Board will:
    - consider the funding and feasibility of new large schemes
    - review business cases, approvals, and variations, signing off draft reports to Cabinet
    - oversee the procurement and delivery of capital works
    - monitor actual spend and forecast against budgets.

36. The Strategic Leadership Team (SLT) Major Programmes Board (MPB) is a decision-making Board. It has oversight and secures assurance of major projects and programmes across the Council.

37. The responsibilities of the SLT Major Programmes Board:
    - Have oversight of the SLT MPB's projects and programmes portfolio to better align delivery to corporate strategy.
    - Manage major programme and project dependencies, benefits and change requirements to ensure the realisation of business outcomes and the consistent implementation of change across the portfolio.
    - Act to standardise major project/programme methodologies/frameworks, build skills and expertise and share best practice and lessons.
    - Request, review and approve integrated assurance and approval plans of major projects and programmes at key gateways and commission improvements where necessary.
    - Commission assurance reviews where there is cause for concern and identify where intervention is required in the delivery of underperforming major projects/ programmes through commercial and operational support.
    - Manage the alignment, prioritisation and progression of the pipeline of major projects and programmes.

38. SLT MPB has oversight of a portfolio of major projects and programmes that meet the following criteria:
    - Any project or programme with a projected cashable expenditure, saving or income over £250,000.
    - Any project or programme with a significant cross-organisational impact beyond the sponsoring service.
    - Any project and programme referred to the SLT MPB by the Chief Executive or Strategic Director of Finance & Governance.

39. Programme Management Office (PMO) has been set up to help people who deliver programme and projects across the council. It will also provide the SLT with improved oversight and confidence around our major projects and programmes. The

main objectives of PMO are to ensure the strategic alignment of projects and programmes, provide expert advice and support to directorates and bring all projects and programmes under one umbrella.

Decision making

40. Council investments should be made in line with the Capital Strategy priorities which are set out in this document. Capital expenditure is spent on the purchase or improvement of assets that have a long-term value to the Council, such as land and buildings. It is the Council's policy to capitalise any expenditure, over a total value of £10,000, which fulfils this criterion.

41. The capital expenditure and investment decision making process is the governance framework used by the Council when making decisions relating to the capital programme. The Council has recently tightened up the processes for formally authorising Council's expenditure, to ensure funding is in place and clearly understood, before any spending decisions are taken. Financial regulations and the scheme of delegation must be adhered to. The rules below cover amendments to capital and revenue budgets approved by the Council:

Finance Limits – Scheme of Delegation

Limit	Authorisation
Up to £24,999	Director's Delegated Authority counter-signed the Chief Executive or the Strategic Director, Finance and Governance
Between £25,000 and £99,999	Cabinet Member Decision
Between £100,000 and £20,000,000	Cabinet
Above £20,000,000	Full Council

42. Other relevant financial controls are:

- Any call on corporate or departmental reserves will need to be signed off first by the Strategic Director, Finance and Governance and the Chief Executive before progressing to Cabinet Members/Cabinet
- Loans to any external organisation or investments in any company cannot be made without agreement from Full Council
- All decisions reports will only be progressed if they are fully funded before any spend is incurred
- All Cabinet Member Decisions, Cabinet, and Policy and Accountability Committee (PAC) reports must include full and transparent financial implications prepared by finance officers (with final sign off by Strategic Director, Finance and Governance).
- Leader's Urgency reports will only be used in exceptional circumstances and these must be cleared in advance by the Chief Executive. The Strategic Director, Finance and Governance must fully consider the financial implications. A new Cabinet Urgency Committee has also been established to ensure decisions can be made quickly where these are urgent.

- Committee services will ensure that the correct review and sign off requirements have been followed before any papers are dispatched.

43. The Council's annual Capital Programme is approved by the Cabinet and Full Council. The Strategic Leadership Team and Cabinet receive quarterly updates on the programme detailing financial forecasts, risks, and expected outcomes. Variances to the Capital Programme are approved quarterly by Cabinet.

