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| London Borough of Hammersmith & Fulham CABINET 4 FEBRUARY 2019 |  |
| CAPITAL PROGRAMME MONITOR & BUDGET VARIATIONS, 2018/19 (THIRD QUARTER) | |
| Report of the Cabinet Member for Finance and Commercial Services – Councillor Max Schmid | |
| Open Report | |
| Classification: FOR DECISION Key Decision: Yes | |
| Wards Affected: ALL | |
| Accountable Executive Director: Hitesh Jolapara, Strategic Director, Finance and Governance | |
| Report Author: Emily Hill, Assistant Director, Corporate Finance Andrew Lord, Head of Strategic Planning and Monitoring Ariana Murdock, Principal Accountant | Contact Details: Tel: 0208 753 2531 Email: andrew.lord@lbhf.gov.uk |

1. EXECUTIVE SUMMARY

- 1.1. This report sets out the overall position of the capital programme at the third quarter. Net 2018/19 budget variations of +£2.5m are proposed which represent 2.8% of the total approved budget. The variations are detailed in Appendix 2.
- 1.2. The main variation relates to the potential use of capital receipts of £5.39m to fund Invest to Save costs. Local authorities can capitalise revenue invest to save costs in accordance with a Government dispensation on the flexible use of capital receipts. Using capital receipts for this purpose will protect Council reserves and help manage future pressures such as the West King Street redevelopment and the High Needs Block Dedicated Schools Grant overspend. But, it will come at revenue cost, as the Council's capital debt will increase, of £57,400 per annum per £1m capitalised. A final decision on whether to use 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 2018/19 accounts.
- 1.3. Other variation include:
 - Forecast General Fund (GF) capital receipts for the period have decreased by £0.46m in comparison to the second quarter forecast £5.85m.

- The forecast for the Schools' Windows Replacement Scheme has reduced from a previously approved budget of £20m to £13m. The project is under review and Phase 3 will not progress until planning permission is in place.
- A funding shortfall of £406,000 for Queens Manor Resource Centre (Stephen Wiltshire Centre) project is proposed to be met from Special Provision Capital Fund (SEND) grant.

1.4. The amendments to the capital programme have impacted on the Council's forecast capital debt (Capital Financing Requirement (CFR)) as follows:

| | Last Forecast (2018/19 Q2) | Current Forecast |
|-----------------------|----------------------------|------------------|
| General Fund CFR | £m | £m |
| 2018/19 Closing CFR * | 75.46 | 79.91 |
| 2021/22 Closing CFR * | 98.82 | 102.26 |

* Headline CFR excludes Schools Windows, JV loan in relation to West King Street Regeneration, PFI, leases and deferred costs of disposal

The net increase is due to:

| | |
|---|---------------|
| Capitalisation of Invest to Save schemes under Flexible Use of Capital Receipts | £4.46m |
| Corporate Planned Maintenance re-profiling - brought forward from 2019/20 (Q3) | £ 0.12m |
| West King Street/ Town Hall Refurbishment - 2018/19 funded from CIL | £(0.5)m |
| Decrease in 2018/19 capital receipts forecast | £ 0.46m |
| Total movement in GF CFR | £4.45m |

- 1.5. The West King Street Regeneration scheme may involve a £90m loan to the Joint Venture. This will impact on the Council's headline CFR but any interest and MRP costs will need to be fully funded by the Joint Venture through the arrangement terms.
- 1.6. The approved capital programme includes a budget envelope of £50m, to provide operational flexibility, for taking forward major projects. Use of this budget is subject to relevant Member approval, agreement of funding sources and sign-off of an appropriate business case. Expenditure above the £50m envelope will require approval by Full Council. To date £16.1m has been approved for purchase of 207 King Street site. The current CFR forecast excludes the remaining £33.9m budget envelope.
- 1.7. Within the Housing Capital Programme there has been expenditure slippage of £1.3m regarding the Housing Revenue Account. £0.9m of slippage relates to HRA schemes and £0.4m to Decent Neighbourhoods.

2. RECOMMENDATIONS

- 2.1. To approve the proposed budget variations to the capital programme totalling £2.5m (summarised in Table 1 and detailed in Appendix 2).
- 2.2. To approve the potential application of capital receipts under the Flexible Use of Capital Receipts provisions to fund £5.39m of Invest to Save schemes with a final decision on whether to use this flexibility 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 2018/19 accounts.
- 2.3. To approve use of Special Provision Capital Fund (SEND) grant to fund remaining £406,000 of expenditure in relation to Queens Manor Resource Centre (Stephen Wiltshire Centre).

2.4. To note the issues regarding General Fund Capital Programme described in sections 5 and 6 of the report.

3. REASONS FOR DECISION

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

4. CAPITAL PROGRAMME 2018-19 – Q3 OVERVIEW

4.1. The Council's capital programme as at the end of the third quarter 2018/19 – including proposed variations – is summarised in Table 1 below. A full analysis of elements of the programme funded from internal mainstream Council resource is included in section 6.

