

## London Borough of Hammersmith & Fulham

**Report to:** Cabinet

**Date:** 01/02/2021

**Subject:** Capital Programme Monitor & Budget Variations, 2020/21 (Third Quarter)

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

**Responsible Director:** Emily Hill, Director of Finance

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### SUMMARY

This report provides a financial update on the council's capital programme and requests approval for budget variations to the capital programme.

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### RECOMMENDATIONS

1. To approve the proposed budget variations to the capital programme totalling £1.6m (summarised in Table 1 and detailed in Appendix 2).
2. To approve additional budget of £1,223,000 funded from borrowing (£432,000) and external grants (£791,000), to complete various transport and parks schemes (see Appendix 2 for detail).
3. To approve an additional budget of £0.9m, and funding acceptance regarding a grant award from BEIS (Department for Business, Energy and Industrial Strategy) for Social Housing Decarbonisation and note that this will be supported by £1.6m of funding from the existing HRA Asset Management and Compliance Programme.
4. To note the potential risks regarding the Housing Capital Programme, as summarised in paragraphs 26, 27 and 28.

**Wards Affected:** All

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### H&F Priorities

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

<b>Our Priorities</b>	<b>Summary of how this report aligns to the H&amp;F Priorities</b>
Being ruthlessly	All capital investment decisions are required to be underpinned by a robust business plan that sets out the full costs and risks

financially efficient	<p>and any expected financial return alongside the broader outcomes including economic and social benefits.</p> <p>This report provides detailed analysis of the Council's capital programme financial position and highlights any potential risks and their impact on the Council's resources.</p>
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## Financial Impact

This report is wholly of a financial nature. The headline movements are:

- a net decrease in the 4-year capital programme of £24.6m to £470.6m.
- a net increase in forecast 2020-21 expenditure of £1.6m (0.3% of the approved budget). The variations are detailed in Appendix 2.

Covid-19 is impacting on the previously approved capital programme:

- a number of schemes have experienced delays due to social distancing restrictions.
- the pandemic, and the potential for an economic downturn, may affect the expected costs, market and viability of schemes – this will be kept under review and mitigating actions will be considered as necessary
- whilst not impacting on this quarter, the originally approved capital budget has been significantly reduced due to the loss of TfL grants and the resulting removal of those capital schemes.

Headline General Fund (GF) borrowing is forecast to increase by £40.1m over the next four years to support capital investment. This would result in an estimated additional revenue budget outgoing of £2.4m per annum by 2024-25. General Fund capital receipts can reduce future borrowing and/or protect use of reserves. The council's property transformation strategy is reviewing all its assets in a systematic way as part of asset management best practice. As part of this review surplus assets may be identified for sale that can support the capital programme.

The revenue borrowing cost consists of an interest charge and a sum set aside for debt repayment (known as the minimum revenue provision (MRP)). All council borrowing is currently taken from the Government (Public Works Loan Board (PWLB)). HM Treasury have announced 1% decrease in the PWLB interest rate which will potentially decrease the Council's future borrowing costs by £10,000 per annum for every £1m borrowed over a 50-year loan period.

The Housing Revenue Account 2020-21 borrowing requirement (CFR) is forecast to increase by £12.9m to £228.7m. By the end of 2023-24 the HRA CFR is forecast to be £296.6m as detailed in paragraph 20 of the report.

An adjustment is also proposed to the Housing Revenue Account capital programme regarding an additional grant award of £900,000 for Social Housing Decarbonisation Project.

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## **Legal Implications**

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

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### **Background Papers Used in Preparing This Report**

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

- Capital Programme 2020-24 (published February 2020)
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## CAPITAL PROGRAMME 2020-21 – Q3 OVERVIEW

- The Council's capital programme as at the end of Quarter 3 is summarised in Table 1. Budgeted expenditure on the four-year programme has decreased by £24.6m to £470.6m. This movement is largely explained by a restatement of the loans arising regarding the Civic Campus development to reflect the latest expected cashflows, since the second quarter.

Table 1 – LBHF Capital Programme 2020-24 with proposed 2020-21 Q3 variations

	Analysis of Movements (Q2 budget to Q3)					Revised Budget 2020/21 (Q3) £'000	Future years indicative budget £'000	Total Budget (All years) £'000
	Revised Budget 2020/21 (Q2) £'000	Slippages from/(to) future years £'000	Addition/(Reduction) £'000	Transfers £'000	Total Variations £'000			
<b>CAPITAL EXPENDITURE</b>								
Children's Services	883	-	-	-	-	883	4,966	5,849
Social Care	3,329	(957)	-	-	(957)	2,372	957	3,329
Environment Department	10,122	-	1,102	-	1,102	11,224	8,540	19,764
Finance	1,612	-	-	-	-	1,612	4,430	6,042
General Fund Schemes under the Economy Department	30,300	(5,106)	8,778	(1,870)	1,802	32,102	134,395	166,497
<b>Sub-total (General Fund)</b>	<b>46,246</b>	<b>(6,063)</b>	<b>9,880</b>	<b>- 1,870</b>	<b>1,947</b>	<b>48,193</b>	<b>153,288</b>	<b>201,481</b>
Economy Department-HRA Programme	54,387	(2,196)	-	1,870	(326)	54,061	215,076	269,137
<b>Sub-total Economy Department (HRA)</b>	<b>54,387</b>	<b>(2,196)</b>	<b>-</b>	<b>1,870</b>	<b>(326)</b>	<b>54,061</b>	<b>215,076</b>	<b>269,137</b>
<b>Total Expenditure</b>	<b>100,633</b>	<b>(8,259)</b>	<b>9,880</b>	<b>-</b>	<b>1,621</b>	<b>102,254</b>	<b>368,364</b>	<b>470,618</b>
<b>CAPITAL FINANCING</b>								
<b>Specific/External Financing:</b>								
Government/Public Body Grants	3,783	(957)	-	-	(957)	2,826	5,923	8,749
Grants and Contributions from Private Developers (includes S106/CIL)	10,634	(1,279)	429	108	(742)	9,892	49,380	59,272
Capital Grants/Contributions from Non-departmental public bodies	1,665	-	367	-	367	2,032	-	2,032
Capital Grants and Contributions from GLA Bodies	3,082	(1,832)	1,588	-	(244)	2,838	1,024	3,862
Leaseholder Contributions (Housing)	2,891	-	-	-	-	2,891	10,573	13,464
<b>Sub-total - Specific Financing</b>	<b>22,055</b>	<b>(4,068)</b>	<b>2,384</b>	<b>108</b>	<b>(1,576)</b>	<b>20,479</b>	<b>66,900</b>	<b>87,379</b>
<b>Mainstream Financing (Internal):</b>								
Capital Receipts - General Fund	1,612	-	-	1,323	1,323	2,935	12,706	15,641
Capital Receipts - HRA	8,296	-	715	(1,323)	(608)	7,688	23,676	31,364
Major Repairs Reserve (MRR)	26,423	-	-	-	-	26,423	49,963	76,386
Earmarked Reserves (Revenue)	915	-	(121)	-	(121)	794	45	839
<b>Sub-total - Mainstream Funding</b>	<b>37,246</b>	<b>-</b>	<b>594</b>	<b>-</b>	<b>594</b>	<b>37,840</b>	<b>86,390</b>	<b>124,230</b>
<b>Borrowing-General Fund</b>	<b>26,679</b>	<b>6,264</b>	<b>(2,519)</b>	<b>(108)</b>	<b>3,637</b>	<b>30,316</b>	<b>105,228</b>	<b>135,544</b>
<b>Borrowing -HRA</b>	<b>14,653</b>	<b>(10,455)</b>	<b>9,421</b>	<b>-</b>	<b>(1,034)</b>	<b>13,619</b>	<b>109,846</b>	<b>123,465</b>
<b>Total Capital Financing</b>	<b>100,633</b>	<b>(8,259)</b>	<b>9,880</b>	<b>-</b>	<b>1,621</b>	<b>102,254</b>	<b>368,364</b>	<b>470,618</b>

