

London Borough of Hammersmith & Fulham

Report to: Cabinet

Date: 7 September 2020

Subject: CAPITAL PROGRAMME MONITOR & BUDGET VARIATIONS,
2019/20 (OUTTURN)

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

Responsible Director: Emily Hill, Director of Finance

SUMMARY

1. This report provides a summary of the Council's capital programme outturn for the financial year 2019-20. The total capital expenditure for the year was £113.1m and headline General Fund capital debt at the year-end was £114.08m.
2. During the year, through its capital programme, the Council has invested in a number of important schemes and priorities which have included:
 - progression of the Civic Campus Programme and the refurbishment of the Town Hall as part of the Council's plans for the regeneration of West Kings Street
 - the re-acquisition of the former Gibbs Green school and Farm Lane sites as part of the termination of the Earl's Court Conditional Land Sale Agreement
 - the investment in the Council's, previously leased, offices at 145/155 King Street, delivering control and the ability to invest in the offices and delivering long term revenue savings
 - continued investment in affordable housing schemes and the Council's social housing stock including fire safety measures and the demolition of Hartopp & Lannoy Points.
3. Despite the potential delays that may be experienced in taking forward its capital developments and priorities due to the Covid-19 pandemic, at present the Council has not yet experienced any significant or irrecoverable delays to the programme and this will be kept closely under review.
4. This report seeks approval for fourth-quarter 2019-20 budget variations resulting in a net increase of £13.9m (£18.8m increase in General Fund, and £4.9m decrease in Housing) to the 2019-20 capital budget. The increase in the General Fund programme in the fourth-quarter is largely explained by the acquisition of the Council's previously leased offices at 145/155 King Street. The detailed analysis of the budget variances is presented in Appendix 2.
5. The 2019-20 accounts, which underpin figures in this report, remain subject to audit. The audit is anticipated to be finalised in August 2020.

RECOMMENDATIONS

1. To approve the budget variations to the capital programme as summarised in Table 1 and detailed in Appendix 2.
2. To note the capital outturn for the year.

Wards Affected: All

H&F Priorities

The capital programme contains schemes and projects which are directly linked to the Council's Business Plan 2018-22 and which deliver across the Council's priorities.

Our Priorities	Summary of how this report aligns to the H&F Priorities
<ul style="list-style-type: none">• Being ruthlessly financially efficient	<p>All capital investment decisions are required to be underpinned by a robust business case that sets out costs and any expected financial return alongside the broader outcomes including economic and social benefits. As part of being ruthlessly financially efficient, the Council's capital programme reflects the Council's plans to manage and develop its assets to achieve greater efficiency and improve service delivery.</p> <p>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.</p>

Financial Impact

This report is wholly of a 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

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report:

- Capital Programme 2019-23 (published February 2019)

CAPITAL PROGRAMME 2019-20 – OUTTURN OVERVIEW

1. Capital expenditure for 2019-20 totalled £113.1m. This compared to the original budget of £121m and a forecast of £99.2m at quarter 3. Key areas of capital spend during the year included:

- £19.6m to acquire the Council's, previously leased, offices at 145/155 King Street
- £15.8m to acquire the former Gibbs Green school and Farm Lane sites as part of the termination of the Earl's Court Conditional Land Sale Agreement
- £21.2m investment in the Council's social housing stock and fire safety measures
- £13.1m on the boroughs' highways, including upgrading pay and display machines and LED lighting columns
- £11.4m on the Civic Campus and Hammersmith Town Hall Refurbishment
- £10m Hartopp & Lannoy Points site decant and demolition
- £9.6m on Affordable Housing schemes.

2. An analysis of spend by department¹ and proposed budget variations is shown in Table 1 with further details in Appendix 1. A full analysis of the programme funded from internal Council resource is included in paragraphs 7 to 11.

Table 1 – LBHF Capital Programme 2019-23 with proposed 2019-20 Q4 variations:

	Analysis of Movements (Q3 to Q4)					Next Year Programme			Indicative Future Years			
	Revised Budget 2019/20 (Q3)	Slippages from/(to) future years	Addition/(Reduction)	Transfers	Total Variations	Revised Budget 2019/20 (Q4)	2020/21 Original Budget	Slippages, Additions and Reductions	2020/21 Revised Budget	2021/22	2022/23	Total Budget (All years)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CAPITAL EXPENDITURE												
Children's Services	1,712	(771)	(364)	-	(1,135)	577	7,372	771	8,143	2,238	2,238	13,196
Social Care	2,678	(454)	(205)	-	(659)	2,019	1,557	454	2,011	-	-	4,030
Environment Department	19,121	(4,043)	(419)	-	(4,462)	14,659	7,493	6,658	14,151	19,873	4,948	53,631
Finance & Governance	3,610	(659)	20,107	-	19,448	23,058	8,409	659	9,068	2,400	2,400	36,926
General Fund Schemes under the Economy Department	26,761	5,872	(289)	-	5,583	32,344	36,714	(5,134)	31,580	68,887	114,098	246,909
Sub-total (General Fund)	53,882	(55)	18,830	-	18,775	72,657	61,545	3,408	64,953	93,398	123,684	354,692
Economy Department-HRA Programme	45,305	(5,440)	539	-	(4,901)	40,404	79,882	1,338	81,220	56,131	48,266	226,021
Sub-total Economy Department (HRA)	45,305	(5,440)	539	-	(4,901)	40,404	79,882	1,338	81,220	56,131	48,266	226,021
Total Expenditure	99,187	(5,495)	19,369	-	13,874	113,061	141,427	4,746	146,173	149,529	171,950	580,713
CAPITAL FINANCING												
Specific/External Financing:												
Government/Public Body Grants	4,340	(1,175)	(569)	(88)	(1,832)	2,508	6,529	1,175	7,704	2,238	2,238	14,688
Grants and Contributions from Private Developers (includes S106/CIL)	16,883	(1,164)	(995)	(1,011)	(3,170)	13,713	15,597	(616)	14,981	30,019	13,209	71,922
Capital Grants/Contributions from Non-departmental public bodies	1,303	(626)	1,011	(365)	20	1,323	358	710	1,068	-	-	2,391
Capital Grants and Contributions from GLA Bodies	5,228	(1,189)	(354)	-	(1,543)	3,685	3,357	5,389	8,746	17,222	4,241	33,894
Leaseholder Contributions (Housing)	5,541	2,463	-	-	2,463	8,004	2,891	-	2,891	5,380	3,791	20,066
Sub-total - Specific Financing	33,295	(1,691)	(907)	(1,464)	(4,062)	29,233	28,732	6,658	35,390	54,859	23,479	142,961
Mainstream Financing (Internal):												
Capital Receipts - General Fund	1,500	(376)	-	-	(376)	1,124	2,036	376	2,412	-	3,456	6,992
Capital Receipts - Housing*	9,889	(1,725)	(480)	-	(2,205)	7,684	10,623	846	11,469	7,590	6,844	33,587
Major Repairs Reserve (MRR)	16,331	(3,172)	-	-	(3,172)	13,159	24,249	(447)	23,802	16,990	17,257	71,208
General Fund Revenue Funding	-	-	587	57	644	644	-	-	-	-	-	644
HRA Revenue Funding	-	-	53	121	174	174	-	-	-	-	-	174
Earmarked Reserves (Revenue)	1,547	(331)	(253)	(382)	(966)	581	521	563	1,084	521	521	2,707
Sub-total - Mainstream Funding	29,267	(5,604)	(93)	(204)	(5,901)	23,366	37,429	1,338	38,767	25,101	28,078	115,312
Borrowing	36,625	1,800	20,369	1,668	23,837	60,462	75,266	(3,250)	72,016	69,569	120,393	322,440
Total Capital Financing	99,187	(5,495)	19,369	-	13,874	113,061	141,427	4,746	146,173	149,529	171,950	580,713

¹ In June 2020, as a result of a restructure, the Finance and Governance and Public Services Reform departments have been disbanded with functions transferring to other departments including two new departments for Finance and Resources. This outturn report reflects the position in 2019-20.

