


<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">CABINET</p> <p style="text-align: center;">1 July 2019</p>	
<p>CAPITAL PROGRAMME MONITOR & BUDGET VARIATIONS, 2018/19 (OUTTURN)</p>	
<p>Report of the Cabinet Member for Finance and Commercial Services – Councillor Max Schmid</p>	
<p>Open report</p>	
<p>Classification: For Decision Key Decision: Yes</p>	
<p>Wards Affected: ALL</p>	
<p>Accountable Director: Hitesh Jolapara, Strategic Director of Finance and Governance</p>	
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1. EXECUTIVE SUMMARY

The H&F vision includes being ruthlessly financially efficient. We need to always confirm that spend fits our Council's priorities; challenge how much needs to be spent; and achieve results within agreed budgets. Finance is everyone's business and every penny counts.

- 1.1. This report provides a summary of the Council's Capital Programme out-turn for the financial year 2018-19. Total capital expenditure for the year was £55.7m and headline General Fund capital debt at the year-end was £78.2m.
- 1.2. This report also seeks approval for fourth-quarter 2018-19 budget variations. A net decrease of £36.2m (£25.1m General Fund, £11.1m Housing) to the 2018-19 capital budget (as approved at the end of the third quarter) is proposed, largely due to budget reprofiling and the setting aside of resource to future years.

- 1.3. The 2018-19 accounts, which underpin figures in this report, remain subject to audit. The audit is anticipated to be finalised in June 2019.
- 1.4. The Council needs to consider its VAT partial exemption calculation, and the risk of breaching the partial exemption threshold, which would likely cost the Council between £2m-£3m. Capital projects represent the bulk of this risk. As at the end of 2018-19 the threshold remains below 5 per cent, however there is a risk that in 2019-20 the partial exemption threshold will be a breached if mitigating action is not taken. Further details on VAT partial exemption are included in section 14 and Appendix 4.

2. RECOMMENDATIONS

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

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 – OUTTURN AND Q4 VARIATIONS

- 4.1. Capital expenditure for 2018-19 totalled £55.7m. This compared to the original budget of £113.4m and a forecast of £91.9m at quarter 3. Key areas of capital spend during the year included:
 - £16m to acquire land required for the Council's West King Street Renewal scheme
 - £12m on the Council's social housing stock
 - £7m on the boroughs' highways, including upgrading pay and display machines and LED lighting columns
 - £4m on buybacks required as part of the Earl's Court Conditional Land Sale Agreement
 - £2m on the borough's schools
 - £2m on upgrading the Council's ICT infrastructure
 - £1m on the borough's parks.
- 4.2. An analysis of spend by department¹ is shown in Table 1 below with further detail available in Appendix 1. Table 1 also shows the proposed fourth-quarter budget variations. A full analysis of elements of the programme funded from internal Council resource is included in section 6.

¹ The Council has restructured its departments to deliver future savings. The outturn report for 2018-19 is based on the structures and naming conventions used during 2018-19 rather than the new structures in place for 2019-20.

Table 1 – LBHF Capital Programme 2018-23 with proposed 2018-19 Q4 variations:

	Analysis of Movements (Revised budget to Q4)					Outturn 2018/19 £'000	Next Year Programme			Indicative Future Years Analysis			Total Budget (All years) £'000
	Revised Budget 2018/19 (Q3) £'000	Slippages from/(to) future years £'000	Addition/(Reduction) £'000	Transfers £'000	Total Variations £'000		2019/20 Original Budget £'000	Slippages, Additions and Reductions £'000	2019/20 Revised Budget £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	
CAPITAL EXPENDITURE													
Children's Services	9,901	(7,235)	(526)	-	(7,761)	2,140	6,833	7,405	14,238	3,738	2,238	2,238	24,592
Adult Social Care	615	(400)	-	-	(400)	215	1,922	400	2,322	300	-	-	2,837
Residents' Services	20,005	(8,793)	123	-	(8,670)	11,335	10,146	8,793	18,939	6,272	7,208	7,208	50,962
Finance & Governance	9,090	(5,087)	-	-	(5,087)	4,003	-	5,261	5,261	-	-	-	9,264
General Fund Schemes under Growth & Place management	21,065	(3,238)	29	-	(3,209)	17,856	35,434	3,255	38,689	40,051	48,642	12,759	157,997
Sub-total (General Fund)	60,676	(24,753)	(374)	-	(25,127)	35,549	54,335	25,114	79,449	50,361	58,088	22,205	245,652
Growth & Place-HRA Programme	16,948	(5,602)	864	-	(4,738)	12,210	42,011	1,249	43,260	42,246	35,446	28,000	161,162
Growth & Place -Decent Neighbourhoods Programme	14,258	(6,035)	(296)	-	(6,331)	7,927	24,701	221	24,922	26,979	23,280	13,767	96,875
Sub-total Growth & Place (HRA)	31,206	(11,637)	568	-	(11,069)	20,137	66,712	1,470	68,182	69,225	58,726	41,767	258,037
Total Expenditure	91,882	(36,390)	194	-	(36,196)	55,686	121,047	26,584	147,631	119,586	116,814	63,972	503,689
CAPITAL FINANCING													
Specific/External Financing:													
Government/Public Body Grants	11,776	(6,409)	(338)	(395)	(7,142)	4,634	8,873	7,420	16,293	4,965	4,685	4,395	34,972
Grants and Contributions from Private Developers (includes S106/CIL)	16,013	(8,829)	(44)	-	(8,873)	7,140	11,132	5,689	16,821	18,068	23,463	9,184	74,676
Leaseholder Contributions (Housing)	4,250	(1,700)	-	-	(1,700)	2,550	4,507	1,700	6,207	3,871	4,240	4,014	20,882
Sub-total - Specific Financing	32,039	(16,938)	(382)	-	395	(17,715)	24,512	14,809	39,321	26,904	32,388	17,593	130,530
Mainstream Financing (Internal):													
Capital Receipts - General Fund	5,390	(3,362)	-	-	(3,362)	2,028	-	3,536	3,536	-	-	3,456	9,020
Capital Receipts - Housing*	14,009	(7,096)	858	(4,098)	(10,336)	3,673	13,625	3,942	17,567	16,602	11,745	4,450	54,037
Revenue funding - General Fund	582	-	-	(582)	(582)	-	521	(521)	-	-	-	-	-
Major Repairs Reserve (MRR) [Housing]	9,436	(1,264)	-	-	(1,264)	8,172	23,354	613	23,967	15,921	16,668	17,300	82,028
Earmarked Reserves (Revenue)	3,021	(2,125)	42	839	(1,244)	1,777	6,443	2,212	8,655	4,747	521	521	16,221
Sub-total - Mainstream Funding	32,438	(13,847)	900	(3,841)	(16,788)	15,650	43,943	9,782	53,725	37,270	28,934	25,727	161,306
Internal Borrowing	27,405	(5,605)	(324)	4,236	(1,693)	25,712	52,592	1,993	54,585	55,412	55,492	20,652	211,853
Total Capital Financing	91,882	(36,390)	194	-	(36,196)	55,686	121,047	26,584	147,631	119,586	116,814	63,972	503,689