- The forecast 2020-21 spend is £1.6m higher than last reported in the second quarter. The main adjustments are for the reprofiling of budgets to/from future years, alignment of budgets and new budgets approved in the last quarter. Full details are included in Appendix 2, the most significant changes being:
  - budget reprofiling to future years for Building Homes and Communities Strategy schemes (£1.4m), Extra Care New Build Project (£1m), Lillie

Road (£1.7m), North End Road Good Growth Fund (£1.1m), Carnwath Road (£1.9m), Civic Campus refurbishment (£1.8m) and Education City (£8.3m)

- budget reprofiling from future years for Civic Campus acquisition of commercial units (£10.1m)
  - budget reductions for Civic Campus equity loan (£4.4m)
  - budget additions for transport schemes (£1.2m), Lillie Road (£1.8m) and North End Road Good Growth Fund (£2.2m), Education City (£8.5m)
3. The 2020-21 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. This remaining budget is not included in the current capital programme and the Capital Financing Requirement (CFR) forecast but will be added should its use be approved.

### **GENERAL FUND – MAINSTREAM PROGRAMME AND CAPITAL RECEIPTS**

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

**Table 2 – LBHF GF Mainstream Capital Programme 2020-24 with proposed 2020-21 Q3 variations:**

	Revised Budget 2020/21 (Q2)	Variations (Q3)	Revised Budget 2020/21 (Q3)	Indicative Budget 2021/22	Indicative Budget 2022/23	Indicative Budget 2023/24	Total Budget (All years)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Approved Expenditure</b>							
<b>Ad Hoc Schemes:</b>							
Social Care Capital projects [ASC]	129	-	129	-	-	-	129
Invest to Save-Flexible Use of Capital Receipts	1,612	-	1,612	4,430	-	-	6,042
Capital Investment in Street Lighting [ENV]	831	-	831	269	-	-	1,100
WMC JV Exit Costs [ECD]	3,491	-	3,491	-	-	-	3,491
Carnwath Road [ECD]	1,870	(1,870)	-	1,870	-	-	1,870
Hammersmith Bridge [ENV]	965	515	1,480	-	-	-	1,480
P&D Upgrade and Pay by Phone [ENV]	30	-	30	-	-	-	30
Other Highways Capital Schemes [ENV]	337	(234)	103	17	-	-	120
North End Road - Good Growth Fund [ECD]	-	610	610	610	-	-	1,220
HRA Watermeadow adjustment [ECD]	-	1,323	1,323	109	-	-	1,432
Hammersmith Town Hall Refurbishment* [ECD]	750	(750)	-	-	1,300	-	1,300
Hammersmith Town Hall Fit Out* [ECD]	-	-	-	7,256	2,725	-	9,981
Schools Regeneration Programme [ECD]	1,914	(89)	1,825	89	-	-	1,914
Education City regeneration [ECD]	429	(429)	-	-	-	-	-
Education City regeneration- Youth Facility [ECD]	-	-	-	875	2,625	-	3,500
Acquisition of Cinema Site [ECD]	72	-	72	-	-	-	72
Farm Lane/Mund Street [ECD]	-	-	-	2,004	-	-	2,004
Investment in Affordable Housing-Lillie Road Site [ECD]	-	75	75	1,727	-	-	1,802
Planned Maintenance/DDA Programme [ECD]	3,788	-	3,788	5,268	2,400	2,400	13,856
Electric Vehicles [ENV]	-	-	-	549	-	-	549
Footways and Carriageways [ENV]	2,397	-	2,397	2,030	2,030	2,030	8,487
Column Replacement [ENV]	346	-	346	346	346	346	1,384
Public CCTV [ENV]	-	12	12	-	-	-	12
Parks Programme & Libraries [ENV]	322	139	461	-	-	-	461
<b>Total Mainstream Programmes</b>	<b>19,283</b>	<b>(698)</b>	<b>18,585</b>	<b>27,449</b>	<b>11,426</b>	<b>4,776</b>	<b>62,236</b>
<b>Financing</b>							
Capital Receipts	1,612	1,323	2,935	12,706	-	-	15,641
Increase/(Decrease) in Borrowing	17,671	(2,021)	15,650	14,743	11,426	4,776	46,595
<b>Total Financing</b>	<b>19,283</b>	<b>(698)</b>	<b>18,585</b>	<b>27,449</b>	<b>11,426</b>	<b>4,776</b>	<b>62,236</b>

- The 2020-21 Q3 mainstream programme has decreased by £0.7m in comparison to the second quarter. Table 2 details the movements.
- The mainstream programme presented in Table 2 does not include self-financing schemes (where the net General Fund revenue borrowing costs are nil). Appendix 5 details the self-financing schemes and their borrowing requirement.
- A key financial focus of the capital monitoring report is the potential impact of capital expenditure on future borrowing and its revenue affordability. The Council's underlying need to borrow for a capital purpose is measured through the CFR. The current forecast for the General Fund Headline CFR (excluding the self-financing schemes set out in Appendix 5) is £128.7m at the end of 2020-21, an in-year increase of £14.6m.
- The amendments to the General Fund (GF) capital programme have affected the Council's forecast headline capital debt (CFR) as follows:

	<b>Last forecast (2020/21 Q2)</b>	<b>Current forecast (2020/21 Q3)</b>
<b>General Fund CFR</b>	<b>£m</b>	<b>£m</b>
2019/20 Closing CFR (actual)	114.08	114.08
2020/21 Closing CFR	130.68	128.66
2023/24 Closing CFR	185.32	154.49

