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| <b>London Borough of Hammersmith &amp; Fulham</b><br><br><b>CABINET</b><br><br><b>7 OCTOBER 2019</b>    | <br>hammersmith & fulham |
| <b>CAPITAL PROGRAMME MONITOR &amp; BUDGET VARIATIONS, 2019/20 (FIRST QUARTER)</b>                       |   |
| <b>Report of the Cabinet Member for Finance and Commercial Services – Councillor Max Schmid</b>         |   |
| <b>Open Report</b>  |   |
| <b>Classification:</b> FOR DECISION<br><b>Key Decision:</b> Yes   |   |
| <b>Wards Affected:</b> ALL  |   |
| <b>Accountable Executive Director:</b><br>Hitesh Jolapara, Strategic Director of Finance and Governance |   |
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## 1. EXECUTIVE SUMMARY

- 1.1. 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.
- 1.2. This report sets out the overall position of the capital programme at the first quarter. The key movements are:
- An increase, since the start of the year, in the 4-year capital programme of £11.3m to £459.4m.
  - A net reduction in forecast 2019/20 expenditure of £20.5m. This is largely due to the reprofiling of schemes to later years. This represents 13.8% of the approved 2019/20 budget. The in-year variations are detailed in Appendix 2.
- 1.3. The adjustments made to the overall 4-year programme are:

|   |         |
|---|---------|
| Inclusion of the Ed-City Development (May Council)  | £64.8m  |
| A lower allowance for the potential loan to the JV partnership regarding the Civic Campus programme   | -£45.0m |
| Removal of uncommitted affordable housing delivery grant for potential reallocation to other projects | -£11.1m |

|   |               |
|---|---------------|
| Initial funding of design and survey costs, to RIBA stage 1 (outline scheme plan) for the Schools Regeneration project (Avonmore and Flora Gardens schools) | £0.5m         |
| Inclusion of Leisure Centres capital investment   | £1.5m         |
| Adjustment in the Disabled Facilities Grant funding allocations   | £0.5m         |
| <b>Total</b>  | <b>£11.2m</b> |

- 1.4. A key financial focus of the capital monitoring report is the potential impact any increases in capital expenditure may have on future borrowing. The Council's underlying need to borrow for a capital purpose is measured through the Capital Financing Requirement (CFR).
- 1.5. The amendments to the General Fund (GF) capital programme have affected the Council's forecast headline capital debt (CFR) as follows:

|                               | Last forecast<br>(2018/19 Outturn) | Current forecast<br>(2019/20 Q1) |
|-------------------------------|------------------------------------|----------------------------------|
| <b>General Fund CFR</b>       | <b>£m</b>                          | <b>£m</b>                        |
| 2018/19 Closing CFR* (actual) | 70.85                              | 70.85                            |
| 2019/20 Closing CFR *         | 83.65                              | 83.56                            |
| 2022/23 Closing CFR *         | 101.56                             | 108.02                           |

\* Headline CFR excludes Schools Windows, loans in relation to the Civic Campus programme and EdCity redevelopment, PFI, leases and deferred costs of disposal

The Council's underlying need to borrow, for GF purposes, is forecast to increase by £37.2m over the next four years. This will add an estimated £2m to future revenue borrowing costs and will need to be allowed for within future budget planning. The headline CFR figures exclude potential development (loan) funding of £45m to the Civic Campus (formerly the West King Street Renewal) programme and £28.58m to the Education City Development project. Whilst these will impact on the Council's CFR it is assumed that all Minimum Revenue Payment (MRP) and interest costs will be fully reimbursed through the charging of a state-aid compliant interest rate.

- 1.6. The 2019/20 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. Major projects set out in the Capital Strategy include Health and Safety works. In April 2019, the Cabinet approved urgent demolition works at Hartopp and Lannoy Points housing blocks on the grounds of Health and Safety. In order to act quickly Cabinet approved a budget of £8,717,000 under this additional budget envelope. This leaves £41,283,000 available for operational flexibility on other major projects. This remaining budget is not included in the current capital programme and the CFR forecast but will be added if and when its use is approved.
- 1.7. The General Fund capital programme includes capital receipts of £3.5m carried forward to 2019/20. These will be used to support invest to save expenditure and IT investment in order to protect the Council's reserves. A further potential receipt of £0.7m has been identified for 2019/20 which it is proposed to set aside for the same purpose. Separate reports have identified concerns regarding the medium-term adequacy of the Council's reserves and future financial resilience. The identification of additional receipts will protect reserves by enabling, in line with

proper accounting or statutory practice, the capitalisation of further invest to save costs and potential further capitalisation of other relevant costs. The use of capital receipts to fund new capital expenditure will also reduce the Council's need to borrow and therefore reduce revenue costs of that borrowing. The Council needs to consider a disposals programme to generate capital receipts and consider how such receipts can be best utilised.

- 1.8. Within the Housing Capital Programme there has been expenditure budget reprofiling of £12.8m regarding the Housing Revenue Account (HRA). £8.3m of budget reprofiling relates to HRA schemes and £4.5m to Decent Neighbourhoods. A number of risks associated with funding of future years' expenditure have been identified within the Housing Capital Programme. These risks are summarised in section 8 of the report.
- 1.9. 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 per year of breach. Capital projects represent the bulk of this risk and tax specialists are working with colleagues to consider the implications of all major schemes. 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 15 and Appendix 4.

## **2. RECOMMENDATIONS**

- 2.1. To approve the proposed budget variations to the capital programme totalling £20.5m (summarised in Table 1 and detailed in Appendix 2).
- 2.2. To approve an additional £511,000 budget for the Disabled Facilities Grant programme and Adults Social Care capital programme funded from the grant of £0.38m and borrowing of £0.13m. The decision on how the Adult Social Care grant is spent is delegated to the Strategic Director of Adult Social Care and Public Service Reform in consultation with the Strategic Director of Finance and Governance and the Cabinet Member for Health and Adult Social Care and Cabinet Member for Finance and Commercial Services.
- 2.3. To note the issues regarding General Fund Capital Programme described in sections 5 and 6 of the report.
- 2.4. To establish a disposals programme that will enable reserves to be maintained and reduce reliance on additional borrowing.
- 2.5. To note the potential new capital receipt of £0.7m for 2019/20 and that this be set aside to fund invest to save and IT investment.
- 2.6. To note the potential risks regarding the Housing Capital Programme, as summarised in section 8.

## **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 2019-20 –Q1 OVERVIEW

4.1. The Council's capital programme as at the end of the first quarter 2019/20 – 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 2019-23 with proposed 2019-20 Q1 variations:**

|  | 2019/20 Original Budget<br>£'000 | 2019/20 Revised Budget as @ 2018/19 Outturn<br>£'000 | Analysis of Movements (Revised budget to Q1) |                               |                    |                           | Revised Budget 2019/20 (Q1)<br>£'000 | Indicative Future Years Analysis |                  |                  | Total Budget (All years)<br>£'000 |
|--|----------------------------------|--|--|-------------------------------|--------------------|---------------------------|--------------------------------------|----------------------------------|------------------|------------------|-----------------------------------|
|  |                                  |  | Slippages from/(to) future years<br>£'000    | Addition/(Reduction)<br>£'000 | Transfers<br>£'000 | Total Variations<br>£'000 |                                      | 2020/21<br>£'000                 | 2021/22<br>£'000 | 2022/23<br>£'000 |                                   |
| <b>CAPITAL EXPENDITURE</b>   |                                  |  |  |                               |                    |                           |                                      |                                  |                  |                  |                                   |
| Children's Services  | 6,833                            | 14,238   | -  | (94)                          | -                  | (94)                      | 14,144                               | 3,905                            | 2,238            | 2,238            | 22,525                            |
| Social Care  | 1,922                            | 2,322  | -  | 511                           | -                  | 511                       | 2,833                                | 300                              | -                | -                | 3,133                             |
| Environment Department   | 10,146                           | 18,939   | (2,782)                                      | 2,291                         | -                  | (491)                     | 18,448                               | 9,054                            | 7,208            | 7,208            | 41,918                            |
| Finance & Governance   | -                                | 5,261  | (982)  | 47                            | -                  | (935)                     | 4,326                                | 982                              | -                | -                | 5,308                             |
| General Fund Schemes under the Economy Department                    | 35,434                           | 38,689   | (57,465)                                     | 50,725                        | -                  | (6,740)                   | 31,949                               | 39,924                           | 72,593           | 16,400           | 160,866                           |
| <b>Sub-total (General Fund)</b>                                      | <b>54,335</b>                    | <b>79,449</b>  | <b>(61,229)</b>                              | <b>53,480</b>                 | -                  | <b>(7,749)</b>            | <b>71,700</b>                        | <b>54,165</b>                    | <b>82,039</b>    | <b>25,846</b>    | <b>233,750</b>                    |
| Economy Department-HRA Programme                                     | 42,011                           | 43,260   | (10,593)                                     | 2,273                         | -                  | (8,320)                   | 34,940                               | 58,791                           | 37,697           | 21,022           | 152,450                           |
| Economy Department -Decent Neighbourhoods Programme                  | 24,701                           | 24,922   | (9,789)                                      | 5,334                         | -                  | (4,455)                   | 20,467                               | 23,192                           | 20,960           | 8,537            | 73,156                            |
| <b>Sub-total Economy Department (HRA)</b>                            | <b>66,712</b>                    | <b>68,182</b>  | <b>(20,382)</b>                              | <b>7,607</b>                  | -                  | <b>(12,775)</b>           | <b>55,407</b>                        | <b>81,983</b>                    | <b>58,657</b>    | <b>29,559</b>    | <b>225,606</b>                    |
| <b>Total Expenditure</b>   | <b>121,047</b>                   | <b>147,631</b>                                       | <b>(81,611)</b>                              | <b>61,087</b>                 | -                  | <b>(20,524)</b>           | <b>127,107</b>                       | <b>136,148</b>                   | <b>140,696</b>   | <b>55,405</b>    | <b>459,356</b>                    |
| <b>CAPITAL FINANCING</b>   |                                  |  |  |                               |                    |                           |                                      |                                  |                  |                  |                                   |
| <b>Specific/External Financing:</b>                                  |                                  |  |  |                               |                    |                           |                                      |                                  |                  |                  |                                   |
| Government/Public Body Grants  | 8,873                            | 16,293   | -  | 811                           | -                  | 811                       | 17,104                               | 5,003                            | 4,685            | 4,395            | 31,187                            |
| Grants and Contributions from Private Developers (includes S106/CIL) | 11,132                           | 16,821   | (1,920)                                      | 779                           | -                  | (1,141)                   | 15,680                               | 16,669                           | 30,606           | 5,373            | 68,328                            |
| Leaseholder Contributions (Housing)                                  | 4,507                            | 6,207  | -  | -                             | -                  | -                         | 6,207                                | 3,871                            | 4,240            | 4,014            | 18,332                            |
| <b>Sub-total - Specific Financing</b>                                | <b>24,512</b>                    | <b>39,321</b>  | <b>(1,920)</b>                               | <b>1,590</b>                  | -                  | <b>(330)</b>              | <b>38,991</b>                        | <b>25,543</b>                    | <b>39,531</b>    | <b>13,782</b>    | <b>117,847</b>                    |
| <b>Mainstream Financing (Internal):</b>                              |                                  |  |  |                               |                    |                           |                                      |                                  |                  |                  |                                   |
| Capital Receipts - General Fund                                      | -                                | 3,536  | (982)  | 672                           | -                  | (310)                     | 3,226                                | 982                              | -                | 3,456            | 7,664                             |
| Capital Receipts - Housing*  | 13,625                           | 17,567   | (9,050)                                      | 5,333                         | -                  | (3,717)                   | 13,850                               | 14,785                           | 12,342           | 6,524            | 47,501                            |
| Revenue funding - General Fund                                       | 521                              | -  | -  | -                             | -                  | -                         | -                                    | -                                | -                | -                | -                                 |
| Major Repairs Reserve (MRR) [Housing]                                | 23,354                           | 23,967   | (4,048)                                      | (563)                         | -                  | (4,611)                   | 19,356                               | 15,921                           | 16,668           | 17,008           | 68,953                            |
| Earmarked Reserves (Revenue)   | 6,443                            | 8,655  | 1,632  | 437                           | -                  | 2,069                     | 10,724                               | 3,115                            | 521              | 521              | 14,881                            |
| <b>Sub-total - Mainstream Funding</b>                                | <b>43,943</b>                    | <b>53,725</b>  | <b>(12,448)</b>                              | <b>5,879</b>                  | -                  | <b>(6,569)</b>            | <b>47,156</b>                        | <b>34,803</b>                    | <b>29,531</b>    | <b>27,509</b>    | <b>138,999</b>                    |
| <b>Borrowing</b>   | <b>52,592</b>                    | <b>54,585</b>  | <b>(67,243)</b>                              | <b>53,618</b>                 | -                  | <b>(13,625)</b>           | <b>40,960</b>                        | <b>75,802</b>                    | <b>71,634</b>    | <b>14,114</b>    | <b>202,510</b>                    |
| <b>Total Capital Financing</b>                                       | <b>121,047</b>                   | <b>147,631</b>                                       | <b>(81,611)</b>                              | <b>61,087</b>                 | -                  | <b>(20,524)</b>           | <b>127,107</b>                       | <b>136,148</b>                   | <b>140,696</b>   | <b>55,405</b>    | <b>459,356</b>                    |