Table 1 – LBHF Capital Programme 2018-22 with proposed 2018/19 Q3 Variations

| | Analysis of Movements (Revised budget to Q3) | | | | | Indicative Future Years Analysis | | | | | |
|--|--|--|----------------------------|-----------------|------------------------|-----------------------------------|----------------|----------------|----------------|---------------|--------------------------------|
| | Revised Budget 2018/19 (Q2) £'000 | Slippages from/(to) future years £'000 | Addition/(Reduction) £'000 | Transfers £'000 | Total Variations £'000 | Revised Budget 2018/19 (Q3) £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | Total Budget (All years) £'000 |
| CAPITAL EXPENDITURE | | | | | | | | | | | |
| Children's Services | 11,961 | (2,373) | 313 | - | (2,060) | 9,901 | 6,833 | 3,738 | 2,238 | 2,238 | 24,948 |
| Adult Social Care | 1,389 | (1,285) | 511 | - | (774) | 615 | 1,922 | 300 | - | - | 2,837 |
| Residents' Services | 19,727 | 125 | 747 | (594) | 278 | 20,005 | 10,146 | 6,272 | 7,208 | 7,208 | 50,839 |
| Finance & Governance | 4,630 | - | 4,460 | - | 4,460 | 9,090 | - | - | - | - | 9,090 |
| General Fund Schemes under Housing management | 19,054 | 1,417 | - | 594 | 2,011 | 21,065 | 35,434 | 40,051 | 48,642 | 12,759 | 157,951 |
| Sub-total (Non-Housing) | 56,761 | (2,116) | 6,031 | - | 3,915 | 60,676 | 54,335 | 50,361 | 58,088 | 22,205 | 245,665 |
| HRA Programme | 17,843 | (895) | - | - | (895) | 16,948 | 42,011 | 36,825 | 34,206 | 28,000 | 157,990 |
| Decent Neighbourhoods Programme | 14,733 | (396) | (79) | - | (475) | 14,258 | 24,701 | 25,670 | 18,499 | 13,897 | 97,025 |
| Sub-total (Housing) | 32,576 | (1,291) | (79) | - | (1,370) | 31,206 | 66,712 | 62,495 | 52,705 | 41,897 | 255,015 |
| Total Expenditure | 89,337 | (3,407) | 5,952 | - | 2,545 | 91,882 | 121,047 | 112,856 | 110,793 | 64,102 | 500,680 |
| CAPITAL FINANCING | | | | | | | | | | | |
| Specific/External Financing: | | | | | | | | | | | |
| Government/Public Body Grants | 14,910 | (3,658) | 524 | - | (3,134) | 11,776 | 8,873 | 4,695 | 4,685 | 4,395 | 34,424 |
| Grants and Contributions from Private Developers (includes S106/CIL) | 12,852 | 1,520 | 1,047 | 594 | 3,161 | 16,013 | 11,132 | 18,641 | 19,504 | 9,184 | 74,474 |
| Leaseholder Contributions (Housing) | 4,645 | (395) | - | - | (395) | 4,250 | 4,507 | 3,871 | 4,240 | 4,014 | 20,882 |
| Sub-total - Specific Financing | 32,407 | (2,533) | 1,571 | 594 | (368) | 32,039 | 24,512 | 27,207 | 28,429 | 17,593 | 129,780 |
| Mainstream Financing (Internal): | | | | | | | | | | | |
| Capital Receipts - General Fund | 5,850 | - | 4,460 | (4,920) | (460) | 5,390 | - | - | - | 3,456 | 8,846 |
| Capital Receipts - Housing* | 13,851 | 237 | (79) | - | 158 | 14,009 | 13,625 | 14,624 | 10,493 | 6,320 | 59,071 |
| Revenue funding - General Fund | 582 | - | - | - | - | 582 | 521 | 521 | 521 | 521 | 2,666 |
| Major Repairs Reserve (MRR) [Housing] | 10,172 | (736) | - | - | (736) | 9,436 | 23,354 | 16,415 | 17,234 | 17,546 | 83,985 |
| Earmarked Reserves (Revenue) | 3,521 | (500) | - | - | (500) | 3,021 | 6,443 | 242 | - | - | 9,706 |
| Sub-total - Mainstream Funding | 33,976 | (999) | 4,381 | (4,920) | (1,538) | 32,438 | 43,943 | 31,802 | 28,248 | 27,843 | 164,274 |
| Internal Borrowing | 22,954 | 125 | - | 4,326 | 4,451 | 27,405 | 52,592 | 53,847 | 54,116 | 18,666 | 206,626 |
| Total Capital Financing | 89,337 | (3,407) | 5,952 | - | 2,545 | 91,882 | 121,047 | 112,856 | 110,793 | 64,102 | 500,680 |

4.2. A net variation to the 2018/19 programme of £2.5m is proposed, increasing total budgeted expenditure from £89.3m to £91.8m. This is due to:

- £5.9m growth in the programme.
- slippage of £3.4m to later years.

A detailed analysis of the proposed budget variations is included at Appendix 2.

4.3. The detailed project monitoring has identified a funding shortfall of £406,000 for the Queens Manor Resource Centre project. It is now proposed that this be met from Special Provision Capital Fund (SEND) grant. Timing differences may require temporary capital financing from other resources pending receipt of the grant.

4.4. Future Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP) values will be revised once the full costing / business case of any other projects is known.

5. CAPITAL FINANCE REQUIREMENT (CAPITAL DEBT)

- 5.1. The Capital Finance Requirement (CFR) measures the Council's long-term indebtedness. The current forecast for General Fund Headline¹ CFR (excluding schools' windows borrowing and any potential on-lending to the Joint Venture in relation to West King Street Regeneration) is **£79.9m** at the end of 2018/19. The increase of £4.45m in CFR in comparison to 2018/19 second quarter is mainly due to proposal to capitalise additional £4.46m of Invest to Save schemes under the Flexible Use of Capital Receipts dispensation rather than apply these to fund capital expenditure. Table 2 below presents the forecast CFR position.

Table 2 – General Fund CFR at Q3 2018/19 (including future years forecast)

| GENERAL FUND CFR ANALYSIS | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|--------------|--------------|---------------|---------------|---------------|---------------|
| CFR EXCLUDING SCHOOLS WINDOWS AND JOINT VENTURE LOAN | £m | £m | £m | £m | £m | |
| Opening Capital Finance Requirement (CFR) | 47.25 | 50.48 | 79.91 | 88.06 | 93.58 | 102.26 |
| Revenue Repayment of Debt (MRP) | (0.17) | (0.28) | (0.55) | (0.79) | (0.88) | (1.00) |
| Mainstream Programme (Surplus)/Shortfall | 3.41 | 25.90 | 8.70 | 6.31 | 9.56 | 4.65 |
| Appropriation of Edith Summerskil from HRA | - | 3.80 | - | - | - | - |
| Closing Capital Finance Requirement (CFR) | 50.48 | 79.91 | 88.06 | 93.58 | 102.26 | 105.91 |
| SCHOOLS WINDOWS | £m | £m | £m | £m | £m | £m |
| Opening Capital Finance Requirement (CFR) | 3.57 | 6.63 | 8.00 | 10.92 | 11.98 | 11.50 |
| Revenue Repayment of Debt (MRP) | (0.09) | (0.13) | (0.32) | (0.44) | (0.48) | (0.46) |
| Internal Borrowing (Schools Window Replacement) | 3.14 | 1.50 | 3.24 | 1.50 | - | - |
| Closing Capital Finance Requirement (CFR) | 6.63 | 8.00 | 10.92 | 11.98 | 11.50 | 11.04 |
| JOINT VENTURE | £m | £m | £m | £m | £m | £m |
| Opening Capital Finance Requirement (CFR) | - | - | - | 30.00 | 59.40 | 88.21 |
| Revenue Repayment of Debt (MRP) | - | - | - | (0.60) | (1.19) | (1.76) |
| Borrowing | - | - | 30.00 | 30.00 | 30.00 | - |
| Closing Capital Finance Requirement (CFR) | - | - | 30.00 | 59.40 | 88.21 | 86.45 |
| Total Headline Capital Finance Requirement (CFR) | 57.11 | 87.91 | 128.98 | 164.96 | 201.98 | 203.40 |
| Finance leases/PFI/ Deferred costs of disposal | 10.33 | 9.53 | 8.73 | 7.93 | 7.13 | 6.33 |
| Total Closing CFR | 67.44 | 97.44 | 137.71 | 172.89 | 209.11 | 209.73 |

- 5.2. The General Fund CFR remains dependent on the timing and certainty of capital receipts and developer contributions forecasts. Where receipts are not available to fund mainstream expenditure, and no other sources of funding can be found, internal borrowing and consequently the CFR will increase.
- 5.3. The calculation of future CFR and Minimum Revenue Provision for expenditure in relation to West King Street Regeneration and Hammersmith Town Hall Refurbishment is based on the cash flow information provided by the project team. Project funding is expected to be 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 receipts. However, this is subject to confirmation that the CIL funds can be used for the proposed purchases.