9. The underlying need to borrow is forecast to increase by £40.1m over the next four years to support capital programme. By 2024-25 this will increase annual revenue borrowing costs by an estimated £2.4m. This will need to be allowed for within future budget planning and the medium-term financial strategy process.
10. The borrowing requirement includes £12.8m regarding the Civic Campus programme and Hammersmith Town Hall refurbishment. The overall scheme also includes planned funding of £33.7m from the Community Infrastructure Levy (CIL). The borrowing forecast is sensitive to the timing and amount of CIL receipts.
11. The General Fund capital programme includes budgets for several regeneration schemes that are at an early stage. These include £4.5m for Farm Lane and Mund Street developments, £1.9m for Schools Regeneration and £1.8m for Lillie Road redevelopment. Should these schemes not fully progress there is a risk that some, or all, of the expenditure may need to be written off to revenue. In line with the arrangements agreed in the Building Homes and Communities Strategy, the Development Board is providing a gateway and governance process for these schemes before commitment of funds.
12. The previously approved budget for Education City is in the council's general fund capital programme. However, as per the Cabinet report which reviewed the scheme in November 2020, as the residential part of the scheme is now all affordable, the cost of the residential development will be reported in the HRA capital programme. This includes the Adult Education and Nursery which are to be built underneath the residential buildings. The General Fund programme will still contain £5.25m grant to Ark for development of Youth Facility, funded from borrowing (£3.5m) and S106 (£1.75m).
13. The timing of the actual appropriation (which transfers the land from the General Fund to the HRA) is to be confirmed but is expected to be prior to build completion and will be reported through the council's quarterly capital budget monitoring process. Such an appropriation would trigger a transfer of debt from the general fund to the HRA equal to an appropriate valuation of the site. The legal and financial details of this will be set out in a future decision. For monitoring purposes, the current capital programme assumes the split between General Fund and HRA, as per Cabinet recommendation. However, should the scheme be cancelled before the completion of HRA affordable homes, there is a risk that costs associated with the termination could impact GF revenue budgets.
14. In November 2020, Cabinet made a recommendation for the Full Council to approve a loan of up to £35 million to Ark for the construction of the office block at Education City, subject to receipt of satisfactory legal and financial advice

and state aid advice. The loan and its financial implications will be included in capital programme if it is approved by Full Council.

15. Due to the impact of Covid-19, previously anticipated TfL annual funding for various transport schemes has not been confirmed for 2020-21 and future years. Other schemes have already been committed, including essential works to Hammersmith Bridge and highways, for which expected TfL and section 106 contributions have not been confirmed. Budget and funding adjustments of £0.432m are proposed to fund such expenditure from borrowing and will be updated should alternative funding sources be identified. This is in addition to £1.016m approved at quarter 2. The increase in borrowing requirement of £1.448m will result in an estimated £86,000 of future annual borrowing costs.
16. Forecast net General Fund capital receipts have increased by £1.3m in 2020-21 and £11.9m in 2021-22. This is largely due to the planned disposal of Watermeadow Court. The receipts will be used to fund previous commitments to current capital schemes and invest to save expenditure. This application is in line with the Council's reserve strategy and action plan. The General Fund capital programme also includes capital receipts of £2.4m carried forward to 2020-21. These will support invest to save expenditure and IT investment to protect use of the Council's reserves.
17. There are currently no new forecast general fund capital receipts beyond 2021-22. However, the Council's Property Transformation Strategy is systematically reviewing all assets as part of asset management best practice. As part of this programme, surplus assets may be identified that cannot be re-purposed for other uses and that could be sold for a capital receipt to support the capital programme. Any decisions on asset disposals will be the subject of a future report.

## **HOUSING CAPITAL PROGRAMME OVERVIEW**

18. Housing Capital expenditure for 2020-21 is forecast at £54.1m and for the four-year programme to 2023-24 spend is expected to be £269.1m. The expenditure and funding analysis of the Housing Programme is summarised in Table 3 below.



**Table 3 – Housing Capital Programme 2020-24 with proposed 2020-21 Q3 variations**

	Revised Budget 2020/21 (Q2)	Total Variations	Revised Budget 2020/21 (Q3)	Indicative 2021/22 Budget	Indicative 2022/23 Budget	Indicative 2023/24 Budget
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Approved Expenditure</b>						
HRA Asset Management and Compliance Programme	39,967	(370)	39,597	53,570	33,689	27,023
Building Homes and Communities Strategy	2,481	422	2,903	13,511	18,883	36,366
Other HRA Capital Schemes	11,939	(378)	11,561	7,163	13,726	11,145
<b>Total Housing Programme</b>	<b>54,387</b>	<b>(326)</b>	<b>54,061</b>	<b>74,244</b>	<b>66,298</b>	<b>74,534</b>
<b>Available and Approved Resource</b>						
Capital Receipts - Unrestricted	5,221	(2,364)	<b>2,857</b>	3,172	3,280	3,031
Capital Receipts - RTB (141)	3,075	1,756	<b>4,831</b>	2,708	7,762	3,723
Capital Receipts - GF	-	1,323	<b>1,323</b>	109	-	-
Major Repairs Reserve (MRR)	26,423	-	<b>26,423</b>	16,245	16,651	17,067
Contributions Developers (S106)	725	-	<b>725</b>	3,985	9,103	7,422
Insurance claims	780	-	<b>780</b>	-	-	-
Contributions from leaseholders	2,891	-	<b>2,891</b>	5,380	3,791	1,402
Capital Grants and Contributions from GLA Bodies	619	(7)	<b>612</b>	7	392	-
Borrowing	14,653	(1,034)	<b>13,619</b>	42,638	25,319	41,889
<b>Total Funding</b>	<b>54,387</b>	<b>(326)</b>	<b>54,061</b>	<b>74,244</b>	<b>66,298</b>	<b>74,534</b>

19. Within the Housing Capital Programme there has been a net budget decrease of £0.3m. Detailed analysis of the budget variances is presented in Appendix 2. The risks associated with funding the future years' Housing Capital Programme are summarised in paragraphs 26-28.

20. The HRA CFR is shown in Table 4 below:

**Table 4 – HRA CFR at Q3 2020-21 (including future years forecast)**

HRA CFR Forecast	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
Closing Forecast HRA CFR	215.76	228.67	271.31	296.63	338.52

21. The Housing Revenue Account 2020-21 CFR has increased by £12.92m in comparison to 2019-20. This is mainly due to 2019-20 budgets being reprofiled to 2020-21. The HRA CFR is forecast to increase to £338.52m by the end of 2023-24.

22. The impact of an increase in HRA CFR on HRA revenue budgets is assessed in the HRA Business Plan and the Financial Plan for Council Homes (HRA Financial Strategy) 2020-21 which was approved by the Cabinet in February 2020. The total borrowing costs affecting HRA revenue budgets will be affirmed

once the factors such as interest rates and potential capitalisation of borrowing costs have been confirmed.

23. The HRA CFR presented in Table 4 now includes expenditure on the Education City affordable housing units, nursery and adult education centre, as approved by the Cabinet in November 2020. £9.6m of capital receipts are anticipated to be received from sale of shared ownership units on their completion in 2024/25 and will be applied to reduce HRA CFR by the same amount.
24. On 1 July 2019 Cabinet approved the Council's new Asset Management and Compliance Programme which has a focus on health and safety works. 2020-21 forecast spend at Q3 includes £9m of expenditure related to Health & Safety, of which £5.9m is on specific fire safety capital works as detailed in table 5 below.