3. A net variation to the 2019-20 programme of £13.9m is proposed, increasing total budgeted expenditure from £99.2m to £113.1m. The below attached table summarises the main movements. A detailed analysis of proposed variations for approval is included at Appendix 2.

HRA Programme	£m
Budget reprofiling of various HRA capital schemes into future years	(0.7)
Budget reprofiling of Building Homes and Communities Strategy schemes to future years	(1.1)
Budget reprofiling of HRA Asset Management and Compliance Programme schemes to future years	(3.1)
Total HRA budget variations	(4.9)
General Fund Programme	
Acquisition of 145/155 King Street office site	19.6
Civic Campus: Joint Venture loan brought forward from future years to reflect actual spend	6.0
Civic Campus: Hammersmith Town Hall Fit-Out budget brought forward to reflect actual spend on equipment purchased for leased offices (which will transfer)	1.5
Civic Campus: Hammersmith Town Hall Refurbishment budget reprofiling	(0.5)
Budget reprofiling for various transport schemes	(2.9)
Budget reprofiling and reduction in respect to School Organisational Strategy schemes	(1.2)
Adult Social Care capital schemes budget reprofiling	(0.7)
Sands End Community Centre budget reprofiling	(0.7)
Parks and leisure capital schemes budget reprofiling	(1.2)
Corporate Planned Maintenance Programme budget reprofiling	(0.3)
Invest to Save schemes budget reprofiling	(0.4)
Budget reduction for various S106 funded schemes to reflect approved funding	(0.4)
Total GF budget variations	18.8
Total Q4 budget variations	13.9

4. A net increase in the 2020-21 programme of £4.7m is proposed. This is mainly attributable to the reprofiling of budgets from 2019-20 to future years. Detailed analysis of the proposed variations to 2020-21 programme is presented in Appendix 2.
5. The capital programme presented here for 2019-20 and future years is based on approved projects and known funding allocations. These currently exclude any other large projects which might be approved in future years. The 2020-21 budget will be updated in the first quarter monitor for 2020-21. The indicative future years analysis (2021+) will be updated as pipeline schemes are 'firmed-up'; these future years remain subject to approval in future capital programmes. Departments, such as Children's Services and Adult Social Care, whose capital programme has traditionally depended on external specific grants, will be updated as and when future grants are confirmed.
6. Just before the end of the financial year 2019-20 the country has seen an unprecedented public health emergency as a result of the Covid-19 pandemic. As

part of its response, the Council has considered the impact of the pandemic on its major programmes. As lockdown started on 23 March 2020, there was no significant impact on the 2019-20 programme, although there is likely to be a much more significant impact in 2020-21 as the result of a pause in non-essential works. For a number of schemes, whilst there is a risk of delay with potential associated costs, it is considered that the delays experienced to date should not significantly affect the respective programmes, or that deferrals can be managed. The pandemic, and the potential for an economic downturn, may affect the expected costs, market and viability of schemes and this will be kept continually under review and mitigating actions will be considered as necessary.

GENERAL FUND – MAINSTREAM PROGRAMME

7. The General Fund mainstream programme across the departments and represents schemes which are funded from Council resources (capital receipts or borrowing). It is the area of the programme where the Council has the greatest discretion. The mainstream programme is summarised in Table 2.

Table 2 –GF Mainstream Capital Programme 2019-23 with proposed 2019-20 Q4 variations:

	Revised Budget 2019/20 (Q3)	Variations (Q4)	Revised Budget 2019/20 (Q4)	Indicative Budget 2020/21	Slippages, Additions and Reductions	2020/21 Revised Budget	Indicative Budget 2021/22	Indicative Budget 2022/23	Total Budget (All years)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Approved Expenditure									
Ad Hoc Schemes:									
Social Care Capital projects [ASC]	-	-	-	129	-	129	-	-	129
Invest to Save-Flexible Use of Capital Receipts	1,500	(376)	1,124	2,036	376	2,412	-	-	3,536
Sands End Community Centre [ECD]	-	365	365	-	-	-	-	-	365
Acquisition of Gibbs Green/Farm Lane [ECD]	15,740	21	15,761	-	-	-	-	-	15,761
Acquisition of 145/155 King Street [F&G]	-	19,626	19,626	-	-	-	-	-	19,626
Desktop Strategy [F&G]	979	(53)	926	-	-	-	-	-	926
Capital Investment in Street Lighting [ENV]	-	-	-	1,100	-	1,100	-	-	1,100
Carnwath Road [ECD]	-	-	-	1,870	-	1,870	-	-	1,870
Hammersmith Town Hall Refurbishment* [ECD]	750	(750)	-	-	750	750	550	-	1,300
Hammersmith Town Hall Fit Out* [ECD]	-	1,480	1,480	-	-	-	8,802	318	10,600
Schools Regeneration Programme [ECD]	-	115	115	-	1,914	1,914	-	-	2,029
Education City regeneration [ECD]	1,118	646	1,764	9,438	(5,176)	4,262	6,037	10,422	22,485
Acquisition of Cinema Site [ECD]	72	(72)	-	-	72	72	-	-	72
Rolling Programmes:									
Planned Maintenance/DDA Programme [F&G]	1,010	(340)	670	6,373	283	6,656	2,400	2,400	12,126
Controlled parking Zones [ENV]	-	253	253	-	-	-	-	-	253
Footways and Carriageways [ENV]	2,791	(367)	2,424	2,030	367	2,397	2,030	2,030	8,881
Column Replacement [ENV]	100	-	100	100	-	100	100	100	400
Parks Programme [ENV]	282	(218)	64	-	218	218	-	-	282
Total Mainstream Programmes	24,342	20,330	44,672	23,076	(1,196)	21,880	19,919	15,270	101,741
Financing									
Capital Receipts	1,500	(376)	1,124	2,036	376	2,412	-	3,456	6,992
Increase/(Decrease) in Borrowing	22,842	20,706	43,548	21,040	(1,572)	19,468	19,919	11,814	94,749
Total Financing	24,342	20,330	44,672	23,076	(1,196)	21,880	19,919	15,270	101,741

8. In January 2020 the Council acquired its previously leased 145/155 King Street office site. The financial modelling undertaken prior to the acquisition identified that, over a longer time period (20 years), the acquisition is significantly more financially beneficial than continuing to lease the building. The acquisition also securing an asset for the Council that will have a future value. This explains the majority of the mainstream programme increased of £20.3m in comparison to Q3 budget.
9. The mainstream programme presented in Table 2 does not include self-financing schemes (those that are expected to result in no net General Fund revenue financing costs). These comprise the self-financing elements of the Civic Campus scheme (excluding the Town Hall refurbishment and fit out) and the Education

City scheme. Further details on the self-financing schemes are set out in Appendix 5.