\*Capital Receipts include use of brought forward Housing receipts

4.2. As set out in Appendix 2 a net variation to the 2019/20 programme of £(20.5)m is proposed. This is mainly due to the reprofiling of expenditure to later years. Other key adjustments are set out in this section.

4.3. **Education City Development.** Following approval at May Council this scheme is included in the capital programme. The development will create a new mixed used education hub on the site of the ARK Swift Primary School including:

- A high- quality primary school,
- New and expanded nursery for 75 children,
- New adult education facilities,
- New youth facilities,
- An office for educational charities,
- 132 new homes, 50% of which will be affordable housing.

4.4. The total Hammersmith and Fulham budget requirement to deliver the development is £64.83m. The budget is split:

|   |                |
|---|----------------|
| Housing Revenue Account   | £30.45m        |
| General Fund funding for youth, adult education and nursery facilities                                      | £5.80m         |
| General Fund development funding (equity/loan) to the Housing Company for the private sector rented housing | £28.58m        |
| <b>Total</b>  | <b>£64.83m</b> |

- 4.5. The timing of when the Housing Company will need investment, and/or need to borrow from the Council, will depend on the final development structure and whether the Housing Company or the Council develop the properties. This is subject to the receipt of advice on tax and state aid from legal and financial advisers. The current assumption is that a loan will affect the Council's CFR but that all interest and Minimum Revenue Provision (MRP) costs will be met from the loan interest which will be set at a state-aid compliant rate.
- 4.6. The General Fund contribution of £5.80m for youth, adult education and nursery facilities is assumed to come from borrowing. On completion of the scheme it is estimated that this adds £0.25m to long-term annual revenue borrowing costs. If the Council identified alternative funding, such as capital receipts or developer contributions, this would negate the future increase in borrowing costs.
- 4.7. **Schools Regeneration programme.** In March 2019 the Cabinet approved initial allocation of £506,000 of the total £2,534,757 budget from unallocated capital grant balances to fund design and survey costs to RIBA stage 1 (outline scheme plan) for Avonmore and Flora Gardens, as part of the Schools Regeneration programme. This budget has been added to the Capital Programme. Expenditure or commitments above the £506,000 level would require a decision report of the Strategic Director of Growth and Place in consultation with the Strategic Director of Finance and Governance and the Director of Children Services following a gateway review before RIBA stage 2 and subject to evidence of a continuing business case. Therefore, the remaining £2.03m of the proposed budget will only be added to the programme once the approval to progress with the stage 2 has been obtained.
- 4.8. **White City Estate Development.** In June 2019 the Cabinet approved an initial allocation of £720,300 of the total £2,800,000 budget from Right to Buy receipts and borrowing to fund design and survey costs to RIBA stage 1 (outline scheme plan) for the proposed development of affordable housing on the White City Estate. Spend of this initial allocation will be subject to sign off by the Strategic Director of Finance and Governance at Development Board and budget allocation to progress to RIBA stage 2 will be subject to evidence of a business case and will require a decision report.
- 4.9. **Old Laundry Yard Development.** In July 2019 the Cabinet approved a budget of £1,300,000 from borrowing to fund the Council's share of the professional fees to enter into a Development Management Agreement with U+I PLC who are applying for permission to develop the adjacent land. Value for money benefits are hoped to be achieved by working collaboratively with U+I PLC. Budgets required for each milestone will be subject to sign off by the Strategic Director for the Economy and the Strategic Director of Finance and Governance at Development Board.
- 4.10. **The Civic Campus programme.** The Civic Campus programme provides for development funding of up to £90 million to the JV partnership (Council and A2DD). Such a loan is to be in accordance with state aid compliant market terms and met

from an increase in the Capital Financing Requirement until the loan is repaid. The current assumption is that the loan will be a maximum of £45m (half of the required funding, being matched by funding from A2DD) and this is reflected in the Quarter 1 forecast. The loan will increase the Council's headline CFR but any interest and Minimum Revenue Provision (MRP) costs will need to be fully funded by the Joint Venture through the arrangement terms which will be state-aid compliant.

- 4.11. **Disabled Facilities Grant.** Following confirmation of the 2019/20 government grant allocations a 2019/20 programme of £1.102m is proposed for Disabled Facilities Grant and £1.876m (covering 2019/20 and 2020/21) for Adult Social Care. This programme is an increase of £0.511m and includes a Council contribution, from borrowing, of £0.13m. The decision on how the Adult Social Care grant is spent is delegated to the Strategic Director of Social Care in consultation with the Strategic Director of Finance and Governance and the Cabinet Member for Health and Adult Social Care and Cabinet Member for Finance and Commercial Services.
- 4.12. The capital programme presented here for 2019/20 and future years is based on approved projects and known funding allocations. These currently exclude any other large projects which might be approved in future years. The budget will be updated as pipeline schemes are 'firmed-up'; the 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.
- 4.13. 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 current forecast for the General Fund Headline<sup>1</sup> CFR (excluding schools' windows borrowing and any potential on-lending to the Joint Venture in relation to the Civic Campus programme and EdCity development) is £83.56m at the end of 2019/20. The increase of £12.71m in CFR in comparison to 2018/19 is mainly due to funding of approved rolling programme capital schemes (including any 2018/19 slippages) totalling £6.3m, funding of ad-hoc schemes approved in previous financial years totalling £3.7m, and newly approved budgets for Leisure Centre investment (£1.5m) and EdCity redevelopment project (£1.9m). Table 4 in section 6 of the report provides detailed analysis of the mainstream funded projects. Table 2 below presents the forecast CFR position.

**Table 2 – General Fund CFR at Q1 2019-20 (including future years forecast)**

| GENERAL FUND CFR ANALYSIS                            | 2018/19      | 2019/20      | 2020/21      | 2021/22       | 2022/23       |
|--|--------------|--------------|--------------|---------------|---------------|
| CFR EXCLUDING SCHOOLS WINDOWS AND JOINT VENTURE LOAN | £m           | £m           | £m           | £m            | £m            |
| <b>Opening Capital Finance Requirement (CFR)</b>     | <b>50.48</b> | <b>70.85</b> | <b>83.56</b> | <b>93.13</b>  | <b>108.01</b> |
| Revenue Repayment of Debt (MRP)                      | (0.22)       | (0.37)       | (0.74)       | (0.92)        | (1.39)        |
| Mainstream Programme (Surplus)/Shortfall             | 20.59        | 13.09        | 10.30        | 15.81         | 1.39          |
| <b>Closing Capital Finance Requirement (CFR)</b>     | <b>70.85</b> | <b>83.56</b> | <b>93.13</b> | <b>108.01</b> | <b>108.02</b> |

<sup>1</sup> Excludes items such as finance leases and PFIs, the MRP cost of which is funded through revenue budgets.

| <b>SCHOOLS WINDOWS</b>                                  | <b>£m</b>    | <b>£m</b>     | <b>£m</b>     | <b>£m</b>     | <b>£m</b>     |
|---|--------------|---------------|---------------|---------------|---------------|
| <b>Opening Capital Finance Requirement (CFR)</b>        | <b>6.63</b>  | <b>7.38</b>   | <b>10.80</b>  | <b>11.87</b>  | <b>11.40</b>  |
| Revenue Repayment of Debt (MRP)                         | (0.27)       | (0.30)        | (0.43)        | (0.47)        | (0.46)        |
| Internal Borrowing (Schools Window Replacement)         | 1.02         | 3.72          | 1.50          | -             | -             |
| <b>Closing Capital Finance Requirement (CFR)</b>        | <b>7.38</b>  | <b>10.80</b>  | <b>11.87</b>  | <b>11.40</b>  | <b>10.94</b>  |
| <b>JOINT VENTURE AND EDCITY LOANS</b>                   | <b>£m</b>    | <b>£m</b>     | <b>£m</b>     | <b>£m</b>     | <b>£m</b>     |
| <b>Opening Capital Finance Requirement (CFR)</b>        | <b>-</b>     | <b>-</b>      | <b>15.92</b>  | <b>35.03</b>  | <b>63.65</b>  |
| Revenue Repayment of Debt (MRP)                         | -            | -             | (0.32)        | (0.70)        | (1.27)        |
| Borrowing   | -            | 15.92         | 19.42         | 29.33         | 8.90          |
| <b>Closing Capital Finance Requirement (CFR)</b>        | <b>-</b>     | <b>15.92</b>  | <b>35.03</b>  | <b>63.65</b>  | <b>71.28</b>  |
| <b>Total Headline Capital Finance Requirement (CFR)</b> | <b>78.23</b> | <b>110.29</b> | <b>140.03</b> | <b>183.06</b> | <b>190.24</b> |
| Finance leases/PFI/ Deferred costs of disposal          | 9.78         | 8.73          | 7.93          | 7.13          | 6.33          |
| <b>Total Closing CFR</b>                                | <b>88.01</b> | <b>119.02</b> | <b>147.96</b> | <b>190.19</b> | <b>196.57</b> |

5.2. The calculation of future CFR and MRP for expenditure in relation to the Civic Campus programme and Hammersmith Town Hall Refurbishment is based on the cash flow information provided by the project team. The identifies project funding through a combination of Community Infrastructure Levy (£33.7m) and borrowing (£11.9m). The CFR forecast is sensitive to the timing and amount of the CIL receipt. However, this is subject to legal confirmation that the CIL funds can be used for the proposed purchases. Current analysis of CIL cash flows indicates a potential shortfall in funding of estimated £6.7m in 2021/22.