¹ Excludes items such as finance leases and PFIs, the Minimum Revenue Provision (MRP) cost of which is funded through revenue budgets.

5.4. The Housing Revenue Account (HRA) CFR is shown in Table 3 below:

Table 3 – HRA CFR at Q3 2018/19 (including future years forecast)

| HRA CFR Forecast | 2017/18 £m | 2018/19 £m | 2019/20 £m | 2020/21 £m | 2021/22 £m | 2022/23 £m |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Closing Forecast HRA CFR (excluding deferred costs of disposal) | 204.85 | 204.85 | 215.50 | 231.54 | 246.09 | 260.11 |
| Deferred Costs of Disposal | 5.42 | 6.02 | 6.83 | 7.82 | 9.96 | 0.02 |
| Closing Forecast HRA CFR (including deferred costs of disposal) | 210.26 | 210.87 | 222.33 | 239.36 | 256.05 | 260.13 |

*Current CFR forecast assumes that the majority of accumulated Deferred Costs of Disposal (DCOD) in relation to Earls Court project will be financed in 2022/23 from first trench of realisable Earls Court receipts (£16m forecast for 2022/23) or from revenue earmarked reserves. The apportionment methodology to establish exact amount of DCOD to be released each year is yet to be confirmed.

6. GENERAL FUND – MAINSTREAM PROGRAMME AND CAPITAL RECEIPTS

6.1. The General Fund mainstream programme cuts across the departmental programmes and represents schemes which are funded from internal Council resources. It is effectively the area of the programme where the Council has the greatest discretion. The mainstream programme is summarised in Table 4 below.

Table 4 – General Fund Mainstream Programme 2018-22 with proposed 2018/19 Q3 Variations

| | Revised Budget 2018/19 (Q2) £'000 | Variations (Q3) £'000 | Revised Budget 2018/19 (Q3) £'000 | Indicative Budget 2019/20 £'000 | Indicative Budget 2020/21 £'000 | Indicative Budget 2021/22 £'000 | Indicative Budget 2022/23 £'000 | Total Budget (All years) £'000 |
|---|--------------------------------------|--------------------------|--------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|-----------------------------------|
| Approved Expenditure | | | | | | | | |
| Ad Hoc Schemes: | | | | | | | | |
| Hammersmith Town Hall Refurbishment | 594 | (594) | - | 577 | 2,714 | 5,034 | 3,575 | 11,900 |
| Invest to Save-Flexible Use of Capital Receipts | 930 | 4,460 | 5,390 | - | - | - | - | 5,390 |
| Acquisition of Cinema Site | 16,137 | - | 16,137 | 2 | - | - | - | 16,139 |
| Desktop Strategy [F&G] | 3,293 | - | 3,293 | - | - | - | - | 3,293 |
| Carnwath Road [RES] | - | - | - | 1,870 | - | - | - | 1,870 |
| Rolling Programmes: | | | | | | | | |
| Disabled Facilities Grant [ASC] | 303 | - | 303 | 652 | - | - | - | 955 |
| Planned Maintenance/DDA Programme [RES] | 2,581 | 125 | 2,706 | 3,568 | 1,564 | 2,500 | 2,500 | 12,838 |
| Footways and Carriageways [RES] | 3,054 | - | 3,054 | 2,030 | 2,030 | 2,030 | 2,030 | 11,174 |
| Parks Programme [RES] | 410 | - | 410 | - | - | - | - | 410 |
| Total Mainstream Programmes | 27,302 | 3,991 | 31,293 | 8,699 | 6,308 | 9,564 | 8,105 | 63,969 |
| Financing | | | | | | | | |
| Capital Receipts | 5,850 | (460) | 5,390 | - | - | - | 3,456 | 8,846 |
| Increase/(Decrease) in Internal Borrowing | 21,452 | 4,451 | 25,903 | 8,699 | 6,308 | 9,564 | 4,649 | 55,123 |
| Total Financing | 27,302 | 3,991 | 31,293 | 8,699 | 6,308 | 9,564 | 8,105 | 63,969 |

6.2. The 2018/19 mainstream programme has increased by £4m in comparison to previously forecast budget of £27.3m.

6.3. Capital receipts forecast for 2018/19 has decreased by £0.46m in comparison to the previous quarter.

6.4. The approved capital programme includes a budget envelope of £50m, to provide operational flexibility, for taking forward major projects. Use of this budget is subject to relevant Member approval, agreement of funding sources and sign-off of an appropriate business case. Expenditure above the £50m envelope will require approval by Full Council. To date £16.1m has been approved for purchase of 207 King Street site. The current CFR forecast excludes the remaining £33.9m budget envelope.

- 6.5. The total amount of General Fund capital receipts available in 2018/19 is £5.39m – this includes £0.93m of carry forward receipts from 2017/18 and £4.46m of in-year receipts. It is recommended that all of the receipts are applied to fund Invest to Save projects under Flexible Use of Capital Receipts dispensation. Using capital receipts for this purpose will protect Council reserves and help manage future pressures and priorities such as as the West King Street Regeneration and the High Needs Block Dedicated Schools Grant overspend. However, it will come at revenue cost of £57,400 per annum per £1m capitalised as those receipts will not be available to fund other capital expenditure and the Council’s capital debt will increase.

7. HOUSING CAPITAL PROGRAMME

- 7.1. Housing Capital expenditure for 2018/19 is forecast to outturn at £31.2m and for the five-year programme to 2022/23 spend is expected to be £255m. The expenditure and resource analysis of the Housing Programme is summarised in Table 5 below:

Table 5 – Housing Capital Programme 2018-22 with proposed 2018/19 Q3 Variations

| | 2018/19 Revised Budget (Q2) £'000 | Total Variations (Q3) £'000 | 2018/19 Revised Budget (Q3) £'000 | Indicative 2019/20 Budget £'000 | Indicative 2020/21 Budget £'000 | Indicative 2021/22 Budget £'000 | Indicative 2022/23 Budget £'000 |
|---|---|--------------------------------------|---|--|--|--|--|
| Approved Expenditure | | | | | | | |
| Decent Neighbourhood Schemes | 14,733 | (475) | 14,258 | 24,701 | 25,670 | 18,499 | 13,897 |
| HRA Schemes | 17,843 | (895) | 16,948 | 42,011 | 36,825 | 34,206 | 28,000 |
| Total Housing Programme - Approved Expenditure | 32,576 | (1,370) | 31,206 | 66,712 | 62,495 | 52,705 | 41,897 |
| Available and Approved Resource | | | | | | | |
| Capital Receipts - Unrestricted | 7,556 | 329 | 7,885 | 3,099 | 5,817 | 3,978 | 6,320 |
| Capital Receipts - RTB (141) | 6,295 | (171) | 6,124 | 10,526 | 8,807 | 6,515 | - |
| Major Repairs Reserve (MRR) | 10,172 | (736) | 9,436 | 23,354 | 16,415 | 17,234 | 17,546 |
| Contributions Developers (S106) | 613 | 103 | 716 | 7,860 | 11,304 | 5,896 | - |
| Repayment of NHHT loan | 270 | | 270 | 270 | - | 290 | - |
| Contributions from leaseholders | 4,645 | (395) | 4,250 | 4,507 | 3,871 | 4,240 | 4,014 |
| Use of reserves (Fire Safety EMR) | 3,025 | (500) | 2,525 | 6,443 | 242 | - | - |
| Internal Borrowing | - | | - | 10,653 | 16,039 | 14,552 | 14,017 |
| Total Funding | 32,576 | (1,370) | 31,206 | 66,712 | 62,495 | 52,705 | 41,897 |