**Table 5 – Compliance and Health and Safety spend 2020-21**

HRA Capital Programme: Health & Safety budget and forecast as at P7 (Quarter 3) 2020-21						
	Total Approved Budget £'000	Total Spend Forecast £'000	Approved Budget 2020-21 £'000	2020-21 Forecast at Q3 £'000	2020-21 Forecast Variance £'000	2020-21 Actual Spend at P7 £'000
<b>APPROVED SCHEMES</b>						
Fire Safety Compliance Programme	24,425	25,350	7,367	4,468	(2,899)	2,159
Fire Safety Complex Schemes	26,816	29,316	890	1,447	557	1,264
Safety Works - Electrical	13,452	13,236	2,908	2,106	(802)	692
Safety Works - Other	6,077	6,077	1,016	946	(70)	712
<b>Total</b>	<b>70,770</b>	<b>73,979</b>	<b>12,181</b>	<b>8,967</b>	<b>(3,214)</b>	<b>4,827</b>

25. The Council has been awarded £0.9m grant from the Department for Business, Energy and Industrial Strategy's for Social Housing Decarbonisation project. The total cost of the project will be £2.5m, with remaining £1.6m of funding coming from the existing HRA Asset Management and Compliance Programme. The scheme will run a demonstrator decarbonisation project on 30 street properties currently identified at the West Kensington estate which will pave the way for future decarbonisation works. The London Borough of Barking & Dagenham is the scheme's leading local authority. Following the successful bid and grant acceptance the Council is required to enter into a Collaboration Agreement with Barking & Dagenham and other partners in the scheme. This Agreement will regulate the Council's use of its allocated portion of the grant.

## HOUSING CAPITAL PROGRAMME RISKS

26. The following risks associated with funding of future years' expenditure have been identified within the Housing Capital programme:
27. **S106 Funding:** The proposed programme for 2020/21 – 2023/24 relies on £25m of S106 receipts for affordable housing, of which £17m has been received to date with the remainder dependent on the associated developments proceeding in a timely manner. The impact of Covid-19 on the progress of developments and related developer contributions is being monitored jointly with Finance and Planning and mitigating actions will be considered if necessary, such as substituting other funding in the Housing programme.
28. **Right to buy funding:** Right to Buy (RTB) one for one receipts need to be repaid with interest to Central Government where affordable housing schemes

do not proceed to programme. These receipts are ringfenced to the provision of affordable housing within three years of receipt and the Council's agreement with the GLA, allows a further three years to use the receipts. As at 1 April 2020, the GLA held £23.9m of Hammersmith & Fulham RTB receipts from the last two financial years. This is the equivalent of £80m<sup>1</sup> of capital expenditure delivered by the Council (or Housing Associations, if grant funded by Council) over the next two financial years. The existing approved Housing Development schemes and the pipeline of yet to be approved schemes<sup>2</sup> is sufficient to make use of these receipts if delivered on time. The Council can request for an extension to the three years where an approved programme is in place.

29. **Building Safety and Fire Safety Bills:** The Building Safety and Fire Safety Bills are currently going through Parliamentary process. These will significantly impact on the Council, particularly in its role as landlord. Whilst the Council has already approved its current Asset Management and Compliance Programme, which is included in the Capital Programme, it is likely that there will be additional safety requirements and further, potentially significant capital requirements, that will need to be considered. As a result, the current programme needs to be reviewed. Work is being undertaken to assess the cost of expected additional work and update the programme. Further updates and details will be reported to Cabinet in due course and as the bills make their way into law.

## REASONS FOR DECISION

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

## EQUALITY IMPLICATIONS

31. 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.

## IMPLICATIONS FOR BUSINESS

32. 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.

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

<sup>2</sup> The housing development pipeline was presented to Cabinet on 3 March 2020 in the report "Financial Plan for Council Homes".

33. 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.
34. Implications completed by: Nicki Burgess, Business and Enterprise Manager, Economic Development, Tel:07796610094.

## **RISK MANAGEMENT**

35. 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, particularly an issue following Covid-19 pandemic pressures or the end of the EU Transition and the impact of cost inflation if no trade deal is managed to be agreed by HM Government 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.
36. 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.
37. The report identifies a number of risks which may impact on the future funding of the Housing Capital Programme. It is important that strong corporate and directorate oversight and monitoring of these risks is maintained and appropriate ongoing assurances provided to councillors on the management of these risks.
38. The impact to councils of the Grenfell Tower fire are 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.

39. 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.
40. 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.
41. Proposals set out in this report seek to comply with the Council's legal duties.
42. Implications completed by: Michael Sloniowski, Risk Manager, Tel: 020 8753 2587.

## **VAT IMPLICATIONS**

43. 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. 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.
44. Implications verified by: Chris Harris, Chief Accountant, Corporate Finance, Tel: 020 8753 6440.

## **LIST OF APPENDICES:**

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

Appendix 2 – Analysis of budget variations

Appendix 3 – Capital receipts forecast

Appendix 4 – VAT partial exemption

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

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

### Children's Services

	Current Year Programme					Indicative Future Years Analysis				
	Analysis of Movements (Q2 budget to Q3)					Revised Budget 2020/21 (Q3)	2021/22 Budget	2022/23 Budget	2023/24 Budget	Total Budget (All years)
	Revised Budget 2020/21 (Q2)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements					
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Scheme Expenditure Summary</b>										
Schools Organisational Strategy	249	-	-	-	-	249	-	-	-	249
School Maintenance Programme	634	-	-	-	-	634	2,090	1,800	1,076	5,600
<b>Total Expenditure</b>	<b>883</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>883</b>	<b>2,090</b>	<b>1,800</b>	<b>1,076</b>	<b>5,849</b>
<b>Capital Financing Summary</b>										
<b>Specific/External or Other Financing</b>										
Capital Grants from Central Government	883	-	-	-	-	883	2,090	1,800	1,076	5,849
<b>Sub-total - Specific or Other Financing</b>	<b>883</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>883</b>	<b>2,090</b>	<b>1,800</b>	<b>1,076</b>	<b>5,849</b>
<b>Total Capital Financing</b>	<b>883</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>883</b>	<b>2,090</b>	<b>1,800</b>	<b>1,076</b>	<b>5,849</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 (Q2 budget to Q3)					Revised Budget 2020/21 (Q3)	2021/22 Budget	2022/23 Budget	2023/24 Budget	Total Budget (All years)
	Revised Budget 2020/21 (Q2)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements					
£'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	-	-	957
Disabled Facilities Grant	1,185	-	-	-	-	1,185	-	-	-	1,185
Transforming Care (Winterbourne Grant)	300	-	-	-	-	300	-	-	-	300
Social Care Capital Projects	887	-	-	-	-	887	-	-	-	887
<b>Total Expenditure</b>	<b>3,329</b>	<b>(957)</b>	-	-	<b>(957)</b>	<b>2,372</b>	<b>957</b>	-	-	<b>3,329</b>
<b>Capital Financing Summary</b>										
<b>Specific/External or Other Financing</b>										
Capital Grants from Central Government	2,900	(957)	-	-	(957)	1,943	957	-	-	2,900
Capital Grants/Contributions from Non-departmental public bodies	300	-	-	-	-	300	-	-	-	300
<b>Sub-total - Specific or Other Financing</b>	<b>3,200</b>	<b>(957)</b>	-	-	<b>(957)</b>	<b>2,243</b>	<b>957</b>	-	-	<b>3,200</b>
<b>Borrowing</b>	<b>129</b>	-	-	-	-	<b>129</b>	-	-	-	<b>129</b>
<b>Total Capital Financing</b>	<b>3,329</b>	<b>(957)</b>	-	-	<b>(957)</b>	<b>2,372</b>	<b>957</b>	-	-	<b>3,329</b>