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

**Table 3 – HRA CFR at Q1 2019-20 (including future years forecast)**

| <b>HRA CFR Forecast</b>  | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b> |
|--|----------------|----------------|----------------|----------------|----------------|
|  | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      |
| Closing Forecast HRA CFR (excluding deferred costs of disposal)        | 204.85         | 213.08         | 257.66         | 284.16         | 287.97         |
| Deferred Costs of Disposal   | 5.62           | 6.47           | 7.45           | 9.58           | 11.76          |
| <b>Closing Forecast HRA CFR (including deferred costs of disposal)</b> | <b>210.46</b>  | <b>219.54</b>  | <b>265.11</b>  | <b>293.74</b>  | <b>299.74</b>  |

5.4. Housing 2019/20 CFR (excluding accumulated deferred costs of disposals) has increased by £8.23m in comparison to 2018/19. This is due to borrowing required to finance Education City Redevelopment project (£3.3m) and Affordable Housing and Regeneration schemes (£4.9m). The HRA CFR is forecast to increase to £287.97m (excluding deferred costs of disposal) by the end of 2022/23.

## **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 the area of the programme where the Council has the greatest discretion. The mainstream programme is summarised in Table 4.

6.2. The 2019/20 Q1 mainstream programme has decreased by £0.4m in comparison to 2019/20 budget. This is mainly due to newly approved budgets for Education City project £1.57m and for Leisure Centres £1.5m, £(2.78m) slippage of Corporate Planned Maintenance Programme budget to 2020/21 and £(0.7m) budget reprofiling of other schemes.

6.3. £0.67m of General Fund net capital receipts are forecast for 2019/20 with no further receipts identified for 2020/21 and 2021/22. £3.5m of the receipts were brought forward from 2018/19. 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 the Civic Campus programme and the High Needs Block Dedicated Schools Grant overspend.

- 6.4. The most recent reserves forecast has raised concern regarding the adequacy of reserves over the medium term, the identification of additional receipts would enable further capitalisation of invest to save costs and consideration of further capitalisation in accordance with accounting practice. This would protect reserves and may also reduce further reliance on additional borrowing. New borrowing comes at an annual revenue cost of £57,400 per annum per £1m. It is recommended that a disposals programme be developed that will protect reserves and reduce future reliance on new borrowing.
- 6.5. As at the end of 2018/19, £0.144m 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 2019-23 with proposed 2019-20 Q1 variations**

|   | 2019/20<br>Revised<br>Budget as<br>@ 2018/19<br>Outturn<br>£'000 | Variations<br>(Q1)<br>£'000 | Revised<br>Budget<br>2019/20<br>(Q1)<br>£'000 | Indicative<br>Budget<br>2020/21<br>£'000 | Indicative<br>Budget<br>2021/22<br>£'000 | Indicative<br>Budget<br>2022/23<br>£'000 | Total<br>Budget<br>(All years)<br>£'000 |
|---|--|-----------------------------|---|--|--|--|---|
| <b>Approved Expenditure</b>                     |  |                             |   |  |  |  |   |
| <b>Ad Hoc Schemes:</b>                          |  |                             |   |  |  |  |   |
| Hammersmith Town Hall Refurbishment* [ECD]      | 577  | 173                         | 750   | -  | 10,831                                   | 319                                      | 11,900                                  |
| Social Care Capital projects [ASC]              | -  | -                           | -   | 129                                      | -  | -  | 129                                     |
| EdCity regeneration [ECD]                       | 23   | 1,565                       | 1,588   | 3,797                                    | 444                                      | -  | 5,829                                   |
| Invest to Save-Flexible Use of Capital Receipts | 3,536  | (310)                       | 3,226   | 982                                      | -  | -  | 4,208                                   |
| Acquisition of Cinema Site [ECD]                | 79   | (7)                         | 72  | -  | -  | -  | 72                                      |
| Leisure Centres Capital Investment              | -  | 1,520                       | 1,520   | -  | -  | -  | 1,520                                   |
| Desktop Strategy [F&G]                          | 1,535  | (556)                       | 979   | -  | -  | -  | 979                                     |
| Carnwath Road [ENV]                             | 1,870  |                             | 1,870   | -  | -  | -  | 1,870                                   |
| <b>Rolling Programmes:</b>                      |  |                             |   |  |  |  |   |
| Planned Maintenance/DDA Programme [ENV]         | 6,019  | (2,782)                     | 3,237   | 4,346                                    | 2,500                                    | 2,500                                    | 12,583                                  |
| Footways and Carriageways [ENV]                 | 2,790  |                             | 2,790   | 2,030                                    | 2,030                                    | 2,030                                    | 8,880                                   |
| Parks Programme [ENV]                           | 282  |                             | 282   | -  | -  | -  | 282                                     |
| <b>Total Mainstream Programmes</b>              | <b>16,711</b>  | <b>(397)</b>                | <b>16,314</b>                                 | <b>11,284</b>                            | <b>15,805</b>                            | <b>4,849</b>                             | <b>48,252</b>                           |
| <b>Financing</b>                                |  |                             |   |  |  |  |   |
| Capital Receipts                                | 3,536  | (310)                       | 3,226   | 982                                      | -  | 3,456                                    | 7,664                                   |
| Increase/(Decrease) in Borrowing                | 13,175   | (87)                        | 13,088  | 10,302                                   | 15,805                                   | 1,393                                    | 40,588                                  |
| <b>Total Financing</b>                          | <b>16,711</b>  | <b>(397)</b>                | <b>16,314</b>                                 | <b>11,284</b>                            | <b>15,805</b>                            | <b>4,849</b>                             | <b>48,252</b>                           |

\* 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.

- 6.6. The mainstream programme presented in table 4 does not include the £45m on-lending from the Council to the Civic Campus Joint Venture which is forecast to be paid over three years from 2019/20 or £28.58m loan in relation to EdCity redevelopment project, however the CFR figures in table 2 do take into account the borrowing requirement in relation to the loans.

## 7. HOUSING CAPITAL PROGRAMME OVERVIEW

- 7.1. Housing Capital expenditure for 2019/20 is forecast at £55.4m and for the four-year programme to 2022/23 spend is expected to be £225.6m. The expenditure and resource analysis of the Housing Programme is summarised in Table 5 below.



**Table 5 – Housing Capital Programme 2019-23 with proposed 2019-20 Q1 variations**

|   | 2019/20<br>Revised<br>Budget as<br>@ 2018/19<br>Outturn<br>£'000 | Total<br>Variations<br>(Q1)<br>£'000 | Revised<br>Budget<br>2019/20 (Q1)<br>£'000 | Indicative<br>2020/21<br>Budget<br>£'000 | Indicative<br>2021/22<br>Budget<br>£'000 | Indicative<br>2022/23<br>Budget<br>£'000 |
|---|--|--------------------------------------|--|--|--|--|
| <b>Approved Expenditure</b>                           |  |                                      |  |  |  |  |
| HRA Schemes   | 43,260   | (8,320)                              | 34,940                                     | 58,791                                   | 37,697                                   | 21,022                                   |
| Decent Neighbourhood Schemes                          | 24,922   | (4,455)                              | 20,467                                     | 23,192                                   | 20,960                                   | 8,537                                    |
| <b>Total Housing Programme - Approved Expenditure</b> | <b>68,182</b>  | <b>(12,775)</b>                      | <b>55,407</b>                              | <b>81,983</b>                            | <b>58,657</b>                            | <b>29,559</b>                            |
| <b>Available and Approved Resource</b>                |  |                                      |  |  |  |  |
| Capital Receipts - Unrestricted                       | 7,078  | 190                                  | 7,268                                      | 6,071                                    | 4,090                                    | 4,450                                    |
| Capital Receipts - RTB (141)                          | 10,307   | (5,308)                              | 4,999                                      | 5,848                                    | 4,707                                    | 947                                      |
| Major Repairs Reserve (MRR)                           | 23,967   | (4,611)                              | 19,356                                     | 15,921                                   | 16,668                                   | 17,008                                   |
| Contributions Developers (S106)                       | 4,915  | (1,912)                              | 3,003                                      | 9,703                                    | 10,606                                   | 2,210                                    |
| Repayment of NHHT loan                                | 270  | -                                    | 270  | 270                                      | 290                                      | -  |
| Contributions from leaseholders                       | 6,207  | -                                    | 6,207                                      | 3,871                                    | 4,240                                    | 4,014                                    |
| Use of reserves (Fire Safety EMR)                     | 7,747  | 1,632                                | 9,379                                      | 2,594                                    | -  | -  |
| <b>Borrowing</b>                                      | <b>7,691</b>   | <b>(2,766)</b>                       | <b>4,925</b>                               | <b>37,705</b>                            | <b>18,056</b>                            | <b>930</b>                               |
| <b>Total Funding</b>                                  | <b>68,182</b>  | <b>(12,775)</b>                      | <b>55,407</b>                              | <b>81,983</b>                            | <b>58,657</b>                            | <b>29,559</b>                            |

7.2. The Decent Neighbourhoods programme contains the Council's Housing capital receipts and shows how the Council plans to reinvest those receipts in housing and regeneration.

7.3. On 1 July 2019 Cabinet approved the Council's new asset management compliance strategy which has a focus on health and safety works. 2019/20 forecast spend at Q1 includes £13.7m of expenditure related to Health & Safety, of which £9.4m is on specific fire safety capital works as detailed in table 6 below.

