

London Borough of Hammersmith & Fulham

Report to: Cabinet

Date: 11/10/2021

Subject: Capital Programme Monitor & Budget Variations, 2021/22 (First Quarter)

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

Responsible Director: Emily Hill, Director of Finance

SUMMARY

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

RECOMMENDATIONS

1. To note the net forecast decrease in 2021/22 capital expenditure of £8.8m (5.3% of the approved budget). The variations are detailed in Appendix 2.
 2. To approve the updated four-year capital programme 2021-2025 of £488.6m as detailed in Appendix 1.
 3. To note the potential risks regarding the Housing Capital Programme, as summarised in paragraphs 33-36.
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Wards Affected: All

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

Our Values	Summary of how this report aligns to the H&F Values
Being ruthlessly financially efficient	<p>All capital investment decisions are required to be underpinned by a robust business plan that sets out the full costs and risks and any expected financial return alongside the broader outcomes including economic and social benefits.</p> <p>Officers are responsible for monitoring and delivering projects within approved budgets and reporting variances.</p> <p>This report provides detailed analysis of the Council's capital programme financial position and highlights any potential risks and their impact on the Council's resources.</p>

Financial Impact

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

- a net increase in the 4-year capital programme of £82.9m to £488.6m: the largest variations are the carry forward of budgets of £19.2m from 2020/21 and allowance for development financing of up to £39m to EdCity Office Ltd as part of the council's investment in White City (July Cabinet) and £13.2m in respect of the Civic Campus Town Hall refurbishment
- a net decrease in forecast 2021/22 expenditure of £8.8m. The variations are detailed in Appendix 2.

Covid-19 is impacting 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 for and viability of schemes – this will be kept under review and mitigating actions will be considered as necessary.

The 2021/22 Headline General Fund (GF) borrowing requirement (CFR) is forecast to increase by £48.4m over the next four years to support capital investment. This would result in an estimated additional revenue budget outgoing of £2.5m per annum by 2025/26.

The Housing Revenue Account 2021/22 borrowing requirement (CFR) is forecast to increase by £39.1m to £272.1m. By the end of 2024/25 the HRA CFR is forecast to be £370.4m.

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 2021-25 (published February 2021)

CAPITAL PROGRAMME 2021-22 – Q1 OVERVIEW

1. The Council's capital programme as at the end of Quarter 1 is summarised in Table 1. Budgeted expenditure on the four-year programme has increased, since the start of the year, by £82.9m to £488.6m.

Table 1 – LBHF Capital Programme 2021-25 with proposed 2021-22 Q1 variations

	2021/22 Revised Budget as @ 2020/21 Outturn £'000	Slippages from/(to) future years £'000	Addition/ (Reduction) £'000	Transfers £'000	Total Variations £'000	Revised Budget 2021/22 (Q1) £'000	Future years indicative budget £'000	Total Budget (All years) £'000
CAPITAL EXPENDITURE								
Children's Services	2,265	(4,282)	5,178	-	896	3,161	7,158	10,319
Social Care	1,951	-	1,496	-	1,496	3,447	-	3,447
Environment Department	10,481	(400)	2,723	-	2,323	12,804	7,668	20,472
Finance	5,865	(4,585)	914	-	(3,671)	2,194	4,585	6,779
General Fund Schemes under the Economy Department	69,522	(53,983)	51,629	-	(2,354)	67,168	126,687	193,855
Sub-total (General Fund)	90,084	(63,250)	61,940	-	(1,310)	88,774	146,098	234,872
Economy Department-HRA Programme	76,608	(11,702)	4,211	-	(7,491)	69,117	184,636	253,753
Sub-total Economy Department (HRA)	76,608	(11,702)	4,211	-	(7,491)	69,117	184,636	253,753
Total Expenditure	166,692	(74,952)	66,151	-	(8,801)	157,891	330,734	488,625
CAPITAL FINANCING								
Specific/External Financing:								
Government/Public Body Grants	3,787	(4,282)	6,674	-	2,392	6,179	7,158	13,337
Grants and Contributions from Private Developers (includes S106/CL)	23,345	-	973	-	973	24,318	23,641	47,959
Capital Grants/Contributions from Non-departmental public bodies	1,119	-	69	(233)	(164)	955	-	955
Capital Grants and Contributions from GLA Bodies	2,174	(586)	2,422	3,805	5,641	7,815	8,564	16,379
Leaseholder Contributions (Housing)	5,380	-	(4,480)	-	(4,480)	900	5,806	6,706
Sub-total - Specific Financing	35,805	(4,868)	5,658	3,572	4,362	40,167	45,169	85,336
Mainstream Financing (Internal):								
Capital Receipts - General Fund	15,464	(4,285)	-	-	(4,285)	11,179	4,285	15,464
Capital Receipts - HRA	7,990	-	2,069	(3,760)	(1,691)	6,299	5,997	12,296
Major Repairs Reserve (MRR)	16,245	-	-	-	-	16,245	47,211	63,456
Earmarked Reserves (Revenue)	949	-	105	-	105	1,054	-	1,054
Sub-total - Mainstream Funding	40,648	(4,285)	2,174	(3,760)	(5,871)	34,777	57,493	92,270
Borrowing-General Fund	45,882	(54,683)	52,679	-	(2,004)	43,878	129,764	173,642
Borrowing -HRA	44,357	(11,116)	5,640	188	(5,288)	39,069	98,308	137,377
Total Capital Financing	166,692	(74,952)	66,151	-	(8,801)	157,891	330,734	488,625