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

Environment Department	Current Year Programme					Indicative Future Years Analysis				
	Analysis of Movements (Q2 budget to Q3)					Revised Budget 2020/21 (Q3)	2021/22 Budget	2022/23 Budget	2023/24 Budget	Total Budget (All years)
	Revised Budget 2020/21 (Q2)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements					
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Scheme Expenditure Summary</b>										
Footways and Carriageways	2,397	-	-	-	-	2,397	2,030	2,030	2,030	8,487
Transport For London Schemes	772	-	-	-	-	772	-	-	-	772
Safer Cycle Pathway (TFL/S278 funded)	376	-	-	-	-	376	-	-	-	376
Hammersmith Bridge Strengthening	1,115	-	853	-	853	1,968	-	-	-	1,968
Controlled Parking Zones	168	-	-	-	-	168	-	-	-	168
Column Replacement	323	-	-	-	-	323	346	346	346	1,361
LED Lighting Replacement Programme	23	-	-	-	-	23	-	-	-	23
P&D Upgrade and Pay by Phone	30	-	-	-	-	30	-	-	-	30
Other Highways Capital Schemes	1,690	-	353	-	353	2,043	17	-	-	2,060
Counters Creek (Thames Water funded)	167	-	-	-	-	167	-	-	-	167
Bloemfontein Road (Thames Water/Suds)	350	-	-	-	-	350	-	-	-	350
Public CCTV	-	-	12	-	12	12	-	-	-	12
Capital Investment in Street Lighting	831	-	-	-	-	831	269	-	-	1,100
Parks Capital Rolling Programme	197	-	2	-	2	199	-	-	-	199
Other Parks Capital Schemes	291	-	-	-	-	291	-	-	-	291
Shepherds Bush Common Improvements	2	-	-	-	-	2	-	-	-	2
Fulham Football Club -Bishops Park	234	-	(121)	-	(121)	113	-	-	-	113
Containers (Recycling/Food)	199	-	-	-	-	199	-	-	-	199
Electric Vehicles	182	-	-	-	-	182	594	-	-	776
Other (Delivery, RFID, Charge Points)	208	-	-	-	-	208	-	-	-	208
Libraries Investment Programme	2	-	3	-	3	5	-	-	-	5
Leisure Centre Capital Investment	565	-	-	-	-	565	392	140	-	1,097
<b>Total Expenditure</b>	<b>10,122</b>	<b>-</b>	<b>1,102</b>	<b>-</b>	<b>1,102</b>	<b>11,224</b>	<b>3,648</b>	<b>2,516</b>	<b>2,376</b>	<b>19,764</b>



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

**Environment Department**

Current Year Programme						Indicative Future Years Analysis			
Analysis of Movements (Q2 budget to Q3)						2021/22 Budget	2022/23 Budget	2023/24 Budget	Total Budget (All years)
Revised Budget 2020/21 (Q2)	Slippages from/(to) future years	Additions/(Reductions)	Transfers	Total Transfers/Virements	Revised Budget 2020/21 (Q3)				
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

**Capital Financing Summary**

Specific/External or Other Financing										
Grants and Contributions from Private Developers (includes S106/S278)	2,120	-	345	108	453	2,573	392	140	-	3,105
Capital Grants/Contributions from Non-departmental public bodies	597	-	-	-	-	597	-	-	-	597
Capital Grants and Contributions from GLA	1,263	-	338	-	338	1,601	-	-	-	1,601
<b>Sub-total - Specific or Other Financing</b>	<b>3,980</b>	<b>-</b>	<b>683</b>	<b>108</b>	<b>791</b>	<b>4,771</b>	<b>392</b>	<b>140</b>	<b>-</b>	<b>5,303</b>
Mainstream Financing (Internal Council Resource)										
Capital Receipts	-	-	-	-	-	-	1,056	-	-	1,056
Use of Reserves	915	-	(121)	-	(121)	794	45	-	-	839
<b>Sub-total - Mainstream Funding</b>	<b>915</b>	<b>-</b>	<b>(121)</b>	<b>-</b>	<b>(121)</b>	<b>794</b>	<b>1,101</b>	<b>-</b>	<b>-</b>	<b>1,895</b>
<b>Borrowing</b>	<b>5,227</b>	<b>-</b>	<b>540</b>	<b>(108)</b>	<b>432</b>	<b>5,659</b>	<b>2,155</b>	<b>2,376</b>	<b>2,376</b>	<b>12,566</b>
<b>Total Capital Financing</b>	<b>10,122</b>	<b>-</b>	<b>1,102</b>	<b>-</b>	<b>1,102</b>	<b>11,224</b>	<b>3,648</b>	<b>2,516</b>	<b>2,376</b>	<b>19,764</b>