**Table 6 - Compliance and Health and Safety spend 2019-20**

| HRA Capital Programme: Health & Safety budget and forecast as at Q1 2019-20 |  |  |  |                              |  |   |
|---|--|--|--|------------------------------|--|---|
| APPROVED SCHEMES  | Total Approved<br>Budget (Cabinet<br>1 July 2019)<br>£'000 | Total Budget<br>Forecast<br>Spend<br>£'000 | 2019/20<br>Approved<br>Budget<br>£'000 | 2019/20<br>Forecast<br>£'000 | 2019/20<br>Forecast<br>Variance<br>£'000 | 2019/20<br>Actual Spend<br>to date<br>£'000 |
| Fire Safety Compliance Programme  | 25,620   | 25,620                                     | 6,190                                  | 6,690                        | 500                                      | -   |
| Fire Safety Complex Schemes   | 31,130   | 31,130                                     | 6,941                                  | 2,689                        | (4,252)                                  | 60  |
| Safety Works - Electrical   | 15,255   | 15,224                                     | 2,550                                  | 3,050                        | 500                                      | -   |
| Safety Works - Other  | 6,972  | 6,011                                      | 2,150                                  | 1,250                        | (900)                                    | 389   |
| <b>Total</b>  | <b>78,977</b>  | <b>77,985</b>                              | <b>17,831</b>                          | <b>13,679</b>                | <b>(4,152)</b>                           | <b>449</b>                                  |

A detailed breakdown of the programmes above is in Appendix 5.

## 8. HOUSING CAPITAL PROGRAMME RISKS

8.1. The following risks associated with funding of future years' expenditure have been identified within the Housing Capital programme:

8.2. **Funding from leaseholder charges from outstanding billing:** Over the course of this financial year all outstanding billing for major works is being brought up to date. It is anticipated that an element of the total works for some schemes will not be charged to leaseholders and recommended for write off. Shortfalls, in the absence of other funding will need to be met potentially by borrowing.

8.3. **Funding from leaseholder charges for future works:** Due to the new Asset Management Compliance Strategy approved by Cabinet on 1 July 2019, the value and profile of this funding needs to be re-estimated.

The new HRA Asset Management Compliance Strategy has proportionately more fire safety works planned (£57m compared to £19m previously). As the Council has, in the past, stated that leaseholders would not be charged for fire safety related works, there is a risk that the current estimated billing and collection profile has been overstated by several million pounds. Any shortfall will, unless other funding is identified, result in an increase in borrowing for HRA as measured by the Capital Financing Requirement (CFR).

8.4. **Capitalisation write-off risk:** The approval of pre-development budgets for White City, Old Laundry Yard and the Building Homes and Community Strategy<sup>2</sup> has increased the risk of unbudgeted capital write-offs to revenue should the schemes not proceed. Mitigations are in place with £8.37m of earmarked reserves set aside and a gateway process in place that ensures that approved budgets are allocated on a milestone basis requiring sign off from the Strategic Director for the Economy and the Strategic Director of Finance and Governance. However, if any scheme proves to be unviable then it will likely result in a reduction in reserves and potentially an unbudgeted charge to revenue should earmarked reserves not be sufficient. The below table 7 shows currently approved pre-development costs which could potentially be written off to revenue if the schemes do not go ahead. However, it is anticipated that as the schemes progress, these risks will reduce. For example, if construction phase reaches completion, then than that risk will fall away.

**Table 7 – Approved pre-development spend**

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<sup>2</sup> Approved by Cabinet 1 July 2019.

| Scheme   | Actual       | Forecast as per 2019-20 Q1 |              |              |              |               |
|--|--------------|----------------------------|--------------|--------------|--------------|---------------|
|  | pre 2019/20  | 2019/20                    | 2020/21      | 2021/22      | 2022/23      | Total         |
|  | £'000        | £'000                      | £'000        | £'000        | £'000        | £'000         |
| ESH capital - non decant                                   | 2,072        | 43                         | -            | -            | -            | 2,115         |
| Spring Vale  | 561          | 2,268                      | 1,087        | -            | -            | 3,916         |
| Further phase 1 spend Contingency (10%)                    | 56           | -                          | -            | -            | -            | 56            |
| 50 Commonwealth Avenue Capital                             | 14           | -                          | -            | -            | -            | 14            |
| Earls Court HRA deferred costs of disposal                 | 5,618        | 848                        | 988          | 2,126        | 2,184        | 11,764        |
| Fulham North (balance of £50k cost contribution from SBHG) | 24           | -                          | -            | -            | -            | 24            |
| Ed City Cost Agreement                                     | 767          | -                          | -            | -            | -            | 767           |
| White City   | -            | 612                        | 1,728        | 540          | -            | 2,880         |
| Old Laundry Yard   | -            | 400                        | 900          | -            | -            | 1,300         |
| <b>Total</b>   | <b>9,112</b> | <b>4,170</b>               | <b>4,703</b> | <b>2,666</b> | <b>2,184</b> | <b>22,836</b> |

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- 8.5. **S106 funding:** The proposed programme for 2019/20-2022/23 relies on £25m of S106 receipts, some of which is yet to be received and is dependent on the relevant developments proceeding in a timely manner. A further £40m of s106 funds has been negotiated but this is entirely dependent on developments coming forward and not all are expected to do so. These funds are likely to be received over the medium to long term and beyond the proposed programme. Joint working with Finance and Planning is ongoing to monitor s106 receipts and consider mitigating actions if necessary, such as substituting other funding in the Housing programme which is eligible.
- 8.6. **Future scheme approvals:** 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.
- 8.7. **RTB receipt funding:** 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 1 April 2019, the GLA held £15.6m of RTB receipts that the Council transferred to it during 2018/19. This is the equivalent of £52m 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. through to 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.

Table 8 displays the Right to Buy (RTB) receipts that need to be used for the remainder of 2019/20 to avoid them being transferred to the GLA. By the end of quarter one, £1.48m receipts had to be spent and of this £0.13m was used with the remaining £1.35m plus interest transferred to the GLA. These RTB receipts can fund 30% of the total cost of eligible expenditure. The table shows the eligible expenditure required each quarter to use the RTB receipts and avoid the need to transfer these to the GLA with interest.

**Table 8 – Right-to Buy receipts and expenditure forecast 2019-20**

| Quarter end RTB 1-4-1 received | 2016/17 - Q2 | 2016/17 - Q3 | 2016/17 - Q4 |
|--------------------------------|--------------|--------------|--------------|
|--------------------------------|--------------|--------------|--------------|

| Quarter RTB 1-4-1 to be used by         | 2019/20 - Q2 | 2019/20 - Q3 | 2019/20 - Q4 |
|---|--------------|--------------|--------------|
|   | £            | £            | £            |
| RTB 1-4-1 receipts to be spent 2019/20  | 3,309,504    | 2,099,689    | 2,701,879    |
| Equivalent eligible expenditure 2019/20 | 11,031,680   | 6,998,963    | 9,006,263    |

## 9. EQUALITY IMPLICATIONS

- 9.1. 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.
- 9.2. Implications verified and completed by: Peter Smith, Head of Policy & Strategy, Tel: 020 8753 2206.

## 10. LEGAL IMPLICATIONS

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

## 11. FINANCIAL IMPLICATIONS

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

## 12. IMPLICATIONS FOR BUSINESS

- 12.1. 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.
- 12.2. 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.
- 12.3. Implications completed by: Alben Karameros, Economic Development Team, Tel:07739 316 957.

## 13. RISK MANAGEMENT

- 13.1. 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.
- 13.2. 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.
- 13.3. 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.
- 13.4. 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.
- 13.5. 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.
- 13.6. 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.

- 13.7. Proposals set out in this report seek to comply with the Council's legal duties.
- 13.8. 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.

#### **14. PROCUREMENT IMPLICATIONS**

- 14.1. 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.

Implications completed by: Andra Ulianov, Head of Contracts and Procurement, 07776672876

#### **15. VAT IMPLICATIONS**

- 15.1. 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. Finance are working closely with departments to ensure that partial exemption risks are considered as part of significant capital projects. Further detail on the Council's partial exemption is included in Appendix 4.
- 15.2. Implications verified by: Chris Harris, Chief Accountant, Corporate Finance, Tel: 020 8753 6440.

#### **16. IT IMPLICATIONS**

- 16.1. 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.
- 16.2. This capitalisation paper included £3.7m for the Desktop Strategy, to cover one-off equipment and infrastructure costs.
- 16.3. The Desktop (Tech-tonic) programme is being implemented but due to its complexity delivery will be completed in 2019/20.
- 16.4. The programme will deliver significant savings up to £1.2m annually.

16.5. 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**

| <b>No.</b> | <b>Description of Background Papers</b>                | <b>Name/Ext of holder of file/copy</b> | <b>Department/ Location</b>                           |
|------------|--|--|---|
| 1.         | Capital Programme 2019-23<br>(Published February 2019) | Andrew Lord tel. 2531                  | Finance Dept.,<br>Room10,<br>Hammersmith<br>Town Hall |