- 7.2. The Decent Neighbourhoods Fund contains the Council’s Housing Capital Receipts which in accordance with the change in capital regulations, effective from 1 April 2013 must be used for Housing or Regeneration purposes and shows how the Council plans to reinvest those receipts in Housing and Regeneration.
- 7.3. The 2018/19 – 2022/23 Housing Capital Programme is fully funded however the capital financing requirement (CFR) is expected to rise to £260.1m.
- 7.4. Detailed analysis of Q3 budget variances is provided in Appendix 2.
- 7.5. The forecasts will be refined as the precise specification of building regulations required for fire safety emerge. These will remain unclear until the public enquiry over Grenfell Tower is concluded. The Council is working on a procurement framework that will enable delivery of the revised programme. An Asset Management Strategy presented to Cabinet in December, will help clarify the direction of a compliance based capital programme going forward.

7.6. Included in the HRA schemes are the following Health & Safety related works:

| Decent Neighbourhoods Programme Capital Monitoring - 2018/19 HRA Capital Programme: Specific Compliance and Health & Safety Spend 2018-19 budget, latest forecast and spend at P-7 (October 2018) | | | | | |
|---|------------------------------------|------------------------------------|---|---|---------------------------------------|
| Health and Safety related spend included in the minor works programme plus Estate CCTV | Original Full Year Budget £'000 | 2018/19 Q2 Revised Budget £'000 | Full year forecast at October 2018 £'000 | Forecast variance to original budget £'000 | Actual Spend to October 2018 £'000 |
| APPROVED SCHEMES | | | | | |
| Fire safety Improvements | 1,700 | 1,088 | 688 | (1,012) | |
| Fire Safety Plus Capital Works | 15,000 | 3,025 | 2,525 | (12,475) | 524 |
| Warden Call System Upgrade | 882 | 4 | 4 | (878) | 4 |
| Roseford, Woodford, Shepherds extract systems | | 26 | 26 | 26 | 15 |
| Edward Woods communal extract system | 200 | | | (200) | |
| Estate CCTV | 180 | 926 | 926 | 746 | 97 |
| Melrose Terrace controlled access | | | | | |
| Controlled Access continuing programme | 750 | | | (750) | |
| Total | 18,712 | 5,069 | 4,169 | (14,543) | 640 |

| Decent Neighbourhoods Programme Capital Monitoring - 2018/19 HRA Capital Programme: Health & Safety Related Spend in other sections of the HRA Capital Programme 2018-19 budget, latest forecast and spend at P-7 (October 2018) | | | | | |
|--|------------------------------------|------------------------------------|---|---|--|
| | Original Full Year Budget £'000 | 2018/19 Q2 Revised Budget £'000 | Full year forecast at October 2018 £'000 | Forecast variance to original budget £'000 | Actual Spend to October 2018 £'000 |
| APPROVED SCHEMES | | | | | |
| Kitchen and Bathroom modernisation | 250 | 477 | 477 | 227 | Modemisation of older and run down kitchens and bathrooms has positive implications for the residents' hygiene and safety; hence a small proportion of this spend can be considered to be health and safety related. |
| Planned individual boiler replacement programme | 1,075 | 899 | 899 | (176) | 295 Replacement of older boilers has positive implications for resident safety; hence a small proportion of this spend can be considered to be health and safety related. |
| Banim Street, Munden St, Swanbank Ct boilers | 280 | | | (280) | Communal heating programme has positive implications for resident health; hence a small proportion of this spend can be considered to be health and safety related. |
| Farm Lane & Wheatshaf, Malabar Ct boilers | 342 | | | (342) | Communal heating programme has positive implications for resident health; hence a small proportion of this spend can be considered to be health and safety related. |
| Water Supply continuing programme | 100 | | | (100) | This is a contingency budget to allow for replacement of communal water tanks; it has positive implications for resident health; hence a small proportion of this spend can be considered to be health and safety related. |
| Landlord's electrical installations | 750 | | | (750) | Electrical installations have implications for fire and other risks. |
| Estate Lighting | 150 | 25 | 25 | (125) | Improvement of lighting conditions in housing estates has positive impact on the level of safety and reduced anti-social behaviour. |
| Total | 2,947 | 1,401 | 1,401 | (1,546) | 295 |

7.7. The Decent Neighbourhood Schemes forecast for 2018/19 is £0.5m less than the revised approved budget. £0.4m of this relates to re-profiling the spend on the Housing Development Project due to the appointment of the contractor requiring Cabinet approval and £0.1m is on Earls Court Buy Backs.

7.8. The 2022/23 figures for HRA schemes are indicative and will be revised once the Housing Asset Management Strategy Delivery Plan is formalised.

7.9. The forecast increased use of internal borrowing to fund the programme compared to Quarter 2 is mainly down to the proposed restructure of the Growth and Place department. If approved, the restructure will require growth to the HRA revenue budget which consequently reduces the revenue available to fund the capital programme in future years and increases the CFR. The Growth and Place restructure is being addressed in the Financial Plan for Council Homes report being considered by Cabinet in February 2019.

- 7.10. Officers continue to carefully manage the risks to ensure that the HRA can meet the Council's obligations to residents of Council Homes while not going into a deficit position.

8. EQUALITY IMPLICATIONS

- 8.1. 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 an increase in capital allocations, will not impact directly on any group with protected characteristics, under the terms of the Equality Act 2010.

- 8.2. Implications verified and completed by Peter Smith, Head of Policy & Strategy, Tel: 020 8753 2206.

9. LEGAL IMPLICATIONS

- 9.1. There are no direct legal implications in relation to this report.
- 9.2. Implications completed by: Rhian Davies, Assistant Director of Legal and Democratic Services, Tel: 020 8753 2729.

10. FINANCIAL IMPLICATIONS

- 10.1. This report is wholly of a financial nature.

11. IMPLICATIONS FOR BUSINESS

- 11.1. 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.
- 11.2. 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.
- 11.3. Implications completed by: Alben Karameros, Economic Development Team, 07739 316 957.