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

Finance Department	Current Year Programme					Indicative Future Years Analysis				
	Analysis of Movements (Q2 budget to Q3)					Revised Budget 2020/21 (Q3)	2021/22 Budget	2022/23 Budget	2023/24 Budget	Total Budget (All years)
	Revised Budget 2020/21 (Q2)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements					
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Scheme Expenditure Summary</b>										
Invest to Save - Flexible Use of Capital Receipts	1,612	-	-	-	-	1,612	4,430	-	-	6,042
<b>Total Expenditure</b>	<b>1,612</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,612</b>	<b>4,430</b>	<b>-</b>	<b>-</b>	<b>6,042</b>
<b>Capital Financing Summary</b>										
<b>Mainstream Financing (Internal Council Resource)</b>										
Capital Receipts	1,612	-	-	-	-	1,612	4,430	-	-	6,042
<b>Sub-total - Mainstream Funding</b>	<b>1,612</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,612</b>	<b>4,430</b>	<b>-</b>	<b>-</b>	<b>6,042</b>
<b>Total Capital Financing</b>	<b>1,612</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,612</b>	<b>4,430</b>	<b>-</b>	<b>-</b>	<b>6,042</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				
	Analysis of Movements (Q2 budget to Q3)					Revised Budget 2020/21 (Q3)	2021/22 Budget	2022/23 Budget	2023/24 Budget	Total Budget (All years)
	Revised Budget 2020/21 (Q2)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements					
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Scheme Expenditure Summary</b>										
<b>Civic Campus</b>										
Acquisition of Land at 207 King St	72	-	-	-	-	72	-	-	-	72
Hammersmith Town Hall Refurbishment *	7,405	(1,841)	-	-	(1,841)	5,564	18,708	6,846	-	31,118
HTH Refurbishment -Fit Out	-	-	-	-	-	-	7,256	2,725	-	9,981
Acquisition of commercial units	-	10,110	-	-	10,110	10,110	17,793	33,603	1,494	63,000
Equity Loan (Civic Campus)	8,997	-	(4,440)	-	(4,440)	4,557	15,839	5,554	-	25,950
<b>Subtotal Civic Campus</b>	<b>16,474</b>	<b>8,269</b>	<b>(4,440)</b>	-	<b>3,829</b>	<b>20,303</b>	<b>59,596</b>	<b>48,728</b>	<b>1,494</b>	<b>130,121</b>
<b>Building Homes and Communities Strategy (GF sites)</b>										
Eduaction City -HRA element	1,629	(8,266)	8,507	(1,870)	(1,629)	-	-	-	-	-
Education City -Youth Facility	12	-	(12)	-	(12)	-	2,625	2,625	-	5,250
Schools Regeneration Programme	1,914	(89)	-	-	(89)	1,825	89	-	-	1,914
Farm Lane	139	(14)	-	-	(14)	125	1,145	-	-	1,270
Mund Street	215	(90)	-	-	(90)	125	3,109	-	-	3,234
Investment in Affordable Housing-Lillie Road Site	-	(1,727)	1,802	-	75	75	1,727	-	-	1,802
<b>Subtotal Building Homes and Communities Strategy (GF sites)</b>	<b>3,909</b>	<b>(10,186)</b>	<b>10,297</b>	<b>(1,870)</b>	<b>(1,759)</b>	<b>2,150</b>	<b>8,695</b>	<b>2,625</b>	-	<b>13,470</b>
<b>Other GF Capital Schemes managed by the Economy</b>										
Sands End Community Centre	768	(84)	451	-	367	1,135	84	-	-	1,219
Planned Maintenance/DDA Programme	3,788	-	-	-	-	3,788	5,268	2,400	2,400	13,856
Carwath Road	1,870	(1,870)	-	-	(1,870)	-	1,870	-	-	1,870
North End Road - Business Low Emissions Neighbourhood	-	(125)	250	-	125	125	125	-	-	250
North End Road - Good Growth Fund	-	(1,110)	2,220	-	1,110	1,110	1,110	-	-	2,220
WMC JV Exit Costs	3,491	-	-	-	-	3,491	-	-	-	3,491
<b>Subtotal Other GF Capital Schemes managed by the Economy</b>	<b>9,917</b>	<b>(3,189)</b>	<b>2,921</b>	-	<b>(268)</b>	<b>9,649</b>	<b>8,457</b>	<b>2,400</b>	<b>2,400</b>	<b>22,906</b>
<b>Total Expenditure</b>	<b>30,300</b>	<b>(5,106)</b>	<b>8,778</b>	<b>(1,870)</b>	<b>1,802</b>	<b>32,102</b>	<b>76,748</b>	<b>53,753</b>	<b>3,894</b>	<b>166,497</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) £'000	
	Analysis of Movements (Q2 budget to Q3)					2021/22 Budget £'000	2022/23 Budget £'000	2023/24 Budget £'000		
	Revised Budget 2020/21 (Q2) £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000					Revised Budget 2020/21 (Q3) £'000
<b>Specific/External or Other Financing</b>										
Grants and Contributions from Private Developers (includes S106)	354	(188)	84	-	(104)	250	4,084	-	-	4,334
Community Infrastructure Levy (CIL)	6,655	(1,091)	-	-	(1,091)	5,564	18,708	5,546	-	29,818
Capital Grants/Contributions from Non-departmental public bodies	768	-	367	-	367	1,135	-	-	-	1,135
Capital Grants and Contributions from GLA Bodies	1,200	(1,825)	1,250	-	(575)	625	625	-	-	1,250
<b>Sub-total - Specific or Other Financing</b>	<b>8,977</b>	<b>(3,104)</b>	<b>1,701</b>	<b>-</b>	<b>(1,403)</b>	<b>7,574</b>	<b>23,417</b>	<b>5,546</b>	<b>-</b>	<b>36,537</b>
<b>Mainstream Financing (Internal Council Resource)</b>										
Capital Receipts (HRA)	-	-	1,756	(1,756)	-	-	-	-	-	-
Capital Receipts (GF)	-	-	-	-	-	-	7,111	-	-	7,111
<b>Sub-total - Mainstream Funding</b>	<b>-</b>	<b>-</b>	<b>1,756</b>	<b>(1,756)</b>	<b>-</b>	<b>-</b>	<b>7,111</b>	<b>-</b>	<b>-</b>	<b>7,111</b>
GF Borrowing	21,323	6,264	(3,059)	-	3,205	24,528	46,220	48,207	3,894	122,849
HRA Borrowing	-	(8,266)	8,380	(114)	-	-	-	-	-	-
<b>Total Borrowing</b>	<b>21,323</b>	<b>(2,002)</b>	<b>5,321</b>	<b>(114)</b>	<b>3,205</b>	<b>24,528</b>	<b>46,220</b>	<b>48,207</b>	<b>3,894</b>	<b>122,849</b>
<b>Total Capital Financing</b>	<b>30,300</b>	<b>(5,106)</b>	<b>8,778</b>	<b>(1,870)</b>	<b>1,802</b>	<b>32,102</b>	<b>76,748</b>	<b>53,753</b>	<b>3,894</b>	<b>166,497</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 (Q2 budget to Q3)					Revised Budget 2020/21 (Q3)	2021/22 Budget	2022/23 Budget	2023/24 Budget	Total Budget (All years)
	Revised Budget 2020/21 (Q2)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements					
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Scheme Expenditure Summary</b>										
<b><i>HRA Asset Management and Compliance Programme</i></b>										
Pre Agreed Works	16,307	409	-	-	409	16,716	13,775	1,038	215	31,744
Fire Safety Compliance Programme	5,068	(600)	-	-	(600)	4,468	13,194	4,688	3,000	25,350
Fire Safety Complex Schemes	1,322	125	-	-	125	1,447	2,433	7,962	17,474	29,316
Pre Agreed Lift Scheme	2,776	-	-	-	-	2,776	2,679	3,230	-	8,685
Pre Agreed Boiler Scheme	1,795	-	-	-	-	1,795	1,400	1,400	1,503	6,098
Safety Works - Electrical	2,306	(200)	-	-	(200)	2,106	6,475	4,353	302	13,236
Safety Works	946	-	-	-	-	946	2,615	2,516	-	6,077
Void Works	1,952	(4)	-	-	(4)	1,948	2,249	2,000	1,500	7,697
Neighbourhood, parking & garage improvements	1,517	(100)	-	-	(100)	1,417	2,469	188	288	4,362
Surveying and fees	-	-	-	-	-	-	-	-	2,741	2,741
Capitalised salaries	2,714	-	-	-	-	2,714	2,952	2,918	-	8,584
Capitalised repairs	3,264	-	-	-	-	3,264	3,329	3,396	-	9,989
Unallocated budget - Priority schemes to be confirmed	-	-	-	-	-	-	-	-	-	-
<b>Subtotal HRA Asset Management and Compliance Programme</b>	<b>39,967</b>	<b>(370)</b>	<b>-</b>	<b>-</b>	<b>(370)</b>	<b>39,597</b>	<b>53,570</b>	<b>33,689</b>	<b>27,023</b>	<b>153,879</b>
<b><i>Building Homes and Communities Strategy (HRA sites)</i></b>										
Homes & Communities Strategy	760	(660)	-	-	(660)	100	1,384	-	-	1,484
White City Estate Regeneration	1,388	(612)	-	-	(612)	776	2,059	-	-	2,835
Old Laundry Yard	333	(176)	-	-	(176)	157	1,076	-	-	1,233
Education City- HRA element	-	-	-	1,870	1,870	1,870	8,992	18,883	36,366	66,111
<b>Subtotal Building Homes and Communities Strategy (HRA sites)</b>	<b>2,481</b>	<b>(1,448)</b>	<b>-</b>	<b>1,870</b>	<b>422</b>	<b>2,903</b>	<b>13,511</b>	<b>18,883</b>	<b>36,366</b>	<b>71,663</b>
<b><i>Other HRA Capital Schemes</i></b>										
Housing Development Project	2,354	-	-	-	-	2,354	306	56	-	2,716
Stanhope Joint Venture	625	-	-	-	-	625	5,985	13,670	11,145	31,425
Affordable Housing Delivery Framework	1,843	-	-	-	-	1,843	428	-	-	2,271
Property Acquisition for Affordable Housing	1,513	-	-	-	-	1,513	-	-	-	1,513
Hartopp & Lannoy	4,425	(349)	-	-	(349)	4,076	415	-	-	4,491
Nourish Project (Good Growth Fund)	1,179	(29)	-	-	(29)	1,150	29	-	-	1,179
<b>Subtotal Other HRA Capital Schemes</b>	<b>11,939</b>	<b>(378)</b>	<b>-</b>	<b>-</b>	<b>(378)</b>	<b>11,561</b>	<b>7,163</b>	<b>13,726</b>	<b>11,145</b>	<b>43,595</b>
<b>Total Expenditure</b>	<b>54,387</b>	<b>(2,196)</b>	<b>-</b>	<b>1,870</b>	<b>(326)</b>	<b>54,061</b>	<b>74,244</b>	<b>66,298</b>	<b>74,534</b>	<b>269,137</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			Total Budget (All years) £'000	
	Analysis of Movements (Q2 budget to Q3)					Revised Budget 2020/21 (Q3) £'000	2021/22 Budget £'000	2022/23 Budget £'000		2023/24 Budget £'000
	Revised Budget 2020/21 (Q2) £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000					