**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

Appendix 5 – Housing Compliance and Health and Safety Programme

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

### Children's Services

|  | Current Year Programme                       |   |                                  |                        |           |                           |                             | Indicative Future Years Analysis |                |                |                          |       |
|--|--|---|----------------------------------|------------------------|-----------|---------------------------|-----------------------------|----------------------------------|----------------|----------------|--------------------------|-------|
|  | Analysis of Movements (Revised budget to Q1) |   |                                  |                        |           |                           |                             | 2020/21 Budget                   | 2021/22 Budget | 2022/23 Budget | Total Budget (All years) |       |
|  | 2019/20 Original Budget                      | 2019/20 Revised Budget as @ 2018/19 Outturn | Slippages from/(to) future years | Additions/(Reductions) | Transfers | Total Transfers/Virements | Revised Budget 2019/20 (Q1) |                                  |                |                |                          | £'000 |
| £'000  | £'000  | £'000                                       | £'000                            | £'000                  | £'000     | £'000                     | £'000                       | £'000                            | £'000          | £'000          | £'000                    |       |
| <b>Scheme Expenditure Summary</b>                                |  |   |                                  |                        |           |                           |                             |                                  |                |                |                          |       |
| Schools Organisational Strategy                                  | 2,704  | 9,751                                       | -                                | (600)                  | -         | (600)                     | 9,151                       | 167                              | -              | -              | 9,318                    |       |
| Schools Window Replacement Project                               | 3,240  | 3,717                                       | -                                | -                      | -         | -                         | 3,717                       | 1,500                            | -              | -              | 5,217                    |       |
| Schools Regeneration Programme                                   | -  | -   | -                                | 506                    | -         | 506                       | 506                         | -                                | -              | -              | 506                      |       |
| School Maintenance Programme                                     | 889  | 770   | -                                | -                      | -         | -                         | 770                         | 2,238                            | 2,238          | 2,238          | 7,484                    |       |
| <b>Total Expenditure</b>   | <b>6,833</b>                                 | <b>14,238</b>                               | <b>-</b>                         | <b>(94)</b>            | <b>-</b>  | <b>(94)</b>               | <b>14,144</b>               | <b>3,905</b>                     | <b>2,238</b>   | <b>2,238</b>   | <b>22,525</b>            |       |
| <b>Capital Financing Summary</b>                                 |  |   |                                  |                        |           |                           |                             |                                  |                |                |                          |       |
| <b>Specific/External or Other Financing</b>                      |  |   |                                  |                        |           |                           |                             |                                  |                |                |                          |       |
| Capital Grants from Central Government                           | 3,262  | 8,500                                       | -                                | (600)                  | -         | (600)                     | 7,900                       | 2,405                            | 2,238          | 2,238          | 14,781                   |       |
| Grants and Contributions from Private Developers (includes S106) | 331  | 2,021                                       | -                                | -                      | -         | -                         | 2,021                       | -                                | -              | -              | 2,021                    |       |
| <b>Sub-total - Specific or Other Financing</b>                   | <b>3,593</b>                                 | <b>10,521</b>                               | <b>-</b>                         | <b>(600)</b>           | <b>-</b>  | <b>(600)</b>              | <b>9,921</b>                | <b>2,405</b>                     | <b>2,238</b>   | <b>2,238</b>   | <b>16,802</b>            |       |
| <b>Mainstream Financing (Internal Council Resource)</b>          |  |   |                                  |                        |           |                           |                             |                                  |                |                |                          |       |
| Use of Reserves  | -  | -   | -                                | 506                    | -         | 506                       | 506                         | -                                | -              | -              | 506                      |       |
| <b>Sub-total - Mainstream Funding</b>                            | <b>-</b>                                     | <b>-</b>                                    | <b>-</b>                         | <b>506</b>             | <b>-</b>  | <b>506</b>                | <b>506</b>                  | <b>-</b>                         | <b>-</b>       | <b>-</b>       | <b>506</b>               |       |
| <b>Borrowing - school windows</b>                                | <b>3,240</b>                                 | <b>3,717</b>                                | <b>-</b>                         | <b>-</b>               | <b>-</b>  | <b>-</b>                  | <b>3,717</b>                | <b>1,500</b>                     | <b>-</b>       | <b>-</b>       | <b>5,217</b>             |       |
| <b>Total Capital Financing</b>                                   | <b>6,833</b>                                 | <b>14,238</b>                               | <b>-</b>                         | <b>(94)</b>            | <b>-</b>  | <b>(94)</b>               | <b>14,144</b>               | <b>3,905</b>                     | <b>2,238</b>   | <b>2,238</b>   | <b>22,525</b>            |       |



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

| Social Care Services  | Current Year Programme                       |   |                                  |                         |           |                            |                             | Indicative Future Years Analysis |                |                |                          |
|---|--|---|----------------------------------|-------------------------|-----------|----------------------------|-----------------------------|----------------------------------|----------------|----------------|--------------------------|
|   | Analysis of Movements (Revised budget to Q1) |   |                                  |                         |           |                            |                             | 2020/21 Budget                   | 2021/22 Budget | 2022/23 Budget | Total Budget (All years) |
|   | 2019/20 Original Budget                      | 2019/20 Revised Budget as @ 2018/19 Outturn | Slippages from/(to) future years | Additions/ (Reductions) | Transfers | Total Transfers/ Virements | Revised Budget 2019/20 (Q1) |                                  |                |                |                          |
| £'000   | £'000  | £'000                                       | £'000                            | £'000                   | £'000     | £'000                      | £'000                       | £'000                            | £'000          | £'000          |                          |
| <b>Scheme Expenditure Summary</b>                                     |  |   |                                  |                         |           |                            |                             |                                  |                |                |                          |
| Extra Care New Build project (Adults' Personal Social Services Grant) | 957  | 957   | -                                | -                       | -         | -                          | 957                         | -                                | -              | -              | 957                      |
| Transforming Care (Winterbourne Grant)                                | 300  | 300   | -                                | -                       | -         | -                          | 300                         | -                                | -              | -              | 300                      |
| Social Care Capital Grant   | 665  | 1,065                                       | -                                | 511                     | -         | 511.00                     | 1,576                       | 300                              | -              | -              | 1,876                    |
| <b>Total Expenditure</b>  | <b>1,922</b>                                 | <b>2,322</b>                                | -                                | <b>511</b>              | -         | <b>511</b>                 | <b>2,833</b>                | <b>300</b>                       | -              | -              | <b>3,133</b>             |
|   |  |   |                                  |                         |           |                            |                             |                                  |                |                |                          |
| <b>Capital Financing Summary</b>                                      |  |   |                                  |                         |           |                            |                             |                                  |                |                |                          |
| <b>Specific/External or Other Financing</b>                           |  |   |                                  |                         |           |                            |                             |                                  |                |                |                          |
| Capital Grants from Central Government                                | 1,622  | 2,022                                       | -                                | 511                     | -         | 511                        | 2,533                       | 171                              | -              | -              | 2,704                    |
| Capital Grants/Contributions from Non-departmental public bodies      | 300  | 300   | -                                | -                       | -         | -                          | 300                         | -                                | -              | -              | 300                      |
| <b>Sub-total - Specific or Other Financing</b>                        | <b>1,922</b>                                 | <b>2,322</b>                                | -                                | <b>511</b>              | -         | <b>511</b>                 | <b>2,833</b>                | <b>171</b>                       | -              | -              | <b>3,004</b>             |
| <b>Borrowing</b>  | -  | -   | -                                | -                       | -         | -                          | -                           | 129                              | -              | -              | 129                      |
| <b>Total Capital Financing</b>  | <b>1,922</b>                                 | <b>2,322</b>                                | -                                | <b>511</b>              | -         | <b>511</b>                 | <b>2,833</b>                | <b>300</b>                       | -              | -              | <b>3,133</b>             |

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

| Environment Department   | Current Year Programme                       |  |   |                                  |                    |                                     |                                      | Indicative Future Years Analysis |                         |                         | Total Budget (All years)<br>£'000 |
|--|--|--|---|----------------------------------|--------------------|-------------------------------------|--------------------------------------|----------------------------------|-------------------------|-------------------------|-----------------------------------|
|  | Analysis of Movements (Revised budget to Q1) |  |   |                                  |                    |                                     | Revised Budget 2019/20 (Q1)<br>£'000 | 2020/21 Budget<br>£'000          | 2021/22 Budget<br>£'000 | 2022/23 Budget<br>£'000 |                                   |
|  | 2019/20 Original Budget<br>£'000             | 2019/20 Revised Budget as @ 2018/19 Outturn<br>£'000 | Slippages from/(to) future years<br>£'000 | Additions/ (Reductions)<br>£'000 | Transfers<br>£'000 | Total Transfers/ Virements<br>£'000 |                                      |                                  |                         |                         |                                   |
| <b>Scheme Expenditure Summary</b>                                |  |  |   |                                  |                    |                                     |                                      |                                  |                         |                         |                                   |
| Planned Maintenance/DDA Programme                                | 3,568  | 6,019  | (2,782)                                   | -                                | -                  | (2,782)                             | 3,237                                | 4,346                            | 2,500                   | 2,500                   | 12,583                            |
| Footways and Carriageways  | 2,030  | 2,790  | -   | -                                | -                  | -                                   | 2,790                                | 2,030                            | 2,030                   | 2,030                   | 8,880                             |
| Transport For London Schemes                                     | 2,157  | 2,854  | -   | -                                | -                  | -                                   | 2,854                                | 2,157                            | 2,157                   | 2,157                   | 9,325                             |
| Controlled Parking Zones   | 275  | 312  | -   | -                                | -                  | -                                   | 312                                  | 275                              | 275                     | 275                     | 1,137                             |
| Column Replacement   | 246  | 398  | -   | -                                | -                  | -                                   | 398                                  | 246                              | 246                     | 246                     | 1,136                             |
| Carnwath Road  | 1,870  | 1,870  | -   | -                                | -                  | -                                   | 1,870                                | -                                | -                       | -                       | 1,870                             |
| LED Lighting Replacement Programme                               | -  | 77   | -   | -                                | -                  | -                                   | 77                                   | -                                | -                       | -                       | 77                                |
| P&D Upgrade and Pay by Phone                                     | -  | 217  | -   | -                                | -                  | -                                   | 217                                  | -                                | -                       | -                       | 217                               |
| Other Capital Schemes  | -  | 2,076  | -   | 225                              | -                  | 225                                 | 2,301                                | -                                | -                       | -                       | 2,301                             |
| Parks Expenditure  | -  | 1,545  | -   | 546                              | -                  | 546                                 | 2,091                                | -                                | -                       | -                       | 2,091                             |
| Shepherds Bush Common Improvements                               | -  | 481  | -   | -                                | -                  | -                                   | 481                                  | -                                | -                       | -                       | 481                               |
| Recycling  | -  | 19   | -   | -                                | -                  | -                                   | 19                                   | -                                | -                       | -                       | 19                                |
| Leisure Centres Capital Investment                               | -  | -  | -   | 1,520                            | -                  | 1,520                               | 1,520                                | -                                | -                       | -                       | 1,520                             |
| CCTV   | -  | 281  | -   | -                                | -                  | -                                   | 281                                  | -                                | -                       | -                       | 281                               |
| <b>Total Expenditure</b>   | <b>10,146</b>                                | <b>18,939</b>  | <b>(2,782)</b>                            | <b>2,291</b>                     | <b>-</b>           | <b>(491)</b>                        | <b>18,448</b>                        | <b>9,054</b>                     | <b>7,208</b>            | <b>7,208</b>            | <b>41,918</b>                     |
| <b>Capital Financing Summary</b>                                 |  |  |   |                                  |                    |                                     |                                      |                                  |                         |                         |                                   |
| <b>Specific/External or Other Financing</b>                      |  |  |   |                                  |                    |                                     |                                      |                                  |                         |                         |                                   |
| Grants and Contributions from Private Developers (includes S106) | -  | 4,407  | -   | 771                              | -                  | 771                                 | 5,178                                | -                                | -                       | -                       | 5,178                             |
| Capital Grants and Contributions from GLA Bodies                 | 2,157  | 2,852  | -   | -                                | -                  | -                                   | 2,852                                | 2,157                            | 2,157                   | 2,157                   | 9,323                             |
| <b>Sub-total - Specific or Other Financing</b>                   | <b>2,157</b>                                 | <b>7,259</b>   | <b>-</b>                                  | <b>771</b>                       | <b>-</b>           | <b>771</b>                          | <b>8,030</b>                         | <b>2,157</b>                     | <b>2,157</b>            | <b>2,157</b>            | <b>14,501</b>                     |
| <b>Mainstream Financing (Internal Council Resource)</b>          |  |  |   |                                  |                    |                                     |                                      |                                  |                         |                         |                                   |
| Capital Receipts   | -  | -  | -   | -                                | -                  | -                                   | -                                    | -                                | -                       | 3,456                   | 3,456                             |
| General Fund Revenue Account (revenue funding)                   | 521  | -  | -   | -                                | -                  | -                                   | -                                    | -                                | -                       | -                       | -                                 |
| Use of Reserves  | -  | 718  | -   | -                                | -                  | -                                   | 718                                  | 521                              | 521                     | 521                     | 2,281                             |
| <b>Sub-total - Mainstream Funding</b>                            | <b>521</b>                                   | <b>718</b>   | <b>-</b>                                  | <b>-</b>                         | <b>-</b>           | <b>-</b>                            | <b>718</b>                           | <b>521</b>                       | <b>521</b>              | <b>3,977</b>            | <b>5,737</b>                      |
| <b>Borrowing</b>   | <b>7,468</b>                                 | <b>10,962</b>  | <b>(2,782)</b>                            | <b>1,520</b>                     | <b>-</b>           | <b>(1,262)</b>                      | <b>9,700</b>                         | <b>6,376</b>                     | <b>4,530</b>            | <b>1,074</b>            | <b>21,680</b>                     |
| <b>Total Capital Financing</b>                                   | <b>10,146</b>                                | <b>18,939</b>  | <b>(2,782)</b>                            | <b>2,291</b>                     | <b>-</b>           | <b>(491)</b>                        | <b>18,448</b>                        | <b>9,054</b>                     | <b>7,208</b>            | <b>7,208</b>            | <b>41,918</b>                     |