12. RISK MANAGEMENT

- 12.1. 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

- 12.2. 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.
- 12.3. The report identifies a number of risks which may impact on the future funding of the Housing Capital Programme, where in some cases, mitigations have yet to be identified, increases in internal borrowing (and associated revenue financing implications) and the potential for the Council to breach the VAT partial exemption threshold arising from approval of further capital schemes. It is important that strong corporate and directorate oversight and monitoring of these risks is maintained and appropriate ongoing assurances provided to Members on the management of these risks.
- 12.4. The impact to councils of the Grenfell Tower fire is yet to be fully established. It is certain that many councils 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.
- 12.5. 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.
- 12.6. 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.
- 12.7. Proposals set out in this report seek to comply with the Council's legal duties.
- 12.8. Implications completed by: David Hughes, Director of Audit, Risk and Insurance, Tel: 020 7361 2389 and Richard Buckley, Head of Environmental Health (Residential) & Corporate Safety, Tel: 020 8753 3971.

13. PROCUREMENT IMPLICATIONS

- 13.1. There are no immediate procurement implications arising from this report. The corporate Procurement team will advise and support service departments on their major capital procurements as and when such support is required, including

consideration of whether and how any social value, local economic and community benefits might be obtained from these.

13.2. Implications completed by: Joanna Angelides on behalf of Simon Davis. Tel: 020 7361 2586.

14. VAT IMPLICATIONS

14.1. 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. The Council remained below the threshold in 2017/18 however there remains a risk of breaching the threshold in future years if the position is not carefully managed on an ongoing basis. Further detail on the Council's partial exemption is included in Appendix 4.

14.2. Implications completed by: Chris Harris, Chief Accountant, Corporate Finance, Tel: 020 8753 6440.

15. IT IMPLICATIONS

15.1. There are no IT implications for this report.

15.2. Implications completed by: Veronica Barella, Chief Information Officer, Tel: 020 8753 2927

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

| No. | Description of Background Papers | Name/Ext of holder of file/copy | Department/ Location |
|------------|--|--|--|
| 1. | Capital Programme 2018-22 (Published Feb 2018) | Andrew Lord tel. 2531 | Finance Dept., Room10, Hammersmith Town Hall |

LIST OF APPENDICES:

Appendix 1 – Detailed Capital Budgets, Spend and Variation analysis by Service

Appendix 2 – Analysis of Budget Variations

Appendix 3 – Capital Receipts Forecast

Appendix 4 – VAT Partial Exemption

Appendix 1 – Detailed Capital Budget, Spend and Variation Analysis by Service

Children's Services

Current Year Programme

Indicative Future Years Analysis

Analysis of Movements (Revised budget to Q3)

| Revised Budget 2018/19 (Q2) | Slippages from/(to) future years | Additions/ (Reductions) | Transfers | Total Transfers/ Virements | Revised Budget 2018/19 (Q3) | 2019/20 Budget | 2020/21 Budget | 2021/22 Budget | 2022/23 Budget | Total Budget (All years) | |
|--|----------------------------------|-------------------------|------------|----------------------------|-----------------------------|----------------|----------------|----------------|----------------|--------------------------|---------------|
| | | | | | | | | | | | £'000 |
| Scheme Expenditure Summary | | | | | | | | | | | |
| Schools Organisational Strategy | 9,771 | (2,373) | 313 | - | (2,060) | 7,711 | 2,704 | - | - | - | 10,415 |
| Schools Window Replacement Project | 1,500 | - | - | - | - | 1,500 | 3,240 | 1,500 | - | - | 6,240 |
| School Maintenance Programme | - | - | - | - | - | - | 889 | 2,238 | 2,238 | 2,238 | 7,603 |
| Other Capital Schemes | 690 | - | - | - | - | 690 | - | - | - | - | 690 |
| Total Expenditure | 11,961 | (2,373) | 313 | - | (2,060) | 9,901 | 6,833 | 3,738 | 2,238 | 2,238 | 24,948 |
| Capital Financing Summary | | | | | | | | | | | |
| Specific/External or Other Financing | | | | | | | | | | | |
| Capital Grants from Central Government | 8,520 | (2,373) | 313 | - | (2,060) | 6,460 | 3,262 | 2,238 | 2,238 | 2,238 | 16,436 |
| Grants and Contributions from Private Developers (includes S106) | 1,941 | - | - | - | - | 1,941 | 331 | - | - | - | 2,272 |
| Sub-total - Specific or Other Financing | 10,461 | (2,373) | 313 | - | (2,060) | 8,401 | 3,593 | 2,238 | 2,238 | 2,238 | 18,708 |
| Borrowing - school windows | 1,500 | - | - | - | - | 1,500 | 3,240 | 1,500 | - | - | 6,240 |
| Total Capital Financing | 11,961 | (2,373) | 313 | - | (2,060) | 9,901 | 6,833 | 3,738 | 2,238 | 2,238 | 24,948 |

Appendix 1 – Detailed Capital Budget, Spend and Variation Analysis by Service/cont.

Adult Social Care Services

| | Current Year Programme | | | | | Indicative Future Years Analysis | | | | | |
|---|--|----------------------------------|-------------------------|-----------|----------------------------|----------------------------------|----------------|----------------|----------------|----------------|--------------------------|
| | Analysis of Movements (Revised budget to Q3) | | | | | Revised Budget 2018/19 (Q3) | 2019/20 Budget | 2020/21 Budget | 2021/22 Budget | 2022/23 Budget | Total Budget (All years) |
| | Revised Budget 2018/19 (Q2) | Slippages from/(to) future years | Additions/ (Reductions) | Transfers | Total Transfers/ Virements | | | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Scheme Expenditure Summary | | | | | | | | | | | |
| Extra Care New Build project (Adults' Personal Social Services Grant) | 20 | (20) | - | - | (20) | - | 957 | - | - | - | 957 |
| Community Capacity Grant | 2 | - | - | (2) | (2) | - | - | - | - | - | - |
| Transforming Care (Winterbourne Grant) | 300 | (300) | - | - | (300) | - | 300 | - | - | - | 300 |
| Social Care Capital Grant | 1,067 | (965) | 511 | 2 | (452) | 615 | 665 | 300 | - | - | 1,580 |
| Total Expenditure | 1,389 | (1,285) | 511 | - | (774) | 615 | 1,922 | 300 | - | - | 2,837 |
| | | | | | | | | | | | |
| Capital Financing Summary | | | | | | | | | | | |
| Specific/External or Other Financing | | | | | | | | | | | |
| Capital Grants from Central Government | 1,089 | (985) | 511 | - | (474) | 615 | 1,622 | 300 | - | - | 2,537 |
| Capital Grants/Contributions from Non-departmental public bodies | 300 | (300) | - | - | (300) | - | 300 | - | - | - | 300 |
| Sub-total - Specific or Other Financing | 1,389 | (1,285) | 511 | - | (774) | 615 | 1,922 | 300 | - | - | 2,837 |
| Total Capital Financing | 1,389 | (1,285) | 511 | - | (774) | 615 | 1,922 | 300 | - | - | 2,837 |