*Capital Receipts include use of brought forward Housing receipts

- 4.3. A net variation to the 2018-19 programme of **£(36.2)m** is proposed, decreasing total budgeted expenditure from £91.9m to £55.7m. Of the proposed net variation, £(36.4)m relates to budget reprofiling to future financial years. The budget reprofiling includes £7m due to a review of the Bridge Academy scheme, £2m IT investment due to revised timing of the Desktop strategy implementation, £4m of HRA schemes, £3.5m use of capital receipts to fund Invest to Save schemes, £2m Fire Safety works and £2m Affordable Housing Delivery Framework. A detailed analysis of proposed variations for approval is included at Appendix 2.
- 4.4. A net variation to the 2019-20 programme of **£26.6m** is proposed. This is mainly attributable to reprofiling of Housing budgets to future years.
- 4.5. The capital programme presented here for 2018-19 and 2019-20 is based on approved projects and known funding allocations. These currently exclude any other large projects which might be approved in future years. The 2019-20 budget will be updated in the first quarter monitor for 2019-20. The indicative future years analysis (2020+) 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, whose capital programme has traditionally depended on external specific grants, will be updated as and when future grants are confirmed.
- 4.6. Future CFR and MRP values will be revised once the full costing and financing of future projects is known.

5. CAPITAL FINANCE REQUIREMENT (CAPITAL DEBT)

5.1. The Capital Finance Requirement (CFR) measures the Council's long-term indebtedness. The General Fund Headline² CFR (excluding schools' windows borrowing) was **£70.85m** at the end of 2018-19. The increase of £20.37m in CFR in comparison to 2017-18 is mainly due to purchase of 207 King Street (£16m) as part of the West King Street Renewal site compilation, new IT Desktop Strategy scheme (£1.8m) and a decision to apply general fund capital receipts generated in 2018-19 to fund Invest to Save expenditure under Flexible Use of Capital Receipts dispensation (£2m), as approved by the Cabinet in February 2019. Table 2 below presents the forecast CFR position.

Table 2 – General Fund CFR at Q4 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	£m
Opening Capital Finance Requirement (CFR)	47.25	50.48	70.85	83.65	89.19	97.89
Revenue Repayment of Debt (MRP)	(0.17)	(0.22)	(0.37)	(0.77)	(0.86)	(0.98)
Mainstream Programme (Surplus)/Shortfall	3.41	20.59	13.18	6.31	9.56	4.65
Closing Capital Finance Requirement (CFR)	50.48	70.85	83.65	89.19	97.89	101.56
SCHOOLS WINDOWS	£m	£m	£m	£m	£m	£m
Opening Capital Finance Requirement (CFR)	3.57	6.63	7.38	10.80	11.87	11.40
Revenue Repayment of Debt (MRP)	(0.09)	(0.27)	(0.30)	(0.43)	(0.47)	(0.46)
Internal Borrowing (Schools Window Replacement)	3.14	1.02	3.72	1.50	-	-
Closing Capital Finance Requirement (CFR)	6.63	7.38	10.80	11.87	11.40	10.94
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	78.23	124.45	160.46	197.50	198.94
Finance leases/PFI/ Deferred costs of disposal	10.33	9.78	8.73	7.93	7.13	6.33
Total Closing CFR	67.44	88.01	133.18	168.39	204.63	205.27

5.2. The HRA CFR is shown in Table 3 below:

Table 3 – HRA CFR at Q4 2018-19 (including future years forecast)

HRA CFR Forecast	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m	£m
Closing Forecast HRA CFR (excluding deferred costs of disposal)	204.85	204.85	212.54	230.14	246.07	262.07
Deferred Costs of Disposal	5.42	5.62	6.45	7.47	9.66	-
Closing Forecast HRA CFR (including deferred costs of disposal)	210.26	210.46	218.99	237.61	255.73	262.07

5.3. Housing 2018-19 CFR (excluding accumulated deferred costs of disposals) remains unchanged in comparison to 2017-18. An in-year borrowing requirement of £4.1m was offset using £4.1m of capital receipts to repay debt.

² Excludes items such as finance leases and PFIs, the MRP cost of which is funded through revenue budgets.