10. The Council's underlying need to borrow for a capital purpose is measured through the Capital Financing Requirement (CFR). However, the Council may choose not to take out external borrowing to match this but instead utilise internal cash balances to reduce external interest charges. The General Fund Headline CFR (excluding self-financing schemes) was £114.08m at the end of 2019-20. The increase of £43.23m in CFR (£43.55m new in-year borrowing less MRP) in comparison to 2018-19 is detailed in Table 2.
11. The General Fund capital programme includes capital receipts of £2.4m carried forward to 2020-21. These will support invest to save expenditure and IT investment and will be applied 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, which is even more acute in the light of financial pressures deriving from the Covid-19 Pandemic. The identification of additional receipts will protect reserves by enabling, the flexible use of capital receipts to fund invest to save costs and potential capitalisation of other relevant costs in line with proper accounting or statutory practice. 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 with new borrowing incurring an estimated annual revenue cost of £50,000 per annum per £1m².

HOUSING CAPITAL PROGRAMME OVERVIEW

12. Housing Capital expenditure for 2019-20 totalled £40.54m. The expenditure and resource analysis of the Housing Programme is summarised in Table 3 below.

Table 3 – Housing Capital Programme 2019-23 with proposed 2019-20 Q4 variations

	Revised Budget 2019/20 (Q3) £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Variations (Q4) £'000	Revised Budget 2019/20 (Q4) £'000	2020/21 Original Budget £'000	Slippages, Additions and Reductions £'000	2020/21 Revised Budget £'000	Indicative 2021/22 Budget £'000	Indicative 2022/23 Budget £'000
Approved Expenditure											
HRA Asset Management and Compliance Programme	21,872	(689)	-	-	(689)	21,183	61,740	(427)	61,313	39,691	34,115
Building Homes and Communities	6,415	(1,003)	(92)	-	(1,095)	5,320	4,009	(534)	3,475	2,077	-
Other HRA Capital Schemes	17,201	(3,748)	582	-	(3,166)	14,035	14,133	2,299	16,432	14,363	14,151
Total Housing Programme	45,488	(5,440)	490	-	(4,950)	40,538	79,882	1,338	81,220	56,131	48,266
Available and Approved Resource											
Capital Receipts - Unrestricted	6,960	-	(338)	-	(338)	6,622	5,221	-	5,221	3,281	2,010
Capital Receipts - RTB (141)	2,929	(1,725)	(142)	-	(1,867)	1,062	5,402	846	6,248	4,309	4,245
Major Repairs Reserve (MRR)	16,331	(3,172)	-	-	(3,172)	13,159	24,249	(447)	23,802	16,990	17,257
Contributions Developers (S106)	819	(47)	-	(12)	(59)	760	5,017	(929)	4,088	10,019	9,906
Contributions from leaseholders	5,541	2,463	-	-	2,463	8,004	2,891	-	2,891	5,380	3,791
Capital Grants/Contributions from Non-departmental public bodies	-	-	20	-	20	20	-	-	-	-	-
Borrowing	12,908	(2,959)	950.00	12	(1,997)	10,911	37,102	1,868	38,970	16,152	11,057
Total Funding	45,488	(5,440)	490	-	(4,950)	40,538	79,882	1,338	81,220	56,131	48,266

² Actual borrowing costs will depend on the interest rate applicable when loans are taken out and the Council's minimum revenue provision (MRP). This estimate assumes an MRP of 3% and interest rate of 2%.

13. Within the Housing Capital Programme there has been a net budget decrease of £4.95m mainly due to reprofiling of Affordable Housing schemes budgets to future years. Detailed analysis of the budget variances is presented in Appendix 2.
14. The HRA CFR is shown in Table 4 below:

Table 4 – HRA CFR at Q4 2019-20 (including future years' forecast):

HRA CFR Forecast	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Closing Forecast HRA CFR	204.85	215.76	254.73	270.88	281.94
Deferred COD	5.60	-	-	-	-
Closing Forecast HRA CFR	210.45	215.76	254.73	270.88	281.94

The Housing Revenue Account 2019-20 CFR (excluding deferred costs of disposal) has increased by £10.9m in comparison to 2018/19. This is due to borrowing required to finance approved budgets for Hartopp & Lannoy (£4.7m), White City (£5.3m) and Affordable Housing schemes (£0.9m). £5.6m of deferred costs of disposals were written off to revenue in 2019-20 as a result of termination of Earls Court deal, reducing HRA CFR by the same amount.

15. The HRA CFR presented in Table 4 does not include the proposed appropriation of Education City Affordable Housing units from General Fund. This is currently expected on completion of the scheme (currently forecast for 2023-24) but officers are reviewing the most advantageous options for the Council. Once the appropriation is completed, the HRA CFR will increase (and the General Fund CFR will decrease) by the value of affordable housing element of the scheme at the point of appropriation.
16. On 1 July 2019, Cabinet approved the Council's new asset management compliance strategy which has a focus on health and safety works. Compared to the £5.5m forecast reported in quarter three, health and safety works have progressed ahead of schedule with 2019-20 outturn expenditure of £8.6m related to Health & Safety. Of this £5.5m is on specific fire safety capital works as detailed in table 5 below.

Table 5 - HRA Capital Programme: Health & Safety spend, budget and forecast

HRA Capital Programme: Health & Safety spend, budget and forecast as at 31.03.2020				
	Total Programme 2019/20 - 2023/24 £'000	Approved Budget 2019-20 £'000	2019-20 Outturn spend £'000	2019-20 outturn variance to budget £'000
APPROVED SCHEMES				
Fire Safety Compliance Programme	25,888	2,004	3,769	1,765
Fire Safety Complex Schemes	28,132	1,279	1,703	424
Safety Works - Electrical	14,520	1,005	1,264	259
Safety Works - Other	5,719	1,175	1,866	691
Total	74,259	5,463	8,602	3,139

HOUSING CAPITAL PROGRAMME RISKS

17. **S106 Funding:** The proposed programme for 2020/21 - 2023/24 relies on £25m of S106 receipts, of which £17m has been received to date with the remainder dependent on the associated developments proceeding in a timely manner. The

impact of Covid-19 on the progress of developments and related developer contributions is being monitored jointly with Finance and Planning and mitigating actions will be considered if necessary, such as substituting other funding in the Housing programme.

18. **Right to buy funding:** Right to Buy (RTB) one for one receipts need to be repaid them with interest to Central Government where affordable housing schemes do not proceed to programme. These receipts are ringfenced to the provision of affordable housing within three years of receipt and the Council's agreement with the GLA, allows a further three years to use the receipts. As at 1 April 2020, the GLA held £23.9m of Hammersmith & Fulham RTB receipts from the last two financial years. This is the equivalent of £80m³ of capital expenditure delivered by the Council (or Housing Associations if grant funded by Council RTB receipts) over the next two financial years. The existing approved Housing Development schemes and the pipeline of yet to be approved schemes⁴ is sufficient to make use of these receipts if delivered on time. The Council can request for an extension to the three years where an approved programme is in place.

REASONS FOR DECISION

19. This report seeks revisions to the Capital Programme which require the approval of Cabinet in accordance with the Council's financial regulations.

EQUALITY IMPLICATIONS

20. 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 an increase in capital allocations, is not expected to impact directly on any group with protected characteristics, under the terms of the Equality Act 2010.
21. Implications verified by: Fawad Bhatti, Social inclusion and Policy Manager, Communications, Policy and Engagement, Tel: 07500 103617.

IMPLICATIONS FOR BUSINESS

22. 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.
23. 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.

³ Under current MHCLG regulations, 1-4-1 receipts can fund only 30% of the total expenditure, with remaining 70% being funded from mixture of non-housing receipts, S106 and borrowing. Local Government is currently lobbying MHCLG for further flexibility with regards to use of these receipts in the light of the Covid-19 pandemic.