44. Detailed monitoring is also undertaken of significant projects and reported to Finance Board, Strategic Leadership Team and the Cabinet Member for Revenue and Commercial Service's Board.

Finance Strategy

45. The Capital Strategy is an integral part of the Council's wider finance strategy. As well as informing the capital programme it links directly to the Treasury Management Strategy, Medium Term Financial Strategy and annual revenue budget. The revenue consequences of the programme are also allowed for within the Revenue Budget.

46. The Business Plan has a strong emphasis on growth and affordable housing and the use of capital to generate revenue. The Council's Building Homes and Communities Strategy, above, sets out a self-funding programme of investment in homes and community assets where the Council will utilise its land and property assets to meet key priorities to deliver affordable housing and support the Council's financial challenge. The Council is considering its approach to development and risk and reward to capture some of the potential benefits, including income from private sale and market rent to support its revenue position and subsidise the creation of new affordable housing. A Development Board is in place to oversee the progress of projects or schemes within the Building Homes and Communities Strategy and manage risk.

47. Alongside the Building Homes and Communities Strategy, work has also begun to develop a more strategic approach to its role as a Corporate Landlord. This will consider the Council's long-term accommodation requirements, greater corporate oversight of operational asset management, and investment in our data to ensure we are getting value from our property and land holdings. The Council is also developing options for Council Growth and Investment and an Investment Fund to support Council's investment in the borough and generate a financial return. Options, governance and appraisal arrangements will be developed over the next financial year. As initiatives are brought forward they will inform, and be considered as part of, the overall Capital Strategy.

APPENDIX 5 - FLEXIBLE USE OF CAPITAL RECEIPTS GUIDANCE AND PROPOSED APPLICATION (2020/21)

The Secretary of State for Communities and Local Government issued guidance in March 2016, giving local authorities a greater freedom with how capital receipts can be used to finance expenditure. This Direction allows for the following expenditure to be treated as capital:

“Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide if a project qualifies for the flexibility.”

There is a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others).

Expenditure is only eligible if it has been incurred in the period between 01 April 2016 to 31 March 2022 and it can be funded from capital receipts generated only during this period.

In order to comply with this Direction, the Council must consider the Statutory Guidance issued by the Secretary of State. This requires authorities to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy with the initial strategy being effective from 1st April 2016 with future Strategies included within future Annual Budget documents.

There is no prescribed format for the Strategy, the underlying principle is to support local authorities to deliver more efficient and sustainable services by extending the use of capital receipts to support the revenue costs of reform projects.

The Statutory Guidance for the Flexible Use of Capital Receipts states that the Strategy should include a list of each project which plans to make use of the capital receipts flexibility, together with the expected savings that the project will realise. The

Strategy should also include the impact of this flexibility on the affordability of borrowing by including updated Prudential Indicators.

The Council has reviewed the Flexible Use of Capital Receipts guidance and identified the following schemes as meeting the eligibility criteria laid out in the guidance document, in that they are forecast to generate on-going revenue savings through reducing costs of service delivery:

Business Case	**2019-20 Forecast Spend Amount**	**Actual Spend 2019-20**	**Annual Savings when fully Implemented**	**Notes**
ICT Transition - Assuring Service Continuity Phase 3 - Transformation of Telephony and Network Services	449		4,700	Contributes to overall ICT savings of £4.7m
IT Transition phase 4 assuring service continuity – Desktop strategy and solution options	1,505			Contributes to overall ICT savings of £4.7m
IT Transition phase 4 assuring service continuity – Desktop strategy and solution options - Techtonic Programme	186			Contributes to overall ICT savings of £4.7m
MOBILE TELEPHONY STRATEGY AUGUST 2018	342			Contributes to overall ICT savings of £4.7m
Total Funding Required For Saving Project	**2,482**	**0**	**4,700**	

The capital programme is reviewed annually and approved by Full Council in the budget setting cycle in February each year. Any new eligible schemes will be included in this report, with clear indication that they will be fully or part-funded by the flexible use of eligible capital receipts.

Any changes to this programme during the year will be presented back to Cabinet, and notified to the MHCLG, as per the requirements of the guidance.