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.
- 6.2. The 2018-19 mainstream programme has decreased by £8.7m in comparison to Q3 forecast budget of £31.3m. This is mainly due to reprofiling current capital schemes to future years.
- 6.3. General Fund Capital receipts for 2018-19 were £5.56m. A summary of actual and forecast receipts is included at Appendix 3.
- 6.4. As at the end of 2018-19, £0.34m of deferred disposal costs have been accrued in respect of anticipated General Fund disposals. These costs are netted against the receipt when received (subject to certain restrictions). Should a sale not proceed these costs must be written back to revenue.

Table 4 – General Fund Mainstream Programme 2018-23 with proposed 2018-19 Q4 variations

	Revised Budget 2018/19 (Q3) £'000	Variations (Q4) £'000	Outturn 2018/19 £'000	2019/20 Original Budget £'000	Slippages, Additions and Reductions £'000	2019/20 Revised Budget £'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*	-	-	-	577	-	577	2,714	5,034	3,575	11,900
EdCity regeneration	-	94	94	-	23	23	-	-	-	117
Invest to Save-Flexible Use of Capital Receipts	5,390	(3,362)	2,028	-	3,536	3,536	-	-	-	5,564
Acquisition of Cinema Site	16,137	(77)	16,060	2	77	79	-	-	-	16,139
Desktop Strategy [F&G]	3,293	(1,535)	1,758	-	1,535	1,535	-	-	-	3,293
Carnwath Road [RES]	-	-	-	1,870	-	1,870	-	-	-	1,870
Rolling Programmes:										
Disabled Facilities Grant [ASC]	303	(303)	-	652	(652)	-	-	-	-	-
Planned Maintenance/DDA Programme [RES]	2,706	(2,451)	255	3,568	2,451	6,019	1,564	2,500	2,500	12,838
Footways and Carriageways [RES]	3,054	(760)	2,294	2,030	760	2,790	2,030	2,030	2,030	11,174
Parks Programme [RES]	410	(282)	128	-	282	282	-	-	-	410
Total Mainstream Programmes	31,293	(8,676)	22,617	8,699	8,012	16,711	6,308	9,564	8,105	63,305
Financing										
Capital Receipts	5,390	(3,362)	2,028	-	3,536	3,536	-	-	3,456	9,020
Increase/(Decrease) in Internal Borrowing	25,903	(5,314)	20,589	8,699	4,476	13,175	6,308	9,564	4,649	54,285
Total Financing	31,293	(8,676)	22,617	8,699	8,012	16,711	6,308	9,564	8,105	63,305

* Hammersmith Town Hall Refurbishment figure contains only mainstream element of funding (£11.9m). The remaining £33.7m of the total approved budget is funded from CIL and therefore has no impact on GF CFR.

- 6.5. The mainstream programme presented in table 4 does not include the £90m on-lending from the Council to the King Street West Regeneration Joint Venture which is forecast to be paid over three years from 2019/20, however the CFR figures in table 2 do take into account the borrowing requirement in relation to the loan.
- 6.6. The Capital Programme 2019-2023, presented at Full Council in February 2019, has approved a change of funding of £0.45m of Disabled Facilities Grant (DFG) budget for 2019/20 and future years, to be funded from DFG

grant instead of mainstream resources. This has been reflected in 2019/20 and future DFG budgets.

7. HOUSING CAPITAL PROGRAMME OVERVIEW

7.1. Housing Capital expenditure for 2018-19 totalled £20.1m. The expenditure and resource analysis of the Housing Programme is summarised in Table 5 below:

Table 5 – Housing Capital Programme 2018-23 with proposed 2018-19 Q4 variations

	2018/19 Revised Budget (Q3) £'000	Total Variations (Q4) £'000	Outturn 2018/19 £'000	2019/20 Original Budget £'000	Slippages, Additions and Reductions £'000	2019/20 Revised Budget £'000	Indicative 2020/21 Budget £'000	Indicative 2021/22 Budget £'000	Indicative 2022/23 Budget £'000
Approved Expenditure									
HRA Schemes	16,948	(4,738)	12,210	42,011	1,249	43,260	42,246	35,446	28,000
Decent Neighbourhood Schemes	14,258	(6,331)	7,927	24,701	221	24,922	26,979	23,280	13,767
Total Housing Programme - Approved Expenditure	31,206	(11,069)	20,137	66,712	1,470	68,182	69,225	58,726	41,767
Available and Approved Resource									
Capital Receipts - Unrestricted	7,885	(6,654)	1,231	3,099	3,979	7,078	6,340	4,380	4,450
Capital Receipts - RTB (141)	6,124	(3,709)	2,415	10,526	(219)	10,307	10,262	7,365	-
Major Repairs Reserve (MRR)	9,436	(1,264)	8,172	23,354	613	23,967	15,921	16,668	17,300
Contributions Developers (S106)	716	83	799	7,860	(2,945)	4,915	10,731	9,855	-
Repayment of NHHT loan	270	(270)	-	270	-	270	270	290	-
Contributions from leaseholders	4,250	(1,700)	2,550	4,507	1,700	6,207	3,871	4,240	4,014
Use of reserves (Fire Safety EMR)	2,525	(1,653)	872	6,443	1,304	7,747	4,226	-	-
Internal Borrowing	-	4,098	4,098	10,653	(2,962)	7,691	17,604	15,929	16,003
Total Funding	31,206	(11,069)	20,137	66,712	1,470	68,182	69,225	58,726	41,767

7.2. The Decent Neighbourhoods Programme contains the Council's Housing Capital Receipts which 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 Housing Capital Programme has been fully funded, with no increase in borrowing required.

7.4. The full year spend includes £1.6m of expenditure related to Health and Safety, of which £1m was on specific fire safety capital works as detailed in table 6 below.