⁴ The housing development pipeline was present to Cabinet on 3 March 2020 in the report "Financial Plan for Council Homes".

24. Implications completed by: Albená Karameros, Economic Development Team, Tel:07739 316 957.

RISK MANAGEMENT

25. In the initial stages of any development, major capital projects will have significant uncertainties. For example, these may relate to the planning process, the views and interest of residents and stakeholders who must be consulted, ground conditions, or the costs of rectifying or demolishing existing buildings (e.g. the cost of asbestos removal). Construction companies and developers contracting with the Council which experience financial instability may also pose a significant risk. They may not be able to raise sufficient finance to cash flow operations, any potential insolvency process could lead to a costly process of changing suppliers without any guarantee of remaining within overall budget, the Council could suffer direct financial loss and any defects or other issues may not be resolvable as anticipated. To mitigate the Council carefully considers the financial robustness of any contractor and requests appropriate financial standing assurance and support wherever possible.
26. Large scale capital projects can operate in environments which are complex, turbulent, and continually evolving. Effective risk identification and control within such a dynamic environment is more than just populating a project risk register or appointing a project risk officer. Amplifying the known risks so that they are not hidden or ignored, demystifying the complex risks into their more manageable sum of parts and anticipating the slow emerging risks which can escalate rapidly are all necessary components of good capital programme risk management.
27. The report identifies a number of risks which may impact on the future funding of the Housing Capital Programme. It is important that strong corporate and directorate oversight and monitoring of these risks is maintained and appropriate ongoing assurances provided to councillors on the management of these risks.
28. The impact to councils of the Grenfell Tower fire is yet to be fully established. It is certain that many councils are/ will be undertaking property reviews to determine the levels of improvements required to ensure fire safety arrangements within their buildings meet both the expectations of the residents and that they comply with building regulations and other statutory duties. The H&F Fire Safety Plus Programme is an excellent scheme that provides residents with assurance on safety. The Regulatory Reform (Fire Safety) Order 2005 places specific duties placed on the Council as the Responsible Person for its buildings to assess the risk from fire and put in measures to control those risks.
29. The Dame Judith Hackitt independent review of fire safety, following the Grenfell tragedy, recognises that High Rise Residential Buildings (10 Storeys and above) are a special risk where layers of fire protection must be put in place so as to reduce the risk to as low as reasonably possible, however reducing the risk for all residential accommodation is fundamental. This process is on-going and must be continually reviewed at least annually.

30. All works must comply with the Construction (Design and Management) Regulations. The Council must appoint a Principal Designer and Principal Contractor with the necessary and demonstrable expertise and competence.
31. Proposals set out in this report seek to comply with the Council's legal duties.
32. Implications completed by: David Hughes, Director of Audit, Risk and Insurance, Tel: 020 7361 2389.

VAT IMPLICATIONS

33. The Council needs to carefully consider its VAT partial exemption calculation and the risk of breaching the partial exemption threshold. Capital projects represent the bulk of this risk. A breach would likely cost the Council between £2-£3m per year whilst in breach. The Council remained below the threshold in 2019/20 however there remains a risk of breaching the threshold in future years if the position is not carefully managed on an ongoing basis, particularly in light of potentially significant capital schemes in the future. Finance works closely with departments to ensure that partial exemption risks are considered as part of significant capital projects. Further detail on the Council's partial exemption is included in Appendix 4.
34. Implications verified by: Chris Harris, Chief Accountant, Corporate Finance, Tel: 020 8753 6440.

LIST OF APPENDICES:

Appendix 1 – Detailed capital budget, spend and variation analysis by department

Appendix 2 – Analysis of budget variations

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Appendix 5 – Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP)

Appendix 1 – Detailed capital budget, spend and variation analysis by department

Children's Services	Current Year Programme					Next Year Programme			Indicative Future Years Analysis			
	Analysis of Movements (Q3 to Q4)					Revised Budget 2019/20 (Q4)	2020/21 Original Budget	Slippages, Additions and Reductions	2020/21 Revised Budget	2021/22 Budget	2022/23 Budget	Total Budget (All years)
	Revised Budget 2019/20 (Q3)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements							
Scheme Expenditure Summary												
Schools Organisational Strategy	342	(154)	47	-	(107)	235	4,734	154	4,888	-	-	5,123
Schools Window Replacement Project	600	(497)		-	(497)	103	400	497	897	-	-	1,000
School Maintenance Programme	770	(120)	(411)	-	(531)	239	2,238	120	2,358	2,238	2,238	7,073
Total Expenditure	1,712	(771)	(364)	-	(1,135)	577	7,372	771	8,143	2,238	2,238	13,196
Capital Financing Summary												
Specific/External or Other Financing												
Capital Grants from Central Government	1,662	(721)	(364)	(88)	(1,173)	489	5,401	721	6,122	2,238	2,238	11,087
Grants and Contributions from Private Developers (includes S106)	50	(50)	-	88	38	88	1,971	50	2,021	-	-	2,109
Sub-total - Specific or Other Financing	1,712	(771)	(364)	-	(1,135)	577	7,372	771	8,143	2,238	2,238	13,196
Total Capital Financing	1,712	(771)	(364)	-	(1,135)	577	7,372	771	8,143	2,238	2,238	13,196

Appendix 1 – Detailed capital budget, spend and variation analysis by department/cont.

Social Care Services	Current Year Programme					Next Year Programme			Indicative Future Years Analysis		Total Budget (All years) £'000
	Analysis of Movements (Q3 to Q4)					2020/21 Original Budget £'000	Slippages, Additions and Reductions £'000	2020/21 Revised Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000	
	Revised Budget 2019/20 (Q3) £'000	Slippages from/(to) future years £'000	Additions/(Reductions) £'000	Transfers £'000	Total Transfers/Virements £'000						
Scheme Expenditure Summary											
Extra Care New Build project (Adults' Personal Social Services Grant)	-	-	-	-	-	957	-	957	-	-	957
Disabled Facilities Grant	1,102	(378)	-	-	(378)	-	378	378	-	-	1,102
Transforming Care (Winterbourne Grant)	-	-	-	-	-	300	-	300	-	-	300
Social Care Capital Grant	1,576	(76)	(205)	-	(281)	300	76	376	-	-	1,671
Total Expenditure	2,678	(454)	(205)	-	(659)	1,557	454	2,011	-	-	4,030
Capital Financing Summary											
Specific/External or Other Financing											
Capital Grants from Central Government	2,678	(454)	(205)	-	(659)	1,128	454	1,582	-	-	3,601
Capital Grants/Contributions from Non-departmental public bodies	-	-	-	-	-	300	-	300	-	-	300
Sub-total - Specific or Other Financing	2,678	(454)	(205)	-	(659)	1,428	454	1,882	-	-	3,901
Borrowing	-	-	-	-	-	129	-	129	-	-	129
Total Capital Financing	2,678	(454)	(205)	-	(659)	1,557	454	2,011	-	-	4,030

Appendix 1 – Detailed capital budget, spend and variation analysis by department/cont.