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

| Finance & Governance                                    | Current Year Programme                       |   |                                  |                        |           |                           | Indicative Future Years Analysis |                |                |                          |                             |       |
|---|--|---|----------------------------------|------------------------|-----------|---------------------------|----------------------------------|----------------|----------------|--------------------------|-----------------------------|-------|
|   | Analysis of Movements (Revised budget to Q1) |   |                                  |                        |           |                           | 2020/21 Budget                   | 2021/22 Budget | 2022/23 Budget | Total Budget (All years) |                             |       |
|   | 2019/20 Original Budget                      | 2018/19 Revised Budget as @ 2018/19 Outturn | Slippages from/(to) future years | Additions/(Reductions) | Transfers | Total Transfers/Virements |                                  |                |                |                          | Revised Budget 2019/20 (Q1) | £'000 |
| £'000   | £'000  | £'000                                       | £'000                            | £'000                  | £'000     | £'000                     | £'000                            | £'000          | £'000          | £'000                    | £'000                       |       |
| <b>Scheme Expenditure Summary</b>                       |  |   |                                  |                        |           |                           |                                  |                |                |                          |                             |       |
| Invest to Save - Flexible Use of Capital Receipts       | -  | 3,536                                       | (982)                            | 672                    | -         | (310)                     | 3,226                            | 982            | -              | -                        | 4,208                       |       |
| Desktop Strategy  | -  | 1,725                                       | -                                | (625)                  | -         | (625)                     | 1,100                            | -              | -              | -                        | 1,100                       |       |
| <b>Total Expenditure</b>                                | -  | <b>5,261</b>                                | <b>(982)</b>                     | <b>47</b>              | -         | <b>(935)</b>              | <b>4,326</b>                     | <b>982</b>     | -              | -                        | <b>5,308</b>                |       |
| <b>Capital Financing Summary</b>                        |  |   |                                  |                        |           |                           |                                  |                |                |                          |                             |       |
| <b>Mainstream Financing (Internal Council Resource)</b> |  |   |                                  |                        |           |                           |                                  |                |                |                          |                             |       |
| Use of Reserves (HRA Contribution)                      | -  | 190   | -                                | (69)                   | -         | (69)                      | 121                              | -              | -              | -                        | 121                         |       |
| Capital Receipts  | -  | 3,536                                       | (982)                            | 672                    | -         | (310)                     | 3,226                            | 982            | -              | -                        | 4,208                       |       |
| <b>Sub-total - Mainstream Funding</b>                   | -  | <b>3,726</b>                                | <b>(982)</b>                     | <b>603</b>             | -         | <b>(379)</b>              | <b>3,347</b>                     | <b>982</b>     | -              | -                        | <b>4,329</b>                |       |
| <b>Borrowing</b>  | -  | 1,535                                       | -                                | (556)                  | -         | (556)                     | 979                              | -              | -              | -                        | 979                         |       |
| <b>Total Capital Financing</b>                          | -  | <b>5,261</b>                                | <b>(982)</b>                     | <b>47</b>              | -         | <b>(935)</b>              | <b>4,326</b>                     | <b>982</b>     | -              | -                        | <b>5,308</b>                |       |

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

### Economy Department General Fund Managed Schemes

|  | Current Year Programme                     |  |   |   |                        |   | Indicative Future Years Analysis                  |                                |                                | Total Budget (All years)<br>£'000 |                                |
|--|--|--|---|---|------------------------|---|---|--------------------------------|--------------------------------|-----------------------------------|--------------------------------|
|  | 2019/20<br>Original<br>Budget<br><br>£'000 | 2019/20<br>Revised<br>Budget as<br>@ 2018/19<br>Outturn<br><br>£'000 | Analysis of Movements (Revised budget to Q1)        |   |                        |   | Revised<br>Budget<br>2019/20<br>(Q1)<br><br>£'000 | 2020/21<br>Budget<br><br>£'000 | 2021/22<br>Budget<br><br>£'000 |                                   | 2022/23<br>Budget<br><br>£'000 |
|  |  |  | Slippages<br>from/(to)<br>future years<br><br>£'000 | Additions/<br>(Reductions)<br><br>£'000 | Transfers<br><br>£'000 | Total<br>Transfers/<br>Virements<br><br>£'000 |   |                                |                                |                                   |                                |
| <b>Scheme Expenditure Summary</b>                                |  |  |   |   |                        |   |   |                                |                                |                                   |                                |
| Disabled Facilities Grant  | 1,102                                      | 1,102  | -   | -                                       | -                      | -   | 1,102   | -                              | -                              | -                                 | 1,102                          |
| Sands End Community Centre                                       | 1,925                                      | 2,966  | -   | -                                       | -                      | -   | 2,966   | -                              | -                              | -                                 | 2,966                          |
| Acquisition of Land at 207 King St                               | 2  | 79   | -   | (7)                                     | -                      | (7)   | 72  | -                              | -                              | -                                 | 72                             |
| Hammersmith Town Hall Refurbishment *                            | 2,137                                      | 4,148  | 173   | -                                       | -                      | 173   | 4,321   | 6,966                          | 20,549                         | 3,164                             | 35,000                         |
| HTH Refurbishment -Fit Out                                       | -  | -  | -   | -                                       | -                      | -   | -   | -                              | 10,282                         | 318                               | 10,600                         |
| West King Street Regeneration-JV Partnership Loan                | 30,000                                     | 30,000   | -   | (15,000)                                | -                      | (15,000)                                      | 15,000  | 15,000                         | 15,000                         | -                                 | 45,000                         |
| EdCity/Ark Swift redevelopment                                   | -  | 206  | (29,986)  | 36,256                                  | -                      | 6,270   | 6,476   | 13,537                         | 12,435                         | 4,014                             | 36,462                         |
| EdCity Loan  | -  | -  | (27,652)  | 28,576                                  | -                      | 924   | 924   | 4,421                          | 14,327                         | 8,904                             | 28,576                         |
| Nourish Project (Good Growth Fund)                               | -  | -  | -   | 900                                     | -                      | 900   | 900   | -                              | -                              | -                                 | 900                            |
| Macbeth Centre Arts Project                                      | 268  | 188  | -   | -                                       | -                      | -   | 188   | -                              | -                              | -                                 | 188                            |
| <b>Total Expenditure</b>   | <b>35,434</b>                              | <b>38,689</b>  | <b>(57,465)</b>                                     | <b>50,725</b>                           | -                      | <b>(6,740)</b>                                | <b>31,949</b>                                     | <b>39,924</b>                  | <b>72,593</b>                  | <b>16,400</b>                     | <b>160,866</b>                 |
| <b>Capital Financing Summary</b>                                 |  |  |   |   |                        |   |   |                                |                                |                                   |                                |
| <b>Specific/External or Other Financing</b>                      |  |  |   |   |                        |   |   |                                |                                |                                   |                                |
| Capital Grants from Central Government                           | 450  | 1,102  | -   | -                                       | -                      | -   | 1,102   | -                              | -                              | -                                 | 1,102                          |
| Grants and Contributions from Private Developers (includes S106) | 1,381                                      | 1,907  | -   | -                                       | -                      | -   | 1,907   | -                              | -                              | -                                 | 1,907                          |
| Community Infrastructure Levy (CIL)                              | 1,560                                      | 3,571  | -   | -                                       | -                      | -   | 3,571   | 6,966                          | 20,000                         | 3,163                             | 33,700                         |
| Capital Grants/Contributions from Non-departmental public bodies | 678  | 1,153  | -   | -                                       | -                      | -   | 1,153   | -                              | -                              | -                                 | 1,153                          |
| Capital Grants and Contributions from GLA Bodies                 | 134  | 94   | -   | 900                                     | -                      | 900   | 994   | -                              | -                              | -                                 | 994                            |
| <b>Sub-total - Specific or Other Financing</b>                   | <b>4,203</b>                               | <b>7,827</b>   | -   | <b>900</b>                              | -                      | <b>900</b>                                    | <b>8,727</b>                                      | <b>6,966</b>                   | <b>20,000</b>                  | <b>3,163</b>                      | <b>38,856</b>                  |
| <b>Mainstream Financing (Internal Council Resource)</b>          |  |  |   |   |                        |   |   |                                |                                |                                   |                                |
| Capital Receipts (HRA)   | -  | 183  | (7,538)   | 8,938                                   | -                      | 1,400   | 1,583   | 2,866                          | 3,545                          | 1,127                             | 9,121                          |
| <b>Sub-total - Mainstream Funding</b>                            | <b>-</b>                                   | <b>183</b>   | <b>(7,538)</b>                                      | <b>8,938</b>                            | -                      | <b>1,400</b>                                  | <b>1,583</b>                                      | <b>2,866</b>                   | <b>3,545</b>                   | <b>1,127</b>                      | <b>9,121</b>                   |
| Borrowing (Borrowing-HRA)  | -  | -  | (18,207)  | 21,512                                  | -                      | 3,305   | 3,305   | 6,874                          | 8,446                          | 2,887                             | 21,512                         |
| Borrowing (Borrowing-GF)   | 31,231                                     | 30,679   | (31,720)  | 19,375                                  | -                      | (12,345)                                      | 18,334  | 23,218                         | 40,602                         | 9,223                             | 91,377                         |
| <b>Total Capital Financing</b>                                   | <b>35,434</b>                              | <b>38,689</b>  | <b>(57,465)</b>                                     | <b>50,725</b>                           | -                      | <b>(6,740)</b>                                | <b>31,949</b>                                     | <b>39,924</b>                  | <b>72,593</b>                  | <b>16,400</b>                     | <b>160,866</b>                 |