Table 6 – Compliance and Health and Safety spend 2018-19

Decent Neighbourhoods Programme Capital Monitoring - 2018/19					
HRA Capital Programme: Specific Compliance and Health & Safety Spend					
2018-19 Full Year Outturn					
Health and Safety related spend included in the minor works programme plus Estate CCTV	Original Full Year Budget	Revised Budget at previous year outturn	2018/19 Q3 Revised Budget	Forecasted variance to original budget	Actual Spend 2018/19
	£'000	£'000	£'000	£'000	£'000
APPROVED SCHEMES					
Fire safety Improvements	1,700	2,462	688	(1,312)	113
Fire Safety Plus Capital Works	15,000	3,000	2,525	(13,807)	872
Warden Call System Upgrade	882	1,018	4	(878)	4
Roseford, Woodford, Shepherds extract systems		26	26	26	27
Edward Woods communal extract system	200	300		(200)	
Estate CCTV	180	470	926	580	617
Melrose Terrace controlled access		33			
Controlled Access continuing programme	750	833		(750)	
Total	18,712	8,141	4,169	(16,341)	1,633

- 7.5. Full Council agreed to set aside a budget of £20m to fund the programme on 18 October 2017. The Council incurred £872,000 of capital expenditure against this budget in 2018/19, with cumulative capital expenditure to date since 2017/18 of £2.016m.
- 7.6. In 2018/19 the total Fire Safety *capital* budget envelop of £20m was reduced by £3.6m as earmarked reserve funding set up for the scheme was required to cover the *revenue* costs for fire warden salaries. Further assessment of the scheme at the outturn has indicated that these costs could be covered by existing revenue budget funding and therefore the Fire Safety capital budget for 2019/20 and future years has been increased by £3.2m.
- 7.7. The 2019/20 HRA capital programme and Decent Neighbourhoods Programme are subject to review as part of the Asset Management Strategy Delivery Plan. In addition, a number of schemes are under consideration and the programme will be updated as changes are approved. Budgets for EdCity and Hartopp and Lannoy schemes, approved by Cabinet on 29 April 2019, will be added to the programme in the 2019/20 first quarter monitoring report.
- 7.8. The following risks associated with funding of future years' expenditure have been identified within the Housing Capital Programme:
- The proposed programme for 2019/20-2022/23 relies on £25.5m of S106 receipts of which £8m is yet to be received
 - The delivery of affordable rented housing must proceed sufficiently to make use of Right to Buy (RTB) One for One receipts which would otherwise have to be repaid to the Ministry of Housing, Communities and Local Government (MHCLG). At the point of outturn the GLA held £12m of RtB receipts that the council transferred to them during 2018/19. This is the equivalent of £41m of capital expenditure delivered by the Council (or Housing Associations if grant funded by Council RTB receipts). Under the agreement between the council and GLA this must be spent within three years, i.e. throughout 2021/22. Whilst completely at the discretion of the GLA the council can request an extension to the three years which it would need to make a case for by having an approved and in progress programme in place.
 - Both the HRA capital programme and Decent Neighbourhood Programme are subject to variation and potential growth during 2019/20. Any additional budget requirement will likely need to be funded by borrowing which will have an impact on revenue budgets due to the additional interest charges.
- 7.9. Table 7 displays the amount of Right to Buy (RTB) receipts that need to be used each quarter in 2019/20 to avoid them being returned. These RTB receipts can fund 30% of the total cost of eligible expenditure each quarter the table showing the eligible expenditure required each quarter to enable the 30% RTB receipts contribution to be used. Currently the GLA has agreed to ring fence any RTB receipts and interest returned by the Council it receives from the government and make them available as Affordable Housing grant for a three-year rolling delivery programme.

Table 7 – Right-to Buy receipts and expenditure forecast 2019-20

Quarter RTB 1-4-1 Received	2016/17 Q1	2016/17 Q2	2016/17 Q3	2016/17 Q4
End Quarter RTB 1-4-1 to be used by	2019/20- Q1	2019/20- Q2	2019/20- Q3	2019/20- Q4
	£	£	£	£
RTB 1-4-1 Receipts to be spent 2019/20	1,477,912	3,309,504	2,099,689	2,701,879
Equivalent Eligible Expenditure 2019/20	4,926,375	11,031,680	6,998,963	9,006,263

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 Davis, Assistant Director of Legal and Democratic Services, Tel: 020 8753 2729.

10. FINANCIAL IMPLICATIONS

- 10.1. This report is wholly of a finance nature.
- 10.2. Implications verified by: Emily Hill, Assistant Director, Corporate Finance, Tel: 020 8753 3145.

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: Albena Karameros, Economic Development Team, Tel: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 councillors 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 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.
- 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 per year whilst in breach. The Council remained below the threshold in 2018-19 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. Further detail on the Council's partial exemption is included in Appendix 4.
- 14.2. Implications verified/completed by: Chris Harris, Chief Accountant, Corporate Finance, Tel: 020 8753 6440.

15. IT IMPLICATIONS

- 15.1. The original cabinet paper for the Desktop Strategy IT TRANSITION PHASE 4 ASSURING SERVICE CONTINUITY – DESKTOP STRATEGY AND SOLUTION OPTIONS was approved 5 March 2018. In that paper the decision as to whether a proportion of the costs would be capitalised was left open to fit in with the council's overall capitalisation strategy.
- 15.2. This capitalisation paper included £3.7m for the Desktop Strategy, to cover one-off equipment and infrastructure costs.

- 15.3. The Desktop (Tech-tonic) programme is being implemented but due to its complexity delivery will be completed in 2019/20.
- 15.4. The programme will deliver significant savings up to £1.2m annually.
- 15.5. 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

None.