Environment Department	Current Year Programme					Next Year Programme			Indicative Future Years Analysis		Total Budget (All years)	
	Analysis of Movements (Q3 to Q4)					2020/21 Original Budget	Slippages, Additions and Reductions	2020/21 Revised Budget	2021/22 Budget	2022/23 Budget		
	Revised Budget 2019/20 (Q3)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements							Revised Budget 2019/20 (Q4)
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Scheme Expenditure Summary												
Footways and Carriageways	2,791	(367)	-	(6)	(373)	2,418	2,030	367	2,397	2,030	2,030	8,875
Transport For London Schemes	3,552	(542)	(1,637)	-	(2,179)	1,373	2,157	542	2,699	2,157	2,157	8,386
Safer Cycle Pathway (TFL funded)	245	-	350	-	350	595	-	4,200	4,200	-	-	4,795
Hammersmith Bridge Strengthening (TFL Funded)	433	(157)	1,039	-	882	1,315	-	157	157	15,065	-	16,537
Controlled Parking Zones	314	(13)	(294)	(7)	(314)	-	275	13	288	275	275	838
Column Replacement	498	-	(152)	(83)	(235)	263	346	-	346	346	346	1,301
LED Lighting Replacement Programme	77	-	-	96	96	173	-	-	-	-	-	173
P&D Upgrade and Pay by Phone	217	-	17	-	17	234	-	-	-	-	-	234
Other Highways Capital Schemes	3,318	(1,240)	(438)	-	(1,678)	1,640	-	1,240	1,240	-	-	2,880
Counters Creek (Thames Water funded)	4,000	-	89	-	89	4,089	-	-	-	-	-	4,089
Better Homes (West London Homes)	213	-	(29)	-	(29)	184	-	-	-	-	-	184
Bloemfontein Road (Thames Water/Suds)	200	(550)	350	-	(200)	-	-	550	550	-	-	550
Network Rail	-	-	1,020	-	1,020	1,020	-	-	-	-	-	1,020
Capital Investment in Street Lighting	-	-	-	-	-	-	1,100	-	1,100	-	-	1,100
Parks Capital Rolling Programme	1,024	(157)	(574)	-	(731)	293	164	(7)	157	-	-	450
Other Parks Capital Schemes	359	(60)	(103)	-	(163)	196	330	(270)	60	-	-	256
Shepherds Bush Common Improvements	50	-	(28)	-	(28)	22	431	(431)	-	-	-	22
Fulham Football Club -Bishops Park	-	-	-	-	-	-	660	(660)	-	-	-	-
Recycling	19	-	(19)	-	(19)	-	-	-	-	-	-	-
Libraries Investment Programme	150	-	11	-	11	161	-	-	-	-	-	161
Leisure Centre Capital Investment	1,380	(957)	-	-	(957)	423	-	957	957	-	140	1,520
CCTV	281	-	(21)	-	(21)	260	-	-	-	-	-	260
Total Expenditure	19,121	(4,043)	(419)	-	(4,462)	14,659	7,493	6,658	14,151	19,873	4,948	53,631

Appendix 1 – Detailed capital budget, spend and variation analysis by department/cont.

Environment Department	Current Year Programme					Next Year Programme			Indicative Future Years Analysis		Total Budget (All years) £'000	
Analysis of Movements (Q3 to Q4)						2020/21 Original Budget £'000	Slippages, Additions and Reductions £'000	2020/21 Revised Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000		
Revised Budget 2019/20 (Q3) £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000	Revised Budget 2019/20 (Q4) £'000							
Capital Financing Summary												
Specific/External or Other Financing												
Grants and Contributions from Private Developers (includes S106)	10,584	(1,352)	(995)	(1,087)	(3,434)	7,150	1,585	632	2,217	-	140	9,507
Capital Grants/Contributions from Non-departmental public bodies	213	-	991	-	991	1,204	-	-	-	-	-	1,204
Capital Grants and Contributions from GLA	4,230	(679)	(268)	-	(947)	3,283	2,157	4,879	7,036	17,222	2,157	29,698
Sub-total - Specific or Other Financing	15,027	(2,031)	(272)	(1,087)	(3,390)	11,637	3,742	5,511	9,253	17,222	2,297	40,409
Mainstream Financing (Internal Council Resource)												
Capital Receipts	-	-	-	-	-	-	-	-	-	-	1,056	1,056
General Fund Revenue Account (revenue funding)	-	-	106	-	106	106	-	-	-	-	-	106
Use of Reserves	920	(331)	(253)	(261)	(845)	75	521	563	1,084	521	521	2,201
Sub-total - Mainstream Funding	920	(331)	(147)	(261)	(739)	181	521	563	1,084	521	1,577	3,363
Borrowing	3,174	(1,681)	-	1,348	(333)	2,841	3,230	584	3,814	2,130	1,074	9,859
Total Capital Financing	19,121	(4,043)	(419)	-	(4,462)	14,659	7,493	6,658	14,151	19,873	4,948	53,631

Appendix 1 – Detailed capital budget, spend and variation analysis by department/cont.

Finance & Governance	Current Year Programme					Next Year Programme			Indicative Future Years Analysis			
	Analysis of Movements (Q3 to Q4)					Revised Budget 2019/20 (Q4)	2020/21 Original Budget	Slippages, Additions and Reductions	2020/21 Revised Budget	2021/22 Budget	2022/23 Budget	Total Budget (All years)
	Revised Budget 2019/20 (Q3)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements							
Scheme Expenditure Summary												
Invest to Save - Flexible Use of Capital Receipts	1,500	(376)	-	-	(376)	1,124	2,036	376	2,412	-	-	3,536
Planned Maintenance/DDA Programme	1,010	(283)	-	-	(283)	727	6,373	283	6,656	2,400	2,400	12,183
Acquisition - 145 King St	-	-	19,626		19,626	19,626	-	-	-	-	-	19,626
Desktop Strategy	1,100	-	481	-	481	1,581	-	-	-	-	-	1,581
Total Expenditure	3,610	(659)	20,107	-	19,448	23,058	8,409	659	9,068	2,400	2,400	36,926
Capital Financing Summary												
Mainstream Financing (Internal Council Resource)												
General Fund Revenue Account (revenue funding)	-	-	481	57	538	538	-	-	-	-	-	538
Housing Revenue Account (revenue funding)	-	-	53	121	174	174	-	-	-	-	-	174
Use of Reserves (HRA Contribution)	121	-	-	(121)	(121)	-	-	-	-	-	-	-
Capital Receipts	1,500	(376)	-	-	(376)	1,124	2,036	376	2,412	-	2,400	5,936
Sub-total - Mainstream Funding	1,621	(376)	534	57	215	1,836	2,036	376	2,412	-	2,400	6,648
Borrowing	1,989	(283)	19,573	(57)	19,233	21,222	6,373	283	6,656	2,400	-	30,278
Total Capital Financing	3,610	(659)	20,107	-	19,448	23,058	8,409	659	9,068	2,400	2,400	36,926

Appendix 1 – Detailed capital budget, spend and variation analysis by department/cont.