**Capital Financing Summary**

Specific/External or Other Financing	Revised Budget 2020/21 (Q2) £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000	Revised Budget 2020/21 (Q3) £'000	2021/22 Budget £'000	2022/23 Budget £'000	2023/24 Budget £'000	Total Budget (All years) £'000
<b>Specific/External or Other Financing</b>										
Contributions from leaseholders	2,891	-	-	-	-	2,891	5,380	3,791	1,402	13,464
Grants and Contributions from Private Developers (includes S106)	725	-	-	-	-	725	3,985	9,103	7,422	21,235
Insurance claims	780	-	-	-	-	780	-	-	-	780
Capital Grants and Contributions from GLA Bodies	619	(7)	-	-	(7)	612	7	392	-	1,011
<b>Sub-total - Specific or Other Financing</b>	<b>5,015</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>(7)</b>	<b>5,008</b>	<b>9,372</b>	<b>13,286</b>	<b>8,824</b>	<b>36,490</b>
<b>Mainstream Financing (Internal Council Resource)</b>										
Capital Receipts (HRA)	8,296	-	(1,041)	433	(608)	7,688	5,880	11,042	6,754	31,364
Major Repairs Reserve (MRR) / Major Repairs Allowance	26,423	-	-	-	-	26,423	16,245	16,651	17,067	76,386
Capital Receipts (GF)	-	-	-	1,323	1,323	1,323	109	-	-	1,432
<b>Sub-total - Mainstream Funding</b>	<b>34,719</b>	<b>-</b>	<b>(1,041)</b>	<b>1,756</b>	<b>715</b>	<b>35,434</b>	<b>22,234</b>	<b>27,693</b>	<b>23,821</b>	<b>109,182</b>
Borrowing(HRA)	14,653	(2,189)	1,041	114	(1,034)	13,619	42,638	25,319	41,889	123,465
<b>Total Capital Financing</b>	<b>54,387</b>	<b>(2,196)</b>	<b>-</b>	<b>1,870</b>	<b>(326)</b>	<b>54,061</b>	<b>74,244</b>	<b>66,298</b>	<b>74,534</b>	<b>269,137</b>

## Appendix 2 – Analysis of budget variations

Variation by department	Amount £000
<b>Adult Social Care</b>	
Extra Care New Build project (Adults' Personal Social Services Grant) - budget reprofiled to future years due to delays	(957)
<b>Total Adult Social Care variations</b>	<b>(957)</b>
<b>Environment Department</b>	
Hammersmith Bride strengthening – additional budget required for essential works, TfL funding was withdrawn due to Covid-19 impact on TfL finances	853
Other Highways Capital Schemes – additional budget required for essential works; TfL funding was withdrawn due to Covid-19 impact on TfL finances	353
Parks and Libraries Capital Programme – additional budget required to complete essential schemes some of which commenced in 2019/20, no S106 funding confirmed	5
Fulham Football Club – Bishops Park – budget reduction to reflect actual approved spend	(121)
Public CCTV – additional budget required for essential works to be funded from borrowing as no S106 funding available	12
<b>Total Environment Department variations</b>	<b>1,102</b>
<b>General Fund schemes under Economy Department</b>	
Hammersmith Town Hall Refurbishment – budget reprofiling to future years due to the delays in project start	(1,841)
Acquisition of commercial units – budget reprofiled from future years to reflect the latest cash flow forecast	10,110
Equity Loan (Civic Campus) – budget reduction to reflect the latest cash flow forecast	(4,440)
Education City – additional £8.5m budget approved by Cabinet in November 2020 and reprofiled to future years due to the delays in project start	229
Education City – budget appropriation from General Fund for HRA in relation to affordable housing units, Nursery and Adult Education Centre development costs (as per November 2020 Cabinet report)	(1,870)
Schools Regeneration Programme – budget reprofiled to future years due to project delays	(89)
Farm Lane/Mund Street – budget reprofiled to future years due to project delays	(104)
Investment in Affordable Housing – Lillie Road Site – £1.8m additional budget approved by Cabinet in November 2020 and reprofiled to future years	75
Sands End Community Centre – net budget increase to reflect additional £0.435m costs and S106 funding reprofiled to future years	367
Carnwath Road – budget reprofiled to future years	(1,870)
North End Road – Business Low Emissions Neighbourhood – additional budget of £0.25m approved in May 2020 and reprofiled to future years	125
North End Road – Good Growth Fund – additional budget of £2.2m approved by Cabinet in November 2020 and reprofiled to future years	1,110
<b>Total General Fund schemes under Economy Department variations</b>	<b>1,802</b>
<b>Economy Department (HRA) Schemes</b>	
Education City – budget appropriation from General Fund to HRA in relation to affordable housing units, Nursery and Adult Education Centre development costs (as per November 2020 Cabinet report)	1,870
Asset Management and Compliance Programme – budget reprofiling to future years to reflect updated spending profile for the number of schemes.	(370)
Hartopp and Lannoy – demolition costs reprofiled to future years due to impact of Covid-19	(349)
White City Estate Regeneration – budget reprofiling to future years due to delay in start of the scheme. Planning permission not expected until July 2021.	(612)
Homes & Communities Strategy – budget reprofiled to future years due to delays	(660)
Old Laundry Yard – budget reprofiled to future years due to delays	(176)
Nourish Project (Good Growth Fund) – budget reprofiled to future years due to delays	(29)
<b>Total Economy Department (HRA) variations</b>	<b>(326)</b>
<b>Total 2020-21 Q3 variations</b>	<b>1,621</b>