LIST OF APPENDICES:

- Appendix 1 – Detailed capital budget, spend and variation analysis by department
- Appendix 2 – Analysis of budget variations
- Appendix 3 – Capital receipts forecast
- Appendix 4 - VAT partial exemption

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 (Revised budget to Q4)						2019/20 Original Budget	Slippages, Additions and Reductions	2019/20 Revised Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	Total Budget (All years)
	Revised Budget 2018/19 (Q3)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements	Outturn 2018/19							
Scheme Expenditure Summary													
Schools Organisational Strategy	7,711	(6,877)	164	-	(6,713)	998	2,704	7,047	9,751	-	-	-	10,749
Schools Window Replacement Project	1,500	(477)	-	-	(477)	1,023	3,240	477	3,717	1,500	-	-	6,240
School Maintenance Programme	-	119	-	-	119	119	889	(119)	770	2,238	2,238	2,238	7,603
Other Capital Schemes	690	-	(690)	-	(690)	-	-	-	-	-	-	-	-
Total Expenditure	9,901	(7,235)	(526)	-	(7,761)	2,140	6,833	7,405	14,238	3,738	2,238	2,238	24,592
Capital Financing Summary													
Specific/External or Other Financing													
Capital Grants from Central Government	6,460	(5,068)	(526)	-	(5,594)	866	3,262	5,238	8,500	2,238	2,238	2,238	16,080
Grants and Contributions from Private Developers (includes S106)	1,941	(1,690)	-	-	(1,690)	251	331	1,690	2,021	-	-	-	2,272
Sub-total - Specific or Other Financing	8,401	(6,758)	(526)	-	(7,284)	1,117	3,593	6,928	10,521	2,238	2,238	2,238	18,352
Borrowing - school windows	1,500	(477)	-	-	(477)	1,023	3,240	477	3,717	1,500	-	-	6,240
Total Capital Financing	9,901	(7,235)	(526)	-	(7,761)	2,140	6,833	7,405	14,238	3,738	2,238	2,238	24,592

Appendix 1

Adult Social Care Services

	Current Year Programme						Next Year Programme			Indicative Future Years Analysis			
	Analysis of Movements (Revised budget to Q4)												
	Revised Budget 2018/19 (Q3)	<i>Slippages from/(to) future years</i>	<i>Additions/ (Reductions)</i>	<i>Transfers</i>	Total Transfers/ Virements	Outturn 2018/19	2019/20 Original Budget	<i>Slippages, Additions and Reductions</i>	2019/20 Revised Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	Total Budget (All years)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Scheme Expenditure Summary													
Extra Care New Build project (Adults' Personal Social Services Grant)	-	-	-	-	-	-	957	-	957	-	-	-	957
Transforming Care (Winterbourne Grant)	-	-	-	-	-	-	300	-	300	-	-	-	300
Social Care Capital Grant	615	(400)	-	-	(400)	215	665	400	1,065	300	-	-	1,580
Total Expenditure	615	(400)	-	-	(400)	215	1,922	400	2,322	300	-	-	2,837
Capital Financing Summary													
Specific/External or Other Financing													
Capital Grants from Central Government	615	(400)	-	-	(400)	215	1,622	400	2,022	300	-	-	2,537
Capital Grants/Contributions from Non-departmental public bodies	-	-	-	-	-	-	300	-	300	-	-	-	300
Sub-total - Specific or Other Financing	615	(400)	-	-	(400)	215	1,922	400	2,322	300	-	-	2,837
Total Capital Financing	615	(400)	-	-	(400)	215	1,922	400	2,322	300	-	-	2,837

Appendix 1

Residents' Services

	Current Year Programme						Next Year Programme			Indicative Future Years Analysis			
	Analysis of Movements (Revised budget to Q4)												
	Revised Budget 2018/19 (Q3)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements	Outturn 2018/19	2019/20 Original Budget	Slippages, Additions and Reductions	2019/20 Revised Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	Total Budget (All years)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Scheme Expenditure Summary													
Planned Maintenance/DDA Programme	2,706	(2,451)	(138)	-	(2,589)	117	3,568	2,451	6,019	1,564	2,500	2,500	12,700
Footways and Carriageways	3,054	(760)	-	-	(760)	2,294	2,030	760	2,790	2,030	2,030	2,030	11,174
Transport For London Schemes	3,107	(697)	265	-	(432)	2,675	2,157	697	2,854	2,157	2,157	2,157	12,000
Controlled Parking Zones	54	(37)	-	-	(37)	17	275	37	312	275	275	275	1,154
Column Replacement	524	(152)	-	-	(152)	372	246	152	398	246	246	246	1,508
Carnwath Road	-	-	-	-	-	-	1,870	-	1,870	-	-	-	1,870
LED Lighting Replacement Programme	1,019	(77)	-	-	(77)	942	-	77	77	-	-	-	1,019
P&D Upgrade and Pay by Phone	1,132	(217)	-	-	(217)	915	-	217	217	-	-	-	1,132
Other Capital Schemes	4,120	(2,076)	362	-	(1,714)	2,406	-	2,076	2,076	-	-	-	4,482
Parks Expenditure	2,867	(1,545)	(366)	-	(1,911)	956	-	1,545	1,545	-	-	-	2,501
Shepherds Bush Common Improvements	503	(481)	-	-	(481)	22	-	481	481	-	-	-	503
Recycling	19	(19)	-	-	(19)	-	-	19	19	-	-	-	19
CCTV	900	(281)	-	-	(281)	619	-	281	281	-	-	-	900
Total Expenditure	20,005	(8,793)	123	-	(8,670)	11,335	10,146	8,793	18,939	6,272	7,208	7,208	50,962
Capital Financing Summary													
Specific/External or Other Financing													
Grants and Contributions from Private Developers (includes S106)	10,201	(4,407)	36	-	(4,371)	5,830	-	4,407	4,407	-	-	-	10,237
Capital Grants and Contributions from GLA Bodies	2,961	(611)	225	-	(386)	2,575	2,157	695	2,852	2,157	2,157	2,157	11,898
Sub-total - Specific or Other Financing	13,162	(5,018)	261	-	(4,757)	8,405	2,157	5,102	7,259	2,157	2,157	2,157	22,135
Mainstream Financing (Internal Council Resource)													
Capital Receipts	-	-	-	-	-	-	-	-	-	-	-	3,456	3,456
General Fund Revenue Account (revenue funding)	582	-	-	(582)	(582)	-	521	(521)	-	-	-	-	-
Use of Reserves	89	(282)	-	582	300	389	-	718	718	521	521	521	2,670
Sub-total - Mainstream Funding	671	(282)	-	-	(282)	389	521	197	718	521	521	3,977	6,126
Borrowing	6,172	(3,493)	(138)	-	(3,631)	2,541	7,468	3,494	10,962	3,594	4,530	1,074	22,701
Total Capital Financing	20,005	(8,793)	123	-	(8,670)	11,335	10,146	8,793	18,939	6,272	7,208	7,208	50,962