Appendix 1 – Detailed Capital Budget, Spend and Variation Analysis by Service/cont.

| Residents' Services | Current Year Programme | | | | | Indicative Future Years Analysis | | | | | |
|--|--|----------------------------------|------------------------|----------------|---------------------------|----------------------------------|----------------|----------------|----------------|----------------|--------------------------|
| | Analysis of Movements (Revised budget to Q3) | | | | | Revised Budget 2018/19 (Q3) | 2019/20 Budget | 2020/21 Budget | 2021/22 Budget | 2022/23 Budget | Total Budget (All years) |
| | Revised Budget 2018/19 (Q2) | Slippages from/(to) future years | Additions/(Reductions) | Transfers | Total Transfers/Virements | | | | | | |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Scheme Expenditure Summary | | | | | | | | | | | |
| Planned Maintenance/DDA Programme | 2,581 | 125 | - | - | 125 | 2,706 | 3,568 | 1,564 | 2,500 | 2,500 | 12,838 |
| King Street-Town Hall Redevelopment | 594 | - | - | (594) | (594) | - | - | - | - | - | - |
| Footways and Carriageways | 3,054 | - | - | - | - | 3,054 | 2,030 | 2,030 | 2,030 | 2,030 | 11,174 |
| Transport For London Schemes | 3,107 | - | - | - | - | 3,107 | 2,157 | 2,157 | 2,157 | 2,157 | 11,735 |
| Controlled Parking Zones | 54 | - | - | - | - | 54 | 275 | 275 | 275 | 275 | 1,154 |
| Column Replacement | 524 | - | - | - | - | 524 | 246 | 246 | 246 | 246 | 1,508 |
| Carnwath Road | - | - | - | - | - | - | 1,870 | - | - | - | 1,870 |
| LED Lighting Replacement Programme | 1,019 | - | - | - | - | 1,019 | - | - | - | - | 1,019 |
| P&D Upgrade and Pay by Phone | 1,132 | - | - | - | - | 1,132 | - | - | - | - | 1,132 |
| Other Capital Schemes | 3,373 | - | 747 | - | 747 | 4,120 | - | - | - | - | 4,120 |
| Parks Expenditure | 2,867 | - | - | - | - | 2,867 | - | - | - | - | 2,867 |
| Shepherds Bush Common Improvements | 503 | - | - | - | - | 503 | - | - | - | - | 503 |
| Recycling | 19 | - | - | - | - | 19 | - | - | - | - | 19 |
| CCTV | 900 | - | - | - | - | 900 | - | - | - | - | 900 |
| Total Expenditure | 19,727 | 125 | 747 | (594) | 278 | 20,005 | 10,146 | 6,272 | 7,208 | 7,208 | 50,839 |
| Capital Financing Summary | | | | | | | | | | | |
| Specific/External or Other Financing | | | | | | | | | | | |
| Grants and Contributions from Private Developers (includes S106) | 9,454 | - | 747 | - | 747 | 10,201 | - | - | - | - | 10,201 |
| Capital Grants and Contributions from GLA Bodies | 2,961 | - | - | - | - | 2,961 | 2,157 | 2,157 | 2,157 | 2,157 | 11,589 |
| Sub-total - Specific or Other Financing | 12,415 | - | 747 | - | 747 | 13,162 | 2,157 | 2,157 | 2,157 | 2,157 | 21,790 |
| Mainstream Financing (Internal Council Resource) | | | | | | | | | | | |
| Capital Receipts | 4,617 | - | - | (4,617) | (4,617) | - | - | - | 3,456 | 3,456 | 3,456 |
| General Fund Revenue Account (revenue funding) | 582 | - | - | - | - | 582 | 521 | 521 | 521 | 521 | 2,666 |
| Use of Reserves | 89 | - | - | - | - | 89 | - | - | - | - | 89 |
| Sub-total - Mainstream Funding | 5,288 | - | - | (4,617) | (4,617) | 671 | 521 | 521 | 521 | 3,977 | 6,211 |
| Borrowing | 2,024 | 125 | - | 4,023 | 4,148 | 6,172 | 7,468 | 3,594 | 4,530 | 1,074 | 22,838 |
| Total Capital Financing | 19,727 | 125 | 747 | (594) | 278 | 20,005 | 10,146 | 6,272 | 7,208 | 7,208 | 50,839 |

Appendix 1 – Detailed Capital Budget, Spend and Variation Analysis by Service/cont.

Finance & Governance

| | Current Year Programme | | | | | | Indicative Future Years Analysis | | | | |
|---|---|--|-------------------------------------|--------------------|---|---|----------------------------------|----------------------------|----------------------------|----------------------------|--------------------------------------|
| | Analysis of Movements (Revised budget to Q3) | | | | | | 2019/20 Budget £'000 | 2020/21 Budget £'000 | 2021/22 Budget £'000 | 2022/23 Budget £'000 | Total Budget (All years) £'000 |
| | Revised Budget 2018/19 (Q2) £'000 | Slippages from/(to) future years £'000 | Additions/ (Reductions) £'000 | Transfers £'000 | Total Transfers/ Virements £'000 | Revised Budget 2018/19 (Q3) £'000 | | | | | |
| Scheme Expenditure Summary | | | | | | | | | | | |
| Invest to Save - Flexible Use of Capital Receipts | 930 | - | 4,460 | - | 4,460 | 5,390 | - | - | - | 5,390 | |
| Desktop Strategy | 3,700 | - | - | - | - | 3,700 | - | - | - | 3,700 | |
| Total Expenditure | 4,630 | - | 4,460 | - | 4,460 | 9,090 | - | - | - | 9,090 | |
| Capital Financing Summary | | | | | | | | | | | |
| Mainstream Financing (Internal Council Resource) | | | | | | | | | | | |
| Use of Reserves (HRA Contribution) | 407 | - | - | - | - | 407 | - | - | - | 407 | |
| Capital Receipts | 930 | - | 4,460 | - | 4,460 | 5,390 | - | - | - | 5,390 | |
| Sub-total - Mainstream Funding | 1,337 | - | 4,460 | - | 4,460 | 5,797 | - | - | - | 5,797 | |
| Borrowing | 3,293 | - | - | - | - | 3,293 | - | - | - | 3,293 | |
| Total Capital Financing | 4,630 | - | 4,460 | - | 4,460 | 9,090 | - | - | - | 9,090 | |

Appendix 1 – Detailed Capital Budget, Spend and Variation Analysis by Service/cont.