Economy Department General Fund Managed Schemes	Current Year Programme					Next Year Programme			Indicative Future Years Analysis		Total Budget (All years) £'000	
	Analysis of Movements (Q3 to Q4)					2020/21 Original Budget £'000	Slippages, Additions and Reduction £'000	2020/21 Revised Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000		
	Revised Budget 2019/20 (Q3) £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000							Revised Budget 2019/20 (Q4) £'000
Scheme Expenditure Summary												
Civic Campus												
Acquisition of Land at 207 King St	72	(72)	-	-	(72)	-	72	72	-	-	72	
Hammersmith Town Hall Refurbishment *	4,321	(439)	-	-	(439)	3,882	6,966	439	7,405	20,549	3,164	35,000
HTH Refurbishment -Fit Out	-	1,480	-	-	1,480	1,480	-	-	-	8,802	318	10,600
Acquisition of commercial units	-	-	-	-	-	-	-	-	-	-	63,000	63,000
Equity Loan (Civic Campus)	-	-	-	-	-	-	-	-	-	-	25,000	25,000
JV Partnership Loan	-	6,003	-	-	6,003	6,003	15,000	(6,003)	8,997	30,000	-	45,000
Subtotal Civic Campus	4,393	6,972	-	-	6,972	11,365	21,966	(5,492)	16,474	59,351	91,482	178,672
Building Homes and Communities Strategy (GF sites)												
Education City/Ark Swift redevelopment	1,301	821	(224)	-	597	1,898	10,658	(5,196)	5,462	6,037	13,095	26,492
Education City Loan	874	(874)	-	-	(874)	-	75	4,507	4,582	3,499	9,521	17,602
Schools Regeneration Programme	506	115	-	-	115	621	2,029	(115)	1,914	-	-	2,535
Subtotal Building Homes and Communities Strategy (GF sites)	2,681	62	(224)	-	(162)	2,519	12,762	(804)	11,958	9,536	22,616	46,629
Other GF Capital Schemes managed by the Economy												
Sands End Community Centre	2,850	(652)	-	-	(652)	2,198	116	652	768	-	-	2,966
Acquisition of Gibbs Green/Farm Lane	15,740	-	21	-	21	15,761	-	-	-	-	-	15,761
Carwath Road	-	-	-	-	-	-	1,870	-	1,870	-	-	1,870
Nourish Project (Good Growth Fund)	900	(510)	-	-	(510)	390	-	510	510	-	-	900
Macbeth Centre Arts Project	188	-	(80)	-	(80)	108	-	-	-	-	-	108
Macbeth Centre Kitchen Project	9	-	(6)	-	(6)	3	-	-	-	-	-	3
Subtotal Other GF Capital Schemes managed by the Economy	19,687	(1,162)	(65)	-	(1,227)	18,460	1,986	1,162	3,148	-	-	21,608
Total Expenditure	26,761	5,872	(289)	-	5,583	32,344	36,714	(5,134)	31,580	68,887	114,098	246,909

Appendix 1 – Detailed capital budget, spend and variation analysis by department/cont.

Economy Department General Fund Managed Schemes	Current Year Programme					Next Year Programme			Indicative Future Years Analysis		Total Budget (All years) £'000	
	Analysis of Movements (Q3 to Q4)					2020/21 Original Budget £'000	Slippages, Additions and Reduction £'000	2020/21 Revised Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000		
	Revised Budget 2019/20 (Q3) £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000							Revised Budget 2019/20 (Q4) £'000
Specific/External or Other Financing												
Grants and Contributions from Private Developers (includes S106)	1,859	(26)	-	-	(26)	1,833	58	(58)	-	-	-	1,833
Community Infrastructure Levy (CIL)	3,571	311	-	-	311	3,882	6,966	(311)	6,655	20,000	3,163	33,700
Capital Grants/Contributions from Non-departmental public bodies	1,090	(626)		(365)	(991)	99	58	710	768	-	-	867
Capital Grants and Contributions from GLA Bodies	998	(510)	(86)	-	(596)	402	1,200	510	1,710	-	2,084	4,196
Sub-total - Specific or Other Financing	7,518	(851)	(86)	(365)	(1,302)	6,216	8,282	851	9,133	20,000	5,247	40,596
Mainstream Financing (Internal Council Resource)												
Capital Receipts (HRA)	183	-	(183)		(183)	-	-	-	-	-	589	589
Use of Reserves (GF)	506	-	-	-	-	506	-	-	-	-	-	506
Sub-total - Mainstream Funding	689	-	(183)	-	(183)	506	-	-	-	-	589	1,095
Borrowing (Borrowing-HRA)	-	-	134		134	134	-		-	-	-	134
Borrowing (Borrowing-GF)	18,554	6,723	(154)	365	6,934	25,488	28,432	(5,985)	22,447	48,887	108,262	205,084
Total Capital Financing	26,761	5,872	(289)	-	5,583	32,344	36,714	(5,134)	31,580	68,887	114,098	246,909

Appendix 1 – Detailed capital budget, spend and variation analysis by department/cont.

Economy Department- HRA Capital Programme	Current Year Programme					Next Year Programme			Indicative Future Years Analysis			
	Analysis of Movements (Q3 to Q4)					Revised Budget 2019/20 (Q4)	2020/21 Original Budget	Slippages, Additions and Reductions	2020/21 Revised Budget	2021/22 Budget	2022/23 Budget	Total Budget (All years)
	Revised Budget 2019/20 (Q3)	Slippages from/(to) future years	Additions/(Reductions)	Transfers	Total Transfers/Virements							
Scheme Expenditure Summary												
HRA Asset Management and Compliance Programme												
Pre Agreed Works	3,360	(359)	-	1,054	695	4,055	22,814	(650)	22,164	3,986	3,400	33,605
Fire Safety Compliance Programme	2,004	1,040	-	725	1,765	3,769	13,431	(300)	13,131	6,720	2,268	25,888
Fire Safety Complex Schemes	1,279	(77)	-	501	424	1,703	6,014	26	6,040	10,800	9,589	28,132
Pre Agreed Lift Scheme	2,010	(431)	-	112	(319)	1,691	2,644	432	3,076	1,474	836	7,077
Pre Agreed Boiler Scheme	1,458	609	-	694	1,303	2,761	2,768	7	2,775	1,600	1,723	8,859
Safety Works - Electrical	1,005	99	-	160	259	1,264	3,922	(340)	3,582	4,770	4,904	14,520
Safety Works	1,175	598	-	93	691	1,866	1,175	107	1,282	1,578	993	5,719
Void Works	1,374	182	-	263	445	1,819	240	258	498	240	-	2,557
Neighbourhood, parking & garage improvements	1,057	(147)	-	-	(147)	910	1,163	33	1,196	827	-	2,933
Surveying and fees	1,200	(407)	-	(761)	(1,168)	32	1,500	-	1,500	1,506	1,167	4,205
Capitalised salaries	2,750	(269)	-	(2,481)	(2,750)	-	2,805	-	2,805	2,861	2,918	8,584
Capitalised repairs	3,200	(1,527)	-	(360)	(1,887)	1,313	3,264	-	3,264	3,329	3,396	11,302
Unallocated budget - Priority schemes to be confirmed	-	-	-	-	-	-	-	-	-	-	2,921	2,921
Subtotal HRA Asset Management and Compliance Programme	21,872	(689)	-	-	(689)	21,183	61,740	(427)	61,313	39,691	34,115	156,302
Building Homes and Communities Strategy (HRA sites)												
Homes & Communities Strategy	123	(123)	-	-	(123)	-	1,361	123	1,484	-	-	1,484
White City Estate Regeneration	5,912	(567)	(92)	-	(659)	5,253	1,728	(970)	758	2,077	-	8,088
Old Laundry Yard	380	(313)	-	-	(313)	67	920	313	1,233	-	-	1,300
Subtotal Building Homes and Communities Strategy (HRA sites)	6,415	(1,003)	(92)	-	(1,095)	5,320	4,009	(534)	3,475	2,077	-	10,872
Other HRA Capital Schemes												
Earls Court Buy Back Costs	580	-	4	-	4	584	-	-	-	-	-	584
Housing Development Project	1,034	(311)	-	-	(311)	723	2,405	261	2,666	50	-	3,439
Stanhope Joint Venture	588	(50)	526	-	476	1,064	6,777	(1,348)	5,429	14,313	14,151	34,957
Affordable Housing Delivery Framework	1,929	(583)	101	-	(482)	1,447	1,751	582	2,333	-	-	3,780
Property Acquisition for Affordable Housing	1,547	(1,513)	-	-	(1,513)	34	-	1,513	1,513	-	-	1,547
Hartopp & Lannoy	11,340	(1,291)	-	-	(1,291)	10,049	3,200	1,291	4,491	-	-	14,540
Subtotal Other HRA Capital Schemes	17,018	(3,748)	631	-	(3,117)	13,901	14,133	2,299	16,432	14,363	14,151	58,847
Total Expenditure	45,305	(5,440)	539	-	(4,901)	40,404	79,882	1,338	81,220	56,131	48,266	226,021

Appendix 1 – Detailed capital budget, spend and variation analysis by department/cont.