APPENDIX 6 - MINIMUM REVENUE PROVISION (MRP) STATEMENT 2020/21

1. This statement covers the minimum revenue provision (MRP) that Hammersmith and Fulham Council will set-aside from revenue to reduce borrowing and credit liabilities arising from capital expenditure.

2. Regulations 27 and 28 in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI3146, as amended] require local authorities to make a prudent amount of minimum revenue provision (MRP). The Secretary of State (Ministry for Housing, Communities and Local Government) issued statutory guidance on determining the “prudent” level of MRP, to which this Council is required to have regard, in 2018. This Guidance applies for accounting periods starting on or after 1 April 2019. The MRP will, over time, reduce the CFR.

3. The statutory guidance lists a number of options for calculating MRP. In addition to MRP, authorities are able to make voluntary provisions to reduce the CFR. These provisions can be made from capital or revenue resources. Voluntary reduction of the CFR delivers a benefit to revenue in the subsequent year as it reduces the mandatory MRP charge.

4. No MRP is required in respect of the Housing Revenue Account (HRA).

Annual MRP Statement – frequency of update and approval

5. The Secretary of State recommends that before the start of each financial year, Hammersmith and Fulham prepares a statement of its policy on making MRP in respect of that financial year and submits it to the Full Council. The statement should indicate how it is proposed to discharge the duty to make prudent MRP in the financial year. If it is ever proposed to vary the terms of the original statement during the year, a revised statement should be put to the Council at that time.

Meaning of “Prudent Provision”

6. The broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

Supported Capital Expenditure or Capital Expenditure incurred before 1 April 2008:

7. MRP is calculated using Option 1 - Regulatory Method. The MRP formula contains a ‘floor’ - known as ‘Adjustment A’ - which has been individually fixed for all authorities. When the CFR drops below this level, MRP is no longer payable. For Hammersmith and Fulham, the floor has been set at £43.2m. In short, there is no revenue incentive to reduce the CFR below this level. For

the expenditure above Adjustment A, the MRP rate will be calculated based on useful asset lives.

Capital Expenditure incurred after 1 April 2008 (unsupported borrowing):

8. The guidance states for all capitalised expenditure incurred on or after 1 April 2008, which is (a) financed by borrowing or credit arrangements; and (b) treated as capital expenditure by virtue of either a direction under section 16(2)(b) of the 2003 Act or regulation 25(1) of the 2003 Regulations, the authority should make MRP in accordance with Option 3 Asset Life Method. This method spreads the cost over the estimated life of an asset.

9. The determination as to which scheme is funded from borrowing and which from other sources shall be made by the Strategic Director, Finance and Governance. Where an asset is only temporarily funded from borrowing in any one financial year and it is intended that its funding be replaced with other sources by the following year, no MRP shall apply.

10. MRP commencement: When borrowing to provide an asset, the authority may treat the asset life as commencing in the year in which the asset first becomes operational. The Council's policy is to postpone beginning to make MRP until the financial year following the one in which the asset becomes operational. "Operational" here has its standard accounting definition. Investment properties should be regarded as becoming operational when they begin to generate revenues.

11. Loans and grants towards capital expenditure by third parties: MRP should be charged using useful economic life of the assets for in relation to which the third-party expenditure is incurred.

12. Finance leases and PFI: In the case of finance leases and on-balance sheet PFI contracts, the MRP requirement would be regarded as met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability. Where a lease (or part of a lease) or PFI contract is brought onto the balance sheet, having previously been accounted for off-balance sheet, the MRP requirement would be regarded as having been met by the inclusion in the charge, for the year in which the restatement occurs, of an amount equal to the write-down for that year plus retrospective writing down of the balance sheet liability that arises from the restatement.

13. The Strategic Director, Finance and Governance is responsible for implementing the Minimum Revenue Provision Statement and has managerial, operational and financial discretion necessary to ensure that MRP is calculated in accordance with this Statement and with regulatory and financial requirements and resolve any practical interpretation issues.