Appendix 1

Finance & Governance

Current Year Programme	Next Year Programme			Indicative Future Years Analysis										
Analysis of Movements (Revised budget to Q4)														
Revised Budget 2018/19 (Q3) £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000	Outturn 2018/19 £'000	2019/20 Original Budget £'000	Slippages, Additions and Reductions £'000	2019/20 Revised Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000	Total Budget (All years) £'000		
Scheme Expenditure Summary														
Invest to Save - Flexible Use of Capital Receipts	5,390	(3,362)	-	-	(3,362)	2,028	-	3,536	3,536	-	-	-	5,564	
Desktop Strategy	3,700	(1,725)	-	-	(1,725)	1,975	-	1,725	1,725	-	-	-	3,700	
Total Expenditure	9,090	(5,087)	-	-	(5,087)	4,003	-	5,261	5,261	-	-	-	9,264	
Capital Financing Summary														
Mainstream Financing (Internal Council Resource)														
Use of Reserves (HRA Contribution)	407	(190)	-	-	(190)	217	-	190	190	-	-	-	407	
Capital Receipts	5,390	(3,362)	-	-	(3,362)	2,028	-	3,536	3,536	-	-	-	5,564	
Sub-total - Mainstream Funding	5,797	(3,552)	-	-	(3,552)	2,245	-	3,726	3,726	-	-	-	5,971	
Borrowing	3,293	(1,535)	-	-	(1,535)	1,758	-	1,535	1,535	-	-	-	3,293	
Total Capital Financing	9,090	(5,087)	-	-	(5,087)	4,003	-	5,261	5,261	-	-	-	9,264	

Appendix 1

Growth and Place General Fund Managed Schemes

Current Year Programme

Next Year Programme

Indicative Future Years Analysis

Analysis of Movements (Revised budget to Q4)

	Revised Budget 2018/19 (Q3)	Slippages from/(to) future years	Additions/(Reductions)	Transfers	Total Transfers/Virements	Outturn 2018/19	2019/20 Original Budget	Slippages, Additions and Reductions	2019/20 Revised Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	Total Budget (All years)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Scheme Expenditure Summary													
Disabled Facilities Grant	1,014		(320)	-	(320)	694	1,102	-	1,102	-	-	-	1,796
Sands End Community Centre	1,132	(1,024)	-	-	(1,024)	108	1,925	1,041	2,966	-	-	-	3,074
Lyric Theatre Development	548	-	(153)	-	(153)	395	-	-	-	-	-	-	395
Acquisition of Land at 207 King St	16,137	(77)	-	-	(77)	16,060	2	77	79	-	-	-	16,139
Hammersmith Town Hall Refurbishment *	2,011	(2,011)	-	-	(2,011)	-	2,137	2,011	4,148	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	30,000	-	90,000
EdCity/Ark swift redevelopment	-	(206)	369	-	163	163	-	206	206	-	-	-	369
Nourish Project (Good Growth Fund)	-	-	133	-	133	133	-	-	-	-	-	-	133
Macbeth Centre GLA Community Kitchen	91	-	-	-	-	91	-	-	-	-	-	-	91
Macbeth Centre Arts Project	132	80	-	-	80	212	268	(80)	188	-	-	-	400
Total Expenditure	21,065	(3,238)	29	-	(3,209)	17,856	35,434	3,255	38,689	40,051	48,642	12,759	157,997
Capital Financing Summary													
Specific/External or Other Financing													
Capital Grants from Central Government	711	-	(17)	-	(17)	694	450	652	1,102	-	-	-	1,796
Grants and Contributions from Private Developers (includes S106)	1,144	(884)	-	-	(884)	260	1,381	526	1,907	-	-	-	2,167
Community Infrastructure Levy (CIL)	2,011	(2,011)	-	-	(2,011)	-	1,560	2,011	3,571	7,337	13,608	9,184	33,700
Capital Grants/Contributions from Non-departmental public bodies	648	(100)	(153)	(395)	(648)	-	678	475	1,153	-	-	-	1,153
Capital Grants and Contributions from GLA Bodies	111	40	133	-	173	284	134	(40)	94	-	-	-	378
Sub-total - Specific or Other Financing	4,625	(2,955)	(37)	(395)	(3,387)	1,238	4,203	3,624	7,827	7,337	13,608	9,184	39,194
Mainstream Financing (Internal Council Resource)													
Capital Receipts (GF)	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Receipts (HRA)	-	(183)	210	-	27	27	-	183	183	-	-	-	210
Use of Reserves (GF)	-	-	42	257	299	299	-	-	-	-	-	-	299
Sub-total - Mainstream Funding	-	(183)	252	257	326	326	-	183	183	-	-	-	509
Borrowing (Internal Borrowing-GF)	16,440	(100)	(186)	138	(148)	16,292	31,231	(552)	30,679	32,714	35,034	3,575	118,294
Total Capital Financing	21,065	(3,238)	29	-	(3,209)	17,856	35,434	3,255	38,689	40,051	48,642	12,759	157,997