| Growth and Place General Fund Managed Schemes | Current Year Programme | | | | | Indicative Future Years Analysis | | | | | |
|--|--|---|----------------------------------|--------------------|-------------------------------------|--------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------------------|
| | Analysis of Movements (Revised budget to Q3) | | | | | Revised Budget 2018/19 (Q3) £'000 | 2019/20 Budget £'000 | 2020/21 Budget £'000 | 2021/22 Budget £'000 | 2022/23 Budget £'000 | Total Budget (All years) £'000 |
| | Revised Budget 2018/19 (Q2) £'000 | Slippages from/(to) future years £'000 | Additions/ (Reductions) £'000 | Transfers £'000 | Total Transfers/ Virements £'000 | | | | | | |
| Scheme Expenditure Summary | | | | | | | | | | | |
| Disabled Facilities Grant | 1,014 | - | - | - | 1,014 | 1,102 | - | - | - | 2,116 | |
| Sands End Community Centre | 1,132 | - | - | - | 1,132 | 1,925 | - | - | - | 3,057 | |
| Lyric Theatre Development | 548 | - | - | - | 548 | - | - | - | - | 548 | |
| Acquisition of Land at 207 King St | 16,137 | - | - | - | 16,137 | 2 | - | - | - | 16,139 | |
| Hammersmith Town Hall Refurbishment * | - | 1,417 | - | 594 | 2,011 | 2,137 | 10,051 | 18,642 | 2,159 | 35,000 | |
| HTH Refurbishment -Fit Out | - | - | - | - | - | - | - | - | 10,600 | 10,600 | |
| West King Street Regeneration-JV Partnership Loan | - | - | - | - | - | 30,000 | 30,000 | 30,000 | - | 90,000 | |
| Macbeth Centre GLA Community Kitchen | 91 | - | - | - | 91 | - | - | - | - | 91 | |
| Macbeth Centre Arts Project | 132 | - | - | - | 132 | 268 | - | - | - | 400 | |
| Total Expenditure | 19,054 | 1,417 | - | 594 | 21,065 | 35,434 | 40,051 | 48,642 | 12,759 | 157,951 | |
| Capital Financing Summary | | | | | | | | | | | |
| Specific/External or Other Financing | | | | | | | | | | | |
| Capital Grants from Central Government | 711 | - | - | - | 711 | 450 | - | - | - | 1,161 | |
| Grants and Contributions from Private Developers (includes S106) | 844 | - | 300 | - | 1,144 | 1,381 | - | - | - | 2,525 | |
| Community Infrastructure Levy (CIL) | - | 1,417 | - | 594 | 2,011 | 1,560 | 7,337 | 13,608 | 9,184 | 33,700 | |
| Capital Grants/Contributions from Non-departmental public bodies | 948 | - | (300) | - | 648 | 812 | - | - | - | 1,460 | |
| Capital Grants and Contributions from GLA Bodies | 111 | - | - | - | 111 | - | - | - | - | 111 | |
| Sub-total - Specific or Other Financing | 2,614 | 1,417 | - | 594 | 4,625 | 4,203 | 7,337 | 13,608 | 9,184 | 38,957 | |
| Mainstream Financing (Internal Council Resource) | | | | | | | | | | | |
| Capital Receipts (GF) | 303 | - | - | (303) | - | - | - | - | - | - | |
| Sub-total - Mainstream Funding | 303 | - | - | (303) | - | - | - | - | - | - | |
| Borrowing (Internal Borrowing-GF) | 16,137 | - | - | 303 | 16,440 | 31,231 | 32,714 | 35,034 | 3,575 | 118,994 | |
| Total Capital Financing | 19,054 | 1,417 | - | 594 | 21,065 | 35,434 | 40,051 | 48,642 | 12,759 | 157,951 | |

*Hammersmith Town Hall Refurbishment budget contains £7.36m mainstream budget transferred from Residents' Services (Corporate Planned Maintenance) of which £594k relates to 2018/19 and the remaining £6.77m to future years

Appendix 1 – Detailed Capital Budget, Spend and Variation Analysis by Service/cont.

| Growth and Place (HRA) Capital Programme | Current Year Programme | | | | | | Indicative Future Years Analysis | | | | |
|--|-----------------------------|--|------------------------|-----------|---------------------------|-----------------------------|----------------------------------|----------------|----------------|----------------|--------------------------|
| | Revised Budget 2018/19 (Q2) | Analysis of Movements (Revised budget to Q3) | | | | Revised Budget 2018/19 (Q3) | 2019/20 Budget | 2020/21 Budget | 2021/22 Budget | 2021/22 Budget | Total Budget (All years) |
| | | Slippages from/(to) future years | Additions/(Reductions) | Transfers | Total Transfers/Virements | | | | | | |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Scheme Expenditure Summary | | | | | | | | | | | |
| HRA Schemes: | | | | | | | | | | | |
| Other HRA Capital Schemes | 14,818 | (395) | - | - | (395) | 14,423 | 35,568 | 30,109 | 34,206 | 28,000 | 142,306 |
| Fire Safety Plus | 3,025 | (500) | - | - | (500) | 2,525 | 6,443 | 6,716 | - | - | 15,684 |
| Subtotal HRA | 17,843 | (895) | - | - | (895) | 16,948 | 42,011 | 36,825 | 34,206 | 28,000 | 157,990 |
| Decent Neighbourhood Schemes: | | | | | | | | | | | |
| Earls Court Buy Back Costs | 5,373 | - | (103) | - | (103) | 5,270 | 2,424 | 5,543 | 6,086 | 13,897 | 33,220 |
| Earls Court Project Team Costs | 612 | - | 6 | - | 6 | 618 | 835 | 1,016 | 2,191 | 4,438 | 9,098 |
| Housing Development Project | 944 | (357) | - | - | (357) | 587 | 2,549 | - | - | - | 3,136 |
| Stanhope Joint Venture | 1,141 | - | - | - | - | 1,141 | 10,352 | 16,148 | 8,423 | - | 36,064 |
| Other HRA | 108 | - | - | - | - | 108 | - | - | - | - | 108 |
| Affordable Housing Delivery Framework | 3,015 | (39) | 24 | - | (15) | 3,000 | 4,476 | 3,979 | 3,990 | - | 15,445 |
| Property Acquisition (Other Buybacks) | 4,152 | - | - | - | - | 4,152 | 4,900 | - | - | - | 9,052 |
| Subtotal Decent Neighbourhoods | 15,345 | (396) | (73) | - | (469) | 14,876 | 25,536 | 26,686 | 20,690 | 18,335 | 106,123 |
| Total Expenditure | 33,188 | (1,291) | (73) | - | (1,364) | 31,824 | 67,547 | 63,511 | 54,896 | 46,335 | 264,113 |
| Adjustment for deferred costs | (612) | - | (6) | - | (6) | (618) | (835) | (1,016) | (2,191) | (4,438) | (9,098) |
| Total Net Expenditure | 32,576 | (1,291) | (79) | - | (1,370) | 31,206 | 66,712 | 62,495 | 52,705 | 41,897 | 255,015 |
| Capital Financing Summary | | | | | | | | | | | |
| Specific/External or Other Financing | | | | | | | | | | | |
| Contributions from leaseholders | 4,645 | (395) | - | - | (395) | 4,250 | 4,507 | 3,871 | 4,240 | 4,014 | 20,882 |
| Grants and Contributions from Private Developers (includes S106) | 613 | 103 | - | - | 103 | 716 | 7,860 | 11,304 | 5,896 | - | 25,776 |
| Capital Grants/Contributions from Non-departmental public bodies | 270 | - | - | - | - | 270 | 270 | - | 290 | - | 830 |
| Sub-total - Specific or Other Financing | 5,528 | (292) | - | - | (292) | 5,236 | 12,637 | 15,175 | 10,426 | 4,014 | 47,488 |
| Mainstream Financing (Internal Council Resource) | | | | | | | | | | | |
| Capital Receipts (HRA) | 13,851 | 237 | (79) | - | 158 | 14,009 | 13,625 | 14,624 | 10,493 | 6,320 | 59,071 |
| Major Repairs Reserve (MRR) / Major Repairs Allowance | 10,172 | (736) | - | - | (736) | 9,436 | 23,354 | 16,415 | 17,234 | 17,546 | 83,985 |
| Use of Reserves (Fire Safety EMR) | 3,025 | (500) | - | - | (500) | 2,525 | 6,443 | 242 | - | - | 9,210 |
| Sub-total - Mainstream Funding | 27,048 | (999) | (79) | - | (1,078) | 25,970 | 43,422 | 31,281 | 27,727 | 23,866 | 152,266 |
| Borrowing (Internal Borrowing-HRA) | - | - | - | - | - | - | 10,653 | 16,039 | 14,552 | 14,017 | 55,261 |
| Total Capital Financing | 32,576 | (1,291) | (79) | - | (1,370) | 31,206 | 66,712 | 62,495 | 52,705 | 41,897 | 255,015 |