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

| Economy Department- HRA Capital Programme             | Current Year Programme                       |   |                                  |                         |           |                            |                             | Indicative Future Years Analysis |                |                |                          |
|---|--|---|----------------------------------|-------------------------|-----------|----------------------------|-----------------------------|----------------------------------|----------------|----------------|--------------------------|
|   | Analysis of Movements (Revised budget to Q1) |   |                                  |                         |           |                            |                             | 2020/21 Budget                   | 2021/22 Budget | 2022/23 Budget | Total Budget (All years) |
|   | 2019/20 Original Budget                      | 2019/20 Revised Budget as @ 2018/19 Outturn | Slippages from/(to) future years | Additions/ (Reductions) | Transfers | Total Transfers/ Virements | Revised Budget 2019/20 (Q1) |                                  |                |                |                          |
| £'000   | £'000  | £'000                                       | £'000                            | £'000                   | £'000     | £'000                      | £'000                       | £'000                            | £'000          | £'000          | £'000                    |
| <b>Scheme Expenditure Summary</b>                     |  |   |                                  |                         |           |                            |                             |                                  |                |                |                          |
| <b>HRA Schemes:</b>                                   |  |   |                                  |                         |           |                            |                             |                                  |                |                |                          |
| Other HRA Capital Schemes                             | 35,568                                       | 35,513                                      | -                                | -                       | (35,513)  | (35,513)                   | -                           | -                                | -              | -              | -                        |
| Fire Safety Plus                                      | 6,443  | 7,747                                       | -                                | -                       | (7,747)   | (7,747)                    | -                           | -                                | -              | -              | -                        |
| Pre Agreed Works                                      | -  | -   | (2,152)                          | 1,200                   | 9,230     | 8,278                      | 8,278                       | 12,160                           | 400            | -              | 20,838                   |
| Fire Safety Compliance Programme                      | -  | -   | (1,593)                          | -                       | 8,283     | 6,690                      | 6,690                       | 9,210                            | 8,010          | 1,710          | 25,620                   |
| Fire Safety Complex Schemes                           | -  | -   | (4,039)                          | 3,399                   | 3,329     | 2,689                      | 2,689                       | 14,989                           | 12,100         | 1,352          | 31,130                   |
| Pre Agreed Lift Scheme                                | -  | -   | 598                              | (895)                   | 1,541     | 1,244                      | 1,244                       | 4,267                            | 1,027          | -              | 6,538                    |
| Pre Agreed Boiler Scheme                              | -  | -   | -                                | -                       | 2,558     | 2,558                      | 2,558                       | 1,668                            | 1,000          | 1,139          | 6,365                    |
| Safety Works - Electrical                             | -  | -   | (696)                            | (30)                    | 3,776     | 3,050                      | 3,050                       | 5,725                            | 3,475          | 2,974          | 15,224                   |
| Safety Works  | -  | -   | 663                              | (961)                   | 1,548     | 1,250                      | 1,250                       | 1,600                            | 2,861          | 300            | 6,011                    |
| Void Works  | -  | -   | 208                              | (440)                   | 1,206     | 974                        | 974                         | 440                              | 440            | -              | 1,854                    |
| Neighbourhood, parking & garage improvements          | -  | -   | -                                | -                       | 1,057     | 1,057                      | 1,057                       | 1,163                            | 694            | -              | 2,914                    |
| Surveying and fees                                    | -  | -   | (286)                            | -                       | 1,486     | 1,200                      | 1,200                       | 1,500                            | 1,500          | -              | 4,200                    |
| Capitalised salaries                                  | -  | -   | (655)                            | -                       | 3,405     | 2,750                      | 2,750                       | 2,805                            | 2,861          | 2,918          | 11,334                   |
| Capitalised repairs                                   | -  | -   | (2,641)                          | -                       | 5,841     | 3,200                      | 3,200                       | 3,264                            | 3,329          | 3,396          | 13,189                   |
| Unallocated budget - Priority schemes to be confirmed | -  | -   | -                                | -                       | -         | -                          | -                           | -                                | -              | 7,233          | 7,233                    |
| <b>Subtotal HRA</b>                                   | <b>42,011</b>                                | <b>43,260</b>                               | <b>(10,593)</b>                  | <b>2,273</b>            | <b>-</b>  | <b>(8,320)</b>             | <b>34,940</b>               | <b>58,791</b>                    | <b>37,697</b>  | <b>21,022</b>  | <b>152,450</b>           |
| <b>Decent Neighbourhood Schemes:</b>                  |  |   |                                  |                         |           |                            |                             |                                  |                |                |                          |
| Earls Court Buy Back Costs                            | 2,424  | 2,400                                       | -                                | (550)                   | -         | (550)                      | 1,850                       | 1,213                            | 5,269          | 5,381          | 13,713                   |
| Earls Court Project Team Costs                        | 835  | 835   | 13                               | -                       | -         | 13                         | 848                         | 988                              | 2,126          | 2,184          | 6,146                    |
| Housing Development Project                           | 2,549  | 2,810                                       | (502)                            | (12)                    | -         | (514)                      | 2,296                       | 1,144                            | -              | -              | 3,440                    |
| Stanhope Joint Venture                                | 10,352                                       | 6,055                                       | (2,047)                          | -                       | -         | (2,047)                    | 4,008                       | 13,147                           | 15,151         | 3,156          | 35,462                   |
| Affordable Housing Delivery Framework                 | 4,476  | 6,193                                       | (72)                             | (3,500)                 | -         | (3,572)                    | 2,621                       | 1,060                            | -              | -              | 3,681                    |
| Property Acquisition (Other Buybacks)                 | 4,900  | 6,012                                       | (4,000)                          | 5,216                   | -         | 1,216                      | 7,228                       | 4,000                            | -              | -              | 11,228                   |
| White City Estate Regeneration                        | -  | 1,452                                       | (2,268)                          | 2,880                   | -         | 612                        | 2,064                       | 1,728                            | 540            | -              | 4,332                    |
| Old Laundry Yard                                      | -  | -   | (900)                            | 1,300                   | -         | 400                        | 400                         | 900                              | -              | -              | 1,300                    |
| <b>Subtotal Decent Neighbourhoods</b>                 | <b>25,536</b>                                | <b>25,757</b>                               | <b>(9,776)</b>                   | <b>5,334</b>            | <b>-</b>  | <b>(4,442)</b>             | <b>21,315</b>               | <b>24,180</b>                    | <b>23,086</b>  | <b>10,721</b>  | <b>79,302</b>            |
| <b>Total Expenditure</b>                              | <b>67,547</b>                                | <b>69,017</b>                               | <b>(20,369)</b>                  | <b>7,607</b>            | <b>-</b>  | <b>(12,762)</b>            | <b>56,255</b>               | <b>82,971</b>                    | <b>60,783</b>  | <b>31,743</b>  | <b>231,752</b>           |
| <b>Adjustment for deferred costs</b>                  | <b>(835)</b>                                 | <b>(835)</b>                                | <b>(13)</b>                      | <b>-</b>                | <b>-</b>  | <b>(13)</b>                | <b>(848)</b>                | <b>(988)</b>                     | <b>(2,126)</b> | <b>(2,184)</b> | <b>(6,146)</b>           |
| <b>Total Net Expenditure</b>                          | <b>66,712</b>                                | <b>68,182</b>                               | <b>(20,382)</b>                  | <b>7,607</b>            | <b>-</b>  | <b>(12,775)</b>            | <b>55,407</b>               | <b>81,983</b>                    | <b>58,657</b>  | <b>29,559</b>  | <b>225,606</b>           |

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

| Economy Department- HRA Capital Programme                        | Current Year Programme                       |   |                                  |                        |           |                           | Indicative Future Years Analysis |                |                |                          |                             |       |
|--|--|---|----------------------------------|------------------------|-----------|---------------------------|----------------------------------|----------------|----------------|--------------------------|-----------------------------|-------|
|  | Analysis of Movements (Revised budget to Q1) |   |                                  |                        |           |                           | 2020/21 Budget                   | 2021/22 Budget | 2022/23 Budget | Total Budget (All years) |                             |       |
|  | 2019/20 Original Budget                      | 2019/20 Revised Budget as @ 2018/19 Outturn | Slippages from/(to) future years | Additions/(Reductions) | Transfers | Total Transfers/Virements |                                  |                |                |                          | Revised Budget 2019/20 (Q1) | £'000 |
| £'000  | £'000  | £'000                                       | £'000                            | £'000                  | £'000     | £'000                     | £'000                            | £'000          | £'000          | £'000                    | £'000                       |       |
| <b>Capital Financing Summary</b>                                 |  |   |                                  |                        |           |                           |                                  |                |                |                          |                             |       |
| <b>Specific/External or Other Financing</b>                      |  |   |                                  |                        |           |                           |                                  |                |                |                          |                             |       |
| Contributions from leaseholders                                  | 4,507  | 6,207                                       | -                                | -                      | -         | -                         | 6,207                            | 3,871          | 4,240          | 4,014                    | 18,332                      |       |
| Grants and Contributions from Private Developers (includes S106) | 7,860  | 4,915                                       | (1,920)                          | 8                      | -         | (1,912)                   | 3,003                            | 9,703          | 10,606         | 2,210                    | 25,522                      |       |
| Capital Grants/Contributions from Non-departmental public bodies | 270  | 270   | -                                | -                      | -         | -                         | 270                              | 270            | 290            | -                        | 830                         |       |
| <b>Sub-total - Specific or Other Financing</b>                   | <b>12,637</b>                                | <b>11,392</b>                               | <b>(1,920)</b>                   | <b>8</b>               | <b>-</b>  | <b>(1,912)</b>            | <b>9,480</b>                     | <b>13,844</b>  | <b>15,136</b>  | <b>6,224</b>             | <b>44,684</b>               |       |
| <b>Mainstream Financing (Internal Council Resource)</b>          |  |   |                                  |                        |           |                           |                                  |                |                |                          |                             |       |
| Capital Receipts (HRA)   | 13,625                                       | 17,384                                      | (1,512)                          | (3,605)                | -         | (5,117)                   | 12,267                           | 11,919         | 8,797          | 5,397                    | 38,380                      |       |
| Major Repairs Reserve (MRR) / Major Repairs Allowance            | 23,354                                       | 23,967                                      | (4,048)                          | (563)                  | -         | (4,611)                   | 19,356                           | 15,921         | 16,668         | 17,008                   | 68,953                      |       |
| Use of Reserves (Fire Safety EMR)                                | 6,443  | 7,747                                       | 1,632                            | -                      | -         | 1,632                     | 9,379                            | 2,594          | -              | -                        | 11,973                      |       |
| <b>Sub-total - Mainstream Funding</b>                            | <b>43,422</b>                                | <b>49,098</b>                               | <b>(3,928)</b>                   | <b>(4,168)</b>         | <b>-</b>  | <b>(8,096)</b>            | <b>41,002</b>                    | <b>30,434</b>  | <b>25,465</b>  | <b>22,405</b>            | <b>119,306</b>              |       |
| <b>Borrowing(HRA)</b>  | <b>10,653</b>                                | <b>7,692</b>                                | <b>(14,534)</b>                  | <b>11,767</b>          | <b>-</b>  | <b>(2,767)</b>            | <b>4,925</b>                     | <b>37,705</b>  | <b>18,056</b>  | <b>930</b>               | <b>61,616</b>               |       |
| <b>Total Capital Financing</b>                                   | <b>66,712</b>                                | <b>68,182</b>                               | <b>(20,382)</b>                  | <b>7,607</b>           | <b>-</b>  | <b>(12,775)</b>           | <b>55,407</b>                    | <b>81,983</b>  | <b>58,657</b>  | <b>29,559</b>            | <b>225,606</b>              |       |