Appendix 1

Growth and Place (HRA) Capital Programme

Growth and Place (HRA) Capital Programme	Current Year Programme						Next Year Programme			Indicative Future Years Analysis			
	Analysis of Movements (Revised budget to Q4)						2019/20 Original Budget	Slippages, Additions and Reductions	2019/20 Revised Budget	2020/21 Budget	2021/22 Budget	2021/22 Budget	Total Budget (All years)
	Revised Budget 2018/19 (Q3)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements	Outturn 2018/19							
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Scheme Expenditure Summary													
<i>HRA Schemes:</i>													
Other HRA Capital Schemes	14,423	(3,949)	864	-	(3,085)	11,338	35,568	(55)	35,513	32,009	35,446	28,000	142,306
Fire Safety Plus	2,525	(1,653)	-	-	(1,653)	872	6,443	1,304	7,747	10,237	-	-	18,856
Subtotal HRA	16,948	(5,602)	864	-	(4,738)	12,210	42,011	1,249	43,260	42,246	35,446	28,000	161,162
<i>Decent Neighbourhood Schemes:</i>													
Earls Court Buy Back Costs	5,270	-	(1,646)	-	(1,646)	3,624	2,424	(24)	2,400	5,520	6,061	13,767	31,372
Earls Court Project Team Costs	618	-	(200)	-	(200)	418	835	-	835	1,016	2,191	4,438	8,898
Housing Development Project	587	(536)	-	-	(536)	51	2,549	261	2,810	642	-	-	3,503
Stanhope Joint Venture	1,141	(540)	(114)	-	(654)	487	10,352	(4,297)	6,055	15,330	14,078	-	35,950
Other HRA	108	-	(6)	-	(6)	102	-	-	-	-	-	-	102
Affordable Housing Delivery Framework	3,000	(2,395)	18	-	(2,377)	623	4,476	1,717	6,193	5,487	3,141	-	15,444
Property Acquisition (Other Buybacks)	4,152	(2,564)	1,452	-	(1,112)	3,040	4,900	1,112	6,012	-	-	-	9,052
White City Estate Regeneration	-	-	-	-	-	-	-	1,452	1,452	-	-	-	1,452
Subtotal Decent Neighbourhoods	14,876	(6,035)	(496)	-	(6,531)	8,345	25,536	221	25,757	27,995	25,471	18,205	105,773
Total Expenditure	31,824	(11,637)	368	-	(11,269)	20,555	67,547	1,470	69,017	70,241	60,917	46,205	266,935
Adjustment for deferred costs	(618)	-	200	-	200	(418)	(835)	-	(835)	(1,016)	(2,191)	(4,438)	(8,898)
Total Net Expenditure	31,206	(11,637)	568	-	(11,069)	20,137	66,712	1,470	68,182	69,225	58,726	41,767	258,037
Capital Financing Summary													
<i>Specific/External or Other Financing</i>													
Contributions from leaseholders	4,250	(1,700)	-	-	(1,700)	2,550	4,507	1,700	6,207	3,871	4,240	4,014	20,882
Grants and Contributions from Private Developers (includes S106)	716	163	(80)	-	83	799	7,860	(2,945)	4,915	10,731	9,855	-	26,300
Capital Grants/Contributions from Non-departmental public bodies	270	(270)	-	-	(270)	-	270	-	270	270	290	-	830
Sub-total - Specific or Other Financing	5,236	(1,807)	(80)	-	(1,887)	3,349	12,637	(1,245)	11,392	14,872	14,385	4,014	48,012
<i>Mainstream Financing (Internal Council Resource)</i>													
Capital Receipts (HRA)	14,009	(6,913)	648	(4,098)	(10,363)	3,646	13,625	3,759	17,384	16,602	11,745	4,450	53,827
Major Repairs Reserve (MRR) / Major Repairs Allowance	9,436	(1,264)	-	-	(1,264)	8,172	23,354	613	23,967	15,921	16,668	17,300	82,028
Use of Reserves (Fire Safety EMR)	2,525	(1,653)	-	-	(1,653)	872	6,443	1,304	7,747	4,226	-	-	12,845
Sub-total - Mainstream Funding	25,970	(9,830)	648	(4,098)	(13,280)	12,690	43,422	5,676	49,098	36,749	28,413	21,750	148,700
Borrowing (Internal Borrowing-HRA)	-	-	-	4,098	4,098	4,098	10,653	(2,961)	7,692	17,604	15,928	16,003	61,325
Total Capital Financing	31,206	(11,637)	568	-	(11,069)	20,137	66,712	1,470	68,182	69,225	58,726	41,767	258,037