Appendix 2 – Analysis of Budget Variations

| Variation by Service | Amount £'000 |
|--|-----------------|
| Children's Services (CHS) | |
| Schools Organisational Strategy – net variance due to slippages to future years for Bentworth (£573,000) and Phoenix (£1,800,000) due to project delays and additional budget of £313,000 for Ark Conway to match current spending forecast | (2,060) |
| Total CHS variations | (2,060) |
| Residents' Services (RES) | |
| Hammersmith Town Hall Refurbishment – transfer of budget to Growth & Place GF managed schemes | (594) |
| Other Capital Schemes – additional budget to reflect increase in S106 funding | 747 |
| Planned Maintenance (CPMP) – budget brought forward from 2019/20 to reflect forecast spend | 125 |
| Total RES variations | 278 |
| Finance and Governance (F&G) | |
| Invest to Save expenditure capitalised under Flexible Use of Capital Receipts | 4,460 |
| Total F&G variations | 4,460 |
| General Fund Schemes under Growth & Place management | |
| Hammersmith Town Hall Refurbishment – budget brought forward from future years to match the current project expenditure cash flow | 1,417 |
| Hammersmith Town Hall Refurbishment – transfer of budget from Residents' Services | 594 |
| Total GF Schemes under Growth & Place management | 2,011 |
| Adults Social Care | |
| Social Care Capital Projects – budget re-profiled over the medium term in accordance with the Officer Delegated Decision report | (454) |
| Transforming Care (Winterbourne Grant) – project is under review with options of pooling similar funding from neighbouring boroughs to look at purchasing a property for individuals in Assessment and Treatment provision across boroughs. As a result of the new proposal, the budget has slipped into 2019/20. | (300) |
| Extra Care New Build project (Adults' Personal Social Services Grant) – service is undertaking a major review of specialist housing assets as part of a strategic overhaul of the Council's provision (Cabinet report December 2018). Extra Care Scheme capital funding will be required to deliver improved outcomes. As a result of the review, the project budget has slipped into 2019/20. | (20) |
| Total ASC variations | (774) |
| Housing Capital Programme | |
| HRA schemes – slippage to future years because of delays in work starting while ongoing compliance checks happen on the planned programme | (395) |
| Fire Safety Plus Programme – slippage to future years | (500) |
| Earls Court Buy backs – budget reduction to reflect forecast expenditure | (103) |
| Housing Development Project – slippage in Spring Vale due to procurement delays | (357) |
| Affordable Housing Delivery – variance relates to £(39,000) of slippage on Emlyn Gardens, offset by £24,000 of additional budget for staffing costs on Fulham North & Lavender Court projects | (15) |
| Total Housing variations | (1,370) |
| Grand Total 2018-19 Q3 Variations | 2,545 |

Appendix 3 – General Fund – Forecast Capital Receipts

| Financial Year | Previous Forecast £'000s | Movement/ Slippage £'000s | 2018/19 Forecast at Q3 £'000s | Full sales proceeds @ Q3 £'000s |
|------------------------|-----------------------------|---------------------------------|-------------------------------------|---------------------------------------|
| 2018/19 | | | | |
| Total 2018/19 | 5,850 | (460) | 5,390 | 4,646 |
| | | | | |
| 2019/20 | | | | |
| Total 2019/20 | - | - | - | - |
| | | | | |
| 2020/21 | | | | |
| Total 2020/21 | - | - | - | - |
| | | | | |
| 2021/22 | | | | |
| Total 2021/22 | - | - | - | - |
| | | | | |
| 2022/23 | | | | |
| Total 2022/23 | - | 3,456 | 3,456 | - |
| Total All Years | 5,850 | 2,996 | 8,846 | 4,646 |

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. This insignificant proportion is taken to be 5% or less. Crucially however, the de minimis limit is not an allowance; if the 5% figure is exceeded then all the exempt input tax is lost, not just that which is in excess of the limit. The cost to the Council of non-allowable breach would therefore be in excess of £2m.

If councils breach their partial exemption limit in a single year, they can apply their 7-year average partial exemption calculation to be considered for that particular year for their calculation instead. Each ‘7-year average’ calculation is independent, i.e. the ‘7-year average’ can be relied upon even if already relied upon previously within 7 years (though clearly the ‘7-year average’ will then eventually be breached).

2. LBHF Partial Exemption

- 2.1 The Council’s input tax forecast for 2017/18 (across all expenditure) was £41m and it is projected to remain at a similar level in the medium term. This means it would likely cost the Council £2m (being 5% of £41m) of exempt input tax before it breaches its partial exemption limit.
- 2.2 When calculating the exempt input tax incurred 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. Exempt input tax relating to capital activities is more volatile as each project must be considered and judged individually and can have significant associated costs.
- 2.3 Land and lease transactions 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.
- 2.4 The Council has a number of capital projects, both in train and in the pipeline, which could have significant partial exemption implications.

3. VAT Policy

- 3.1 In order to manage the partial exemption, position the following policy is in place:
- Projects should be 'opted-to-tax' where this option is available and is of no financial disadvantage to the Council.
 - If an option-to tax is unavailable it is advised that any avoidable, new projects incurring exempt VAT are deferred for the present time.
 - There is only limited room in the future years partial exemption forecasts. Therefore, new or re-profiled projects incurring exempt VAT will need to be discussed with the Corporate VAT team.
 - In all cases the VAT team should be consulted in advance so forecasts can be updated and checked against limits.