### Appendix 3 – General Fund forecast capital receipts

Financial Year	Previous Forecast £'000s	Movement/ Slippage £'000s	Forecast as at Q3 2020-21 £'000s
<b>2020/21</b>			
Brought forward receipts from 2019/20	1,612	-	1,612
Forecast capital receipts for the year	-	1,378	1,378
Cost of Sales (4%)	-	(55)	(55)
<b>Total 2020/21</b>	<b>1,612</b>	<b>1,323</b>	<b>2,935</b>
<b>2021/22</b>			
Carry forward receipts from 2020/21	800	-	800
Forecast capital receipts for the year	-	12,402	12,402
Cost of Sales (4%)	-	(496)	(496)
<b>Total 2021/22</b>	<b>800</b>	<b>11,906</b>	<b>12,706</b>
<b>2022/23</b>			
Forecast capital receipts for the year	3,600	(3,600)	-
Cost of Sales (4%)	(144)	144	-
<b>Total 2022/23</b>	<b>3,456</b>	<b>(3,456)</b>	<b>-</b>
<b>2023/24</b>			
Forecast capital receipts for the year	-	-	-
<b>Total 2023/24</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total All Years</b>	<b>5,868</b>	<b>9,773</b>	<b>15,641</b>



## **Appendix 4 – VAT Partial Exemption**

### Partial exemption overview

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 £2.7m.

### LBHF Partial Exemption

The Council’s Partial Exemption position for 2020/21 is currently being reviewed. 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 progress 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.

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.

### VAT Policy

The following policy is in place to manage the partial exemption position:

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

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

1. The Capital Finance Requirement (CFR) measures the Council's long-term indebtedness. The Table 1 below shows the Council's forecast total GF CFR for the period 2020/21-2023/24:

**Table 1 - Forecast General Fund CFR 2020/21-2023/24 (Quarter 3)**

<b>GENERAL FUND CFR ANALYSIS</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>HEADLINE CFR EXCLUDING SELF FINANCING SCHEMES AND LOANS</b>					
<b>Opening Capital Finance Requirement (CFR)</b>	<b>70.85</b>	<b>114.08</b>	<b>128.66</b>	<b>141.95</b>	<b>151.88</b>
Revenue Repayment of Debt (MRP)	(0.32)	(1.07)	(1.45)	(1.49)	(2.17)
Mainstream Programme (Surplus)/Shortfall	43.55	15.65	14.74	11.43	4.78
<b>Closing Capital Finance Requirement (CFR)</b>	<b>114.08</b>	<b>128.66</b>	<b>141.95</b>	<b>151.88</b>	<b>154.49</b>
<b>SELF FINANCING SCHEMES AND LOANS</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Opening Capital Finance</b>	<b>7.32</b>	<b>11.84</b>	<b>26.28</b>	<b>59.69</b>	<b>98.63</b>
Equity loan repayment	-	-	-	-	(25.95)
Revenue Repayment of Debt (MRP)	(1.48)	(0.23)	(0.22)	(0.22)	(1.56)
In Year Borrowing	6.00	14.67	33.63	39.16	1.49
<b>Closing Capital Finance</b>	<b>11.84</b>	<b>26.28</b>	<b>59.69</b>	<b>98.63</b>	<b>72.61</b>
Finance leases/PFI/ Deferred costs of	9.19	8.49	7.79	7.09	6.39
<b>Total Closing GF CFR</b>	<b>135.11</b>	<b>163.42</b>	<b>209.42</b>	<b>257.60</b>	<b>233.49</b>

2. The current forecast for the General Fund Headline CFR is £128.66m at the end of 2020-21 and £154.49m by the end of 2023-24. The increase in GF Headline CFR puts additional pressures on revenue budgets.
3. The Headline CFR figures exclude:
  - £5.6m Schools Windows Replacement Programme
  - £32m equity loan to the Civic Campus programme
  - £63m investment in acquisition of Civic Campus commercial units

Whilst these will impact on the Council's CFR, it is assumed that all Minimum Revenue Payment (MRP) and interest costs will be fully reimbursed through grant contributions, the charging of a state-aid compliant interest rate, the loan repayment, commercial income or reduction in revenue costs (e.g. lease rental payments).

4. CFR movements related to these schemes are presented under "Self-Financing Schemes and Loans" heading in the Table 1. CFR for these schemes is forecast to increase by £14.44m to £26.28m in 2020-21 and to £72.61m by the end of 2023-24. Table 2 details the CFR movements regarding these schemes:

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

	Revised Budget 2020/21 (Q2)	Variations (Q3)	Revised Budget 2020/21 (Q3)	Indicative Budget 2021/22	Indicative Budget 2022/23	Indicative Budget 2023/24	Total Budget (All years)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Approved Expenditure</b>							
<b>Ad Hoc Schemes:</b>							
Acquisition of commercial units (Civic Campus)	-	10,110	10,110	17,793	33,603	1,494	63,000
Equity Loan (Civic Campus) [ECD]	8,997	(4,440)	4,557	15,839	5,554	-	25,950
Education City regeneration-Youth Zone [ECD]	12	(12)	-	-	-	-	-
<b>Total Mainstream Programmes</b>	<b>9,009</b>	<b>5,658</b>	<b>14,667</b>	<b>33,632</b>	<b>39,157</b>	<b>1,494</b>	<b>88,950</b>
<b>Financing</b>							
Increase/(Decrease) in Borrowing	9,009	5,658	14,667	33,632	39,157	1,494	88,950
<b>Total Financing</b>	<b>9,009</b>	<b>5,658</b>	<b>14,667</b>	<b>33,632</b>	<b>39,157</b>	<b>1,494</b>	<b>88,950</b>

5. Minimum Revenue Provision (MRP) is the minimum amount which a Council must charge to its revenue budget each year, to set aside a provision for repaying external borrowing (loans). This is an annual revenue expense in a Council's budget. The MRP will, over time, reduce the CFR.
  
6. The statutory guidance issued by the Secretary of State (Ministry for Housing, Communities and Local Government) details the ways how MRP should be charged on various items of capital expenditure. MRP charges presented in the Table 1 follow this guidance and assume the following:
  - MRP charges are deferred for development projects until year after their completion. The rate charged is based on the estimated life of an asset (50 years for new developments).
  - MRP on rolling capital programmes and smaller scale ad hoc schemes is charged year after the expenditure incurs. The rate used is based on weighted average life of an assets (currently 3.01%).