Appendix 2

Analysis of budget variations

Variation by department	Amount £000
Children's Services	
School's organisation strategy – budget reprofiling to 2019/20 in respect of: <ul style="list-style-type: none"> • Bridge Academy £(5,533)k – project under review • Other external grant funded schemes £(1,180)k due to project delays 	(6,713)
Schools Windows Replacement Project – budget reprofiling due to project delays	(477)
Other schemes: <ul style="list-style-type: none"> • Reduction in Short Breaks Grant (£42,000) transferred to SCHORG/Queens Manor • EFA 2-year olds grant project (£648,000) not going ahead, £525,000 grant funding allocated to this project will be used for Phase 1 School Regeneration 	(690)
School maintenance programme – additional spend authorised by Director Delegated Decision using budget envelope set aside for 2019/20	119
Total Children's Services variations	(7,761)
Social Care	
Social care capital grant – budget reprofiling due to delay in projects	(400)
Total Social Care variations	(400)
Residents Services	
TFL funded schemes – budget reprofiling of £(697,000) due to project delays and addition of £265,000 to reflect additional funding received	(432)
Footways and Carriageways – budget reprofiling due to delayed start of works	(760)
Controlled Parking Zones – budget reprofiling to future years	(37)
Planned Maintenance/DDA Programme – £(2,451,000) budget reprofiling due to delays in progressing projects and £(138,000) budget adjustment to correct previous capitalisation against Lyric Theatre	(2,589)
Column Replacement – budget reprofiling to future years	(152)
LED Replacement Programme – budget slipped to 2019/20 for residual works	(77)
Pay and Display Upgrade and Pay by Phone scheme– budget reprofiling to 2019/20 due to delays in equipment installation	(217)
Budget reprofiling on Other Capital Schemes – £362,000 additional budget mainly in relation to various S106 schemes and £(2,100,000) budget reprofiling to future years	(1,714)
Recycling – budget reprofiling due to the project delays	(19)
Parks Programme – budget reprofiling to future years due to phasing and project delays (£1,545,000) and £(366,000) of reduction in budget to reflect funding received	(1,911)
Public CCTV – budget reprofiling to next year due to delays in equipment installations	(281)
Shepherds Bush Common Improvements – budget reprofiling mainly due to old Ginglik Club works whilst decision made on its future	(481)
Total Resident's Services variations	(8,670)
Finance and Governance	
Desktop Strategy – delay in device rollout and implementation due to additional resilience testing required beyond the initial timetabled period	(1,725)
Capitalisation of Invest to Save projects under Flexible Use of Capital Receipts dispensation (as approved by Cabinet and Full Council in February 2019) – budget reprofiling to reflect the actual spend capitalised in 2018/19 and the amount of GF capital receipts carried forward to 2019/20	(3,362)
Total Finance and Governance variations	(5,087)

Appendix 2

Variation by department	Amount £000
General Fund schemes under housing management	
Disabled Facilities Grant – reduction in budget funded from mainstream resources	(320)
Sands End Community Centre – budget reprofiling due to project delays	(1,024)
Lyric Theatre Development – project completed – no future project costs expected	(153)
Acquisition of Land at 207 King St – budget reprofiling to cover any residual legal costs	(77)
Hammersmith Town Hall Refurbishment – budget reprofiling due to project delays	(2,011)
EdCity/Ark swift redevelopment – new budget of £369,000 approved via Leader’s Urgency Decision in Jan 2019 – budget reprofiling to reflect the actual 2018/19 spend	163
Nourish Project (Good Growth Fund) – new budget approved via Leader’s Urgency Decision in June 2018	133
Macbeth Centre Arts Project – 2019/20 budget brought forward to reflect in year spend	80
Total General Fund schemes under housing management variations	(3,209)
Housing	
HRA schemes – budget reprofiling to future years of £(3,949,000) due to project delays and re-phasing and an additional budget requirement of £864,000, predominantly for capitalised repairs.	(3,085)
Fire Safety Plus – budget reprofiling to future years due to delays in works	(1,653)
Other HRA Buybacks – variance as a result of budget reprofiling to 2019/20	(1,112)
Additional £1,452,000 budget in relation to the acquisition of White City Health Centre approved in March 2019 but slipped to 2019/20 due to ongoing negotiations	0
Earls Court – reduction due to actual number of buybacks being lower than forecast	(1,646)
Housing Development Projects <ul style="list-style-type: none"> • Spring Vale - £496,000 due to start on site delay • 23 Barons Court – £40,000 delay on settlement of final accounts. 	(536)
Other HRA projects – to reflect actual spend on completed project	(6)
Stanhope Joint Venture – budget reprofiling on Edith Summerskill House redevelopment £(95,000) and Watermeadow demolition costs £(445,000) and reduction of £(114,000) Edith Summerskill demolition costs being lower than initially estimated	(654)
Affordable Housing Delivery Framework – budget reprofiling due to project delays	(2,377)
Total Housing variations	(11,069)
Total 2018-19 variations	(36,196)
2019-20 Funding variations	
Net budget reprofiling from 2018-19 (covered by above variations)	36,390
Housing – budget reprofiling to future years (2020+) of various existing schemes due to reprogramming and re-phasing	(10,167)
Increase in budgets to reflect additional external funding receivable for Queens Manor (£170,000) and Sands End (£17,000) and higher residual amount of brought forward General Fund capital receipts (£174,000) due to actual 2018/19 costs of disposals being lower than forecast	361
Grand Total 2019-20 variations	26,584

Appendix 3 – General Fund forecast capital receipts

Financial Year	Previous Forecast £'000s	Movement/ Slippage £'000s	2018/19 Outturn £'000s
2018/19			
Carry forward receipts from 2017/18	930	-	930
Overage payments and miscellaneous receipts	4,646	-	4,646
Cost of Sales (4%)	(186)	174	(12)
Carry forward to 2019/20	-	(3,536)	(3,536)
Total 2018/19	5,390	(3,362)	2,028
2019/20			
Brought forward receipts from 2018/19	-	3,536	3,536
Total 2019/20	-	3,536	3,536
2020/21			
Total 2020/21	-	-	-
2021/22			
Total 2021/22	-	-	-
2022/23			
Total 2022/23	3,456	174	3,456
Total All Years	8,846	348	9,020

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 2018-19 (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.