Economy Department- HRA Capital Programme	Current Year Programme					Next Year Programme			Indicative Future Years Analysis		Total Budget (All years) £'000		
	Analysis of Movements (Q3 to Q4)					2020/21 Original Budget £'000	Slippages, Additions and Reductions £'000	2020/21 Revised Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000			
	Revised Budget 2019/20 (Q3) £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000							Revised Budget 2019/20 (Q4) £'000	
Specific/External or Other Financing													
Contributions from leaseholders	5,541	2,463	-	-	2,463	8,004	2,891	-	2,891	5,380	3,791	20,066	
Grants and Contributions from Private Developers (includes S106)	819	(47)	-	(12)	(59)	760	5,017	(929)	4,088	10,019	9,906	24,773	
Capital Grants/Contributions from Non-departmental public bodies	-	-	20	-	20	20	-	-	-	-	-	20	
Sub-total - Specific or Other Financing	6,360	2,416	20	-	12	2,424	8,784	7,908	(929)	6,979	15,399	13,697	44,859
Mainstream Financing (Internal Council Resource)													
Capital Receipts (HRA)	9,706	(1,725)	(297)	-	(2,022)	7,684	10,623	846	11,469	7,590	6,255	32,998	
Major Repairs Reserve (MRR) / Major Repairs Allowance	16,331	(3,172)	-	-	(3,172)	13,159	24,249	(447)	23,802	16,990	17,257	71,208	
Sub-total - Mainstream Funding	26,037	(4,897)	(297)	-	(5,194)	20,843	34,872	399	35,271	24,580	23,512	104,206	
Borrowing(HRA)	12,908	(2,959)	816	12	(2,131)	10,777	37,102	1,868	38,970	16,152	11,057	76,956	
Total Capital Financing	45,305	(5,440)	539	-	(4,901)	40,404	79,882	1,338	81,220	56,131	48,266	226,021	

Appendix 2 – Analysis of budget variations

Variation by department	Amount £000
Children's Services	
Schools Organisational Strategy - budget reprofiling to future years for: <ul style="list-style-type: none"> Burlington Danes - £(22,000) Queens Manor - £(82,000) Bridge Academy - £(50,000) A review of commitments and priorities for capital works has been undertaken resulting in investment in priority areas from 2020/21. The forward programme of capital works requires formal approval in early 2020/21.	(154)
Ark Conway – budget increase to reflect actual funding and spend	47
School Maintenance Programme - budget reprofiling to future years (£120,000) and budget reduction to reflect spend classified as revenue expenditure (£411,000). Following condition surveys completed across the schools estate in 2018/19 and 2019/20, priority works need to be scheduled and planned from 2020/21.	(531)
School Windows Replacement - budget reprofiling to future years. The School Windows programme was subject to a review in 2018/19 in part due to the risk associated with the future funding via the Central Services Schools Block grant of the Dedicated Schools Grant. The programme will be progressed as part of the prioritisation of works as identified through the schools' condition surveys.	(497)
Total Children's Services variations	(1,135)
Environment Department	
Reduction in allocated budgets as external funding is awaiting confirmation for: <ul style="list-style-type: none"> Transport for London Schemes - £(1,637,000) Controlled Parking Zones - £(294,000) Column Replacement -£(152,000) Other Highways Capital Schemes -£(438,000) Better Homes Schemes -£(29,000) Parks Rolling Programme and other capital schemes- £(705,000) Recycling - £(19,000) CCTV- £(21,000) 	(3,295)
Additional budgets to reflect actual spend and external funding received: <ul style="list-style-type: none"> Safer Cycle Pathway (TFL funded) - £350,000 Hammersmith Bridge Strengthening (TFL Funded) - £1,039,000 P&D Upgrade and Pay by Phone (S106) - £17,000 Counters Creek (Thames Water funded) - £89,000 Bloemfontein Road (Thames Water/Suds) - £350,000 Network Rail - £1,020,000 Libraries Investment Programme - £11,000 	2,876
Budget reprofiling to future years due to project delays for: <ul style="list-style-type: none"> Footways and Carriageways - £(367,000) Transport for London Schemes - £(542,000) Hammersmith Bridge Strengthening (TFL Funded) - £(157,000) Controlled Parking Zones - £(13,000) Other Highways Capital Schemes - £(1,240,000) Bloemfontein Road (Thames Water/Suds) - £(550,000) Parks Rolling Programme and other capital schemes - £(217,000) Leisure Centre Capital Investment - £(957,000) 	(4,043)
Total Environment Department variations	(4,462)
Finance and Governance	
Acquisition of 145 King St - budget approved in January 2020	19,626
Corporate Planned Maintenance Programme - budget reprofiled to future years to fund	(283)

Variation by department	Amount £000
work programme outlined at Ravenscourt Park in 2020/21.	
Desktop Strategy – additional contribution from revenue towards capitalised items within overall programme budget	481
Invest to Save schemes – budget reprofiling to future years	(376)
Total Finance and Governance variations	19,448
Social Care	
Disabled Facilities Grant - budget reprofiling to future years	(378)
Social Care Capital projects - budget reprofiling to future years (£76,000) and budget reduction to reflect spend classified as revenue expenditure (£205,000)	(281)
Total Social Care variations	(659)
General Fund schemes under Economy Department	
Sands End Community Centre - budget reprofiled to future years	(652)
Acquisition of Gibbs Green/Farm Lane –adjustment to reflect actual completion costs	21
Joint Venture loan (Civic Campus) – budget reprofiled to reflect actual spend	6,003
Education City/Ark Swift redevelopment – budget reprofiled to future years due to project delays (£53,000) and reduction in budget of £(224,000)	(277)
Hammersmith Town Hall Refurbishment - budget reprofiled to future years due to delays in project as a result of COVID-19	(511)
Hammersmith Town Hall Fit Out - budget brought forward from future years to reflect actual spend on furniture in leased accommodation to be taken to the refurbished building	1,480
Macbeth Centre Arts and Kitchen Project – reduction in budget to reflect actual spend on completed projects	(86)
Nourish Project - budget reprofiled to future years due to delay in appointment of build contractor	(510)
Schools Regeneration - budget brought forward from future years to reflect actual spend	115
Total General Fund schemes under Economy Department variations	5,583
Economy Department (HRA) Schemes	
Asset Management and Compliance Programme – budget reprofiling from/(to) future years	(689)
Earls Court Buybacks – budget adjustment to reflect actual spend	4
Housing Development projects – budget reprofiled to future years due to the delayed start on site for the Spring Vale project	(311)
Old Laundry Yard Redevelopment – budget reprofiled to future years due to delays in the project	(313)
Stanhope Joint Venture – budget reprofiling to future years (£50,000) and additional budget £526,000 approved in May 2020	476
Hartopp & Lannoy budget for acquisitions to enable demolition reprofiled to 2020/21 when final acquisitions are expected to complete	(1,291)
Property Acquisition for Affordable Housing -budget reprofiled to future years	(1,513)
Homes & Communities Strategy - budget reprofiling to future years	(123)
White City Estate Regeneration - budget reprofiled to future years (£567,000) and budget adjustment to reflect the reduced future years forecast (£92,000)	(659)
Affordable Housing Delivery Framework - budget reprofiled to future years	(482)
Total Economy Department (HRA) variations	(4,901)
Total 2019-20 Q4 variations	13,874