## Appendix 2 – Analysis of budget variations

| Variation by department  | Amount<br>£000 |
|--|----------------|
| <b>Children's Services</b>   |                |
| School's organisation strategy – budget adjustments in respect of: <ul style="list-style-type: none"> <li>• Bridge Academy £(700,000) – to reflect the funding available</li> <li>• Ark Conway – £100,000 additional budget to reflect updated retention fees forecast and funding received</li> </ul> | (600)          |
| Schools Regeneration programme – new budget approved in March 2019   | 506            |
| <b>Total Children's Services variations</b>  | <b>(94)</b>    |
| <b>Social Care</b>   |                |
| Social care capital grant – proposed additional budget to fund various Social Care capital schemes funded from Disabled Facilities Grant and borrowing   | 511            |
| <b>Total Social Care variations</b>  | <b>511</b>     |
| <b>Environment Department</b>  |                |
| Planned Maintenance/DDA Programme – budget reprofiling due to delays in progressing projects   | (2,782)        |
| Budget reprofiling on other schemes – additional budget funded from S106 for various transport schemes   | 225            |
| Leisure Centres investment – new budget approved in February 2019  | 1,520          |
| Parks Programme – additional budget funded from S106   | 546            |
| <b>Total Environment Department variations</b>   | <b>(491)</b>   |
| <b>Finance and Governance</b>  |                |
| Desktop Strategy – reduction in capital budget as a result of forecast expenditure review  | (625)          |
| 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 forecast spend to be capitalised in 2019/20 and 2020/21   | (310)          |
| <b>Total Finance and Governance variations</b>   | <b>(935)</b>   |
| <b>General Fund schemes under Economy Department</b>   |                |
| Acquisition of Land at 207 King St – budget reprofiling to cover any residual legal costs  | (7)            |
| Hammersmith Town Hall Refurbishment – budget reprofiling resulting in slippage from future years to reflect actual expenditure forecast  | 173            |
| EdCity/Ark swift redevelopment – new budget of £64.8m approved by Full Council in April 2019. Slippage to future years of £57.4m as a result of budget reprofiling to reflect forecast spend.  | 7,194          |
| Nourish Project (Good Growth Fund) – new budget addition to reflect the actual GLA funding awarded – project approved via Leader's Urgency Decision in June 2018   | 900            |
| Joint Venture loan - reduction in forecast loan value for 19/20 as a result of recent scheme review  | (15,000)       |
| <b>Total General Fund schemes under Economy Department variations</b>  | <b>(6,740)</b> |
| <b>Economy Department (HRA) Schemes</b>  |                |
| HRA schemes – budget reprofiling to future years due to project delays and re-phasing  | (8,320)        |
| Property Acquisitions – April 2019 Cabinet report approved additional £5.2m for securing vacant possessions at Hartopp & Lannoy Point of which £1.2m is forecast in 2019/20 and the remaining balance in 2020/21   | 1,216          |
| White City Regeneration – additional £2.88m approved by Cabinet in June 2019 which has been profiled across 3 years from 2019/20 to 2021/22  | 612            |

| <b>Variation by department</b>  | <b>Amount<br/>£000</b> |
|---|------------------------|
| Earls Court – reduction due to actual number of buybacks being lower than forecast  | (550)                  |
| Housing Development projects: <ul style="list-style-type: none"> <li>• Spring Vale – £502,000 due to start on site delay</li> <li>• 23 Barons Court – £12,000 reduction on settlement of final accounts.</li> </ul>   | (514)                  |
| Old Laundry Yard Redevelopment – additional budget approved In July 2019  | 400                    |
| Stanhope Joint Venture – budget reprofiling on Edith Summerskill House redevelopment due to delayed start on site now expected to commence in October 2019  | (2,047)                |
| Affordable Housing Delivery Framework – £72,000 on Emlyn Garden due to re-profiling based on construction contract cashflow forecast received from SBHA. £11.171m of uncommitted affordable housing delivery grant has been removed to re-allocate to other projects being proposed, which includes £3.5m removed in 2019/20. | (3,572)                |
| <b>Total Economy Department (HRA) variations</b>  | <b>(12,775)</b>        |
| <b>Total 2019-20 Q1 variations</b>  | <b>(20,524)</b>        |



### Appendix 3 – General Fund forecast capital receipts

| Financial Year         | Previous Forecast<br>£'000s | Movement/<br>Slippage<br>£'000s | 2019/20<br>Forecast at Q1<br>£'000s |
|------------------------|-----------------------------|---------------------------------|-------------------------------------|
| <b>2019/20</b>         |                             |                                 |                                     |
| <b>Total 2019/20</b>   | -                           | 4,208                           | 4,208                               |
|                        |                             |                                 |                                     |
| <b>2020/21</b>         |                             |                                 |                                     |
| <b>Total 2020/21</b>   | -                           | -                               | -                                   |
|                        |                             |                                 |                                     |
| <b>2021/22</b>         |                             |                                 |                                     |
| <b>Total 2021/22</b>   | -                           | -                               | -                                   |
|                        |                             |                                 |                                     |
| <b>2022/23</b>         |                             |                                 |                                     |
| <b>Total 2022/23</b>   | 3,456                       | -                               | 3,456                               |
| <b>Total All Years</b> | 3,456                       | 4,208                           | 7,664                               |

## 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.

## Appendix 5 – Housing Compliance and Health and Safety Programme

| HRA Capital Programme: Health & Safety budget and forecast as at Q1 2019-20   |  |   |  |  |  |
|---|--|---|--|--|--|
| APPROVED SCHEMES  | 2019/20 Q1<br>Approved<br>Budget- Total<br>(Cabinet 1 July<br>2019)<br>£'000 | 2019/20 Q1<br>Forecast<br>Spend- Total<br>£'000 | 2019/20 Q1<br>Approved<br>Budget for 2019-<br>20 (Cabinet 1<br>July 2019)<br>£'000 | 2019/20<br>Forecast as at<br>Q1<br>£'000 | 2019/20<br>Forecasted<br>Variance<br>£'000 |
| <b>Fire Safety Compliance Programme</b>                                       |  |   |  |  |  |
| 10+ Storey and High Risk Fire Safety Works Inc. Dry Risers                    | 4,900  | 4,900   | 1,500  | 1,500                                    |  |
| Sheltered, Hostels and Higher Risk Premises Fire Doors                        | 3,600  | 3,600   | 1,000  | 1,000                                    |  |
| Compartmentation and fire stopping - Fire Risk Assessments                    | 3,400  | 3,400   | 500  | 500                                      |  |
| FD60 and Spandrel/Infill panel replacement                                    | 3,996  | 3,996   | 666  | 666                                      |  |
| Automated Fire Detection  | 2,700  | 2,700   | 500  | 500                                      |  |
| Fire Risk Assessors   | 1,800  | 1,800   | 600  | 300                                      | (300)                                      |
| Cox House   | 1,612  | 1,612   | 712  | 1,112                                    | 400  |
| Horton House  | 1,612  | 1,612   | 712  | 1,112                                    | 400  |
| Wet Risers, Sprinklers and associated Fire Protection Initiatives             | 2,000  | 2,000   |  |  |  |
| <b>Subtotal Fire Safety Compliance Programme</b>                              | <b>25,620</b>  | <b>25,620</b>                                   | <b>6,190</b>   | <b>6,690</b>                             | <b>500</b>                                 |
| <b>Fire Safety Complex Schemes</b>  |  |   |  |  |  |
| Charecroft Towers (including Roseford, Woodford, Shepherd and Bush Lifts)     | 25,052   | 25,052  | 4,752  | 1,000                                    | (3,752)                                    |
| Edward Woods  | 2,050  | 2,050   | 1,025  | 1,025                                    |  |
| Hartopp and Lannoy  | 3,500  | 3,500   | 1,000  | 500                                      | (500)                                      |
| Jepson House (Fire Doors accounted for in '10+ Storey Fire Safety Programme ) | 528  | 528   | 164  | 164                                      |  |
| <b>Subtotal Fire Safety Complex Schemes</b>                                   | <b>31,130</b>  | <b>31,130</b>                                   | <b>6,941</b>   | <b>2,689</b>                             | <b>(4,252)</b>                             |
| <b>Safety Works - Electrical</b>  |  |   |  |  |  |
| Warden Call System Upgrades   | 1,954  | 1,950   | 950  | 1,950                                    | 1,000                                      |
| Controlled Access Programme   | 2,400  | 2,400   | 800  | 400                                      | (400)                                      |
| Waterhouse Close - Fire Alarm System  | 1  |   |  |  |  |
| Landlord's Electrical Installations   | 4,100  | 4,100   | 500  | 500                                      |  |
| Roseford, Woodford and Shepherd Extract Systems                               | 26   |   |  |  |  |
| LED Programme   | 5,874  | 5,874   |  |  |  |
| Lightning Conductors  | 500  | 500   | 250  | 150                                      | (100)                                      |
| Energy Performance Certifications   | 400  | 400   | 50   | 50                                       |  |
| <b>Subtotal Safety Works - Electrical</b>                                     | <b>15,255</b>  | <b>15,224</b>                                   | <b>2,550</b>   | <b>3,050</b>                             | <b>500</b>                                 |
| <b>Safety Works - Other</b>   |  |   |  |  |  |
| CCTV Installations  | 1,200  | 1,200   | 1,200  | 300                                      | (900)                                      |
| Disabled Adaptations  | 3,461  | 2,500   | 800  | 800                                      |  |
| Water Supply - continuing programme   | 150  | 150   | 150  | 150                                      |  |
| Compliance Concrete/Structural works Contingency                              | 2,161  | 2,161   |  |  |  |
| <b>Subtotal Safety Works - Other</b>  | <b>6,972</b>   | <b>6,011</b>                                    | <b>2,150</b>   | <b>1,250</b>                             | <b>(900)</b>                               |
| <b>Total</b>  | <b>78,977</b>  | <b>77,985</b>                                   | <b>17,831</b>  | <b>13,679</b>                            | <b>(4,152)</b>                             |