2020-21 Funding variations	
Net budget reprofiling from 2019-20 (covered by above variations)	5,495
Housing – budget reprofiling to future years (2021+) of various existing schemes due to reprogramming and re-phasing	(3,364)
Reduction in 2020/21 budgets for various s106 funded Environment Department capital schemes to reflect unconfirmed funding	(1,585)
Increase in budgets to reflect additional external funding receivable for Safer Cycle Pathway (TFL funded)	4,200
Grand Total 2020-21 funding variations	4,746

Appendix 3 – General Fund forecast capital receipts

Financial Year	Previous Forecast £'000s	Movement/ Slippage £'000s	2019/20 Outturn £'000s
2019/20			
Brought forward receipts from 2018/19	1,500	(376)	1,124
Total 2019/20	1,500	(376)	1,124
2020/21			
Brought forward receipts from 2019/20	2,036	376	2,412
Overage payments and miscellaneous receipts	-	-	-
Total 2020/21	2,036	376	2,412
2021/22			
Overage payments and miscellaneous receipts	-	-	-
Total 2021/22	-	-	-
2022/23			
Forecast capital receipts for the year	3,600	-	3,600
Cost of Sales (4%)	(144)	-	(144)
Total 2022/23	3,456	-	3,456
Total All Years	6,992	-	6,992

Appendix 4 – VAT Partial Exemption

1. Partial exemption overview

1.1. In general, businesses cannot recover the VAT incurred on purchases made in connection with VAT exempt activities, for example, capital expenditure on properties which are let or leased are exempt from VAT. However, under Section 33 of the VAT Act 1994, local authorities are able to recover this VAT so long as it forms “an insignificant proportion” of the total VAT incurred (input tax) in any year, taken to be 5% or less. Crucially, the de minimis limit is not an allowance, if the 5% threshold is exceeded then all the exempt input tax is lost, not just the excess. The cost to the Council of a breach would be in excess of £2m.

2. LBHF Partial Exemption

2.1 The Council’s input tax forecast for 2019-20 (across all expenditure) was £38m. This results in a partial exemption threshold for the Council of £1.9m (being 5% of £38m). The overall input tax incurred by the Council is projected to fall in the medium term due to factors such as the return of some of the previously outsourced services in-house. A reduction in the overall input tax incurred will, in turn, reduce the Council’s partial exemption threshold.

2.3 When calculating the exempt input tax annually, the Council considers its revenue and capital activities separately. Revenue activities are more constant, their contribution to exempt input tax is projected to remain at £2m (the impact on the threshold being the VAT incurred on this amount, i.e. £0.4m). Exempt input tax relating to capital activities is more volatile and each project must be considered and judged individually. The Council has a number of capital projects, both in train and in the pipeline, which could have significant partial exemption implications and finance officers are working closely with colleagues working on these projects to ensure that these risks are identified and mitigated where possible.

2.3 Land and lease transactions can give rise to exempt supply. Capital projects involving these usually give rise to exempt input tax, although wherever possible the Council uses its VAT policy (see section 3) to mitigate this.

3. VAT Policy

3.1 The following policy is in place to manage 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.

Appendix 5 - Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP)

1. The Capital Finance Requirement (CFR) measures the Council's long-term indebtedness. Table 1 below shows the Council's total actual GF CFR for 2019-20 and forecast future years:

Table 1 - Actual General Fund CFR 2019-20 and forecast future years (outturn)

GENERAL FUND CFR ANALYSIS	2018/19	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m
HEADLINE CFR EXCLUDING SELF FINANCING SCHEMES AND LOANS					
Opening Capital Finance Requirement (CFR)	50.47	70.85	114.08	132.00	150.04
Revenue Repayment of Debt (MRP)	(0.21)	(0.32)	(1.55)	(1.88)	(2.19)
Mainstream Programme (Surplus)/Shortfall	20.59	43.55	19.47	19.92	11.81
Closing Capital Finance Requirement (CFR)	70.85	114.08	132.00	150.04	159.66
SELF FINANCING SCHEMES AND LOANS	£m	£m	£m	£m	£m
Opening Capital Finance	6.57	7.32	11.84	25.25	58.58
Equity loan repayment	-	-	-	-	-
Revenue Repayment of Debt (MRP)	(0.27)	(1.48)	(0.18)	(0.17)	(1.07)
In Year Borrowing	1.02	6.00	13.58	33.50	97.52
Closing Capital Finance	7.32	11.84	25.25	58.58	155.03
Finance leases/PFI/ Deferred costs of	9.84	9.19	8.49	7.79	7.09
Total Closing CFR	88.01	135.11	165.74	216.41	321.79

2. The General Fund Headline CFR was £114.08m at the end of 2019-20 and is forecast to be £159.66m by the end of 2022-23. The increase in GF Headline CFR puts additional pressures on revenue budgets.
3. The Headline CFR figures exclude:
 - £7m Schools Windows Replacement Programme (funded from DSG)
 - potential development (loan) funding of £45m to the Civic Campus programme
 - potential £29.86m loan to the Education City Development project and
 - expected £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, commercial income or reduction in revenue costs (e.g. lease rental payments).

4. CFR movements related to these schemes are presented under "Self-Financing Schemes and Loans" heading in the Table 1. 2019-20 CFR for these schemes is £11.84m and is forecast to increase to £155.03m by the end of 2022-23. Table 2 details the CFR movements regarding these schemes:

Table 2- Self - financing schemes and loans CFR movements 2019/20-2022/23

	Revised Budget 2019/20 (Q3) £'000	Variations (Q4) £'000	Revised Budget 2019/20 (Q4) £'000	Indicative Budget 2020/21 £'000	Slippages, Additions and Reduction £'000	2020/21 Revised Budget £'000	Indicative Budget 2021/22 £'000	Indicative Budget 2022/23 £'000	Total Budget (All years) £'000
Approved Expenditure									
Ad Hoc Schemes:									
JV loan - HTH	-	6,003	6,003	15,000	(6,003)	8,997	30,000	-	45,000
Acquisition of commercial units (Civic Campus)	-	-	-	-	-	-	-	63,000	63,000
Equity Loan (Civic Campus)	-	-	-	-	-	-	-	25,000	25,000
JV loan -Education City	874	(874)	-	75	4,507	4,582	3,499	9,521	17,602
Total Mainstream Programmes	874	5,129	6,003	15,075	(1,496)	13,579	33,499	97,521	150,602
Financing									
Increase/(Decrease) in Borrowing	874	5,129	6,003	15,075	(1,496)	13,579	33,499	97,521	150,602
Total Financing	874	5,129	6,003	15,075	(1,496)	13,579	33,499	97,521	150,602

5. The report regarding the expected 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 a decrease in GF CFR in 2023-24 by £25m.

6. 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 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. 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 impact GF revenue budgets. Officers are reviewing potential options around the timing of the appropriation to limit any unfavourable impact on the general fund in relation to the development of affordable housing.

7. 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.

8. 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 the assets (currently 3.01%).