2. Forecast 2021/22 spend is £8.8m lower than last reported (2020/21 capital outturn). 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:
 - £39m additional budget reprofiled to future years in respect of development financing to EdCity Office Ltd

- £13.2m additional budget profiled to 2022/23 in respect of the Hammersmith Town Hall refurbishment
- additional budgets for the White City and Springvale Affordable Housing schemes (£3.1m)
- budget additions for Transport and Infrastructure projects following confirmation of grant funding from TfL (£2.7m)
- budget additions for Adults Social Care capital schemes following confirmation of grant funding (£1.5m)
- a budget for investment in the Corporate Digital Infrastructure (£0.9m)
- budget reprofiling to future years for Invest to Save schemes (£4.3m), Affordable Housing schemes (£6.5m) and HRA Asset Management and Compliance Programme (£6.9m).

GENERAL FUND – MAINSTREAM PROGRAMME AND CAPITAL RECEIPTS

- 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 and quarter 1 movements are summarised in Table 2.

Table 2 – LBHF GF Mainstream Capital Programme 2021-25 with proposed 2021-22 Q1 variations:

	2021/22 Revised Budget	Variations (Q1)	Revised Budget 2021/22 (Q1)	Indicative Budget 2022/23	Indicative Budget 2023/24	Indicative Budget 2024/25	Total Budget (All years)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Approved Expenditure							
Ad Hoc Schemes:							
Social Care Capital projects [ASC]	129	-	129	-	-	-	129
Invest to Save-Flexible Use of Capital Receipts [FIN]	5,865	(4,365)	1,500	4,285	-	-	5,785
Investment in Digital Infrastructure [FIN]	-	694	694	300	-	-	994
Capital Investment in Street Lighting [ENV]	1,100	(400)	700	400	-	-	1,100
WMC JV Exit Costs [ECD]	1,998	-	1,998	-	-	-	1,998
Carnwath Road [ECD]	1,870	-	1,870	-	-	-	1,870
Hammersmith Bridge [ENV]	-	87	87	-	-	-	87
Other Highways Capital Schemes [ENV]	17	-	17	-	-	-	17
North End Road - Good Growth Fund [ECD]	588	-	588	610	-	-	1,198
HRA Watermeadow adjustment [ECD]	1,432	-	1,432	-	-	-	1,432
Hammersmith Town Hall Refurbishment* [ECD]	-	-	-	14,568	-	-	14,568
Hammersmith Town Hall Fit Out* [ECD]	7,256	-	7,256	2,725	-	-	9,981
Schools Regeneration Programme [ECD]	-	81	81	-	-	-	81
Education City regeneration- Youth Facility [ECD]	875	-	875	2,625	-	-	3,500
Farm Lane/Mund Street [ECD]	2,004	(1,269)	735	1,269	-	-	2,004
Investment in Affordable Housing-Lillie Road Site [ECD]	1,744	(436)	1,308	436	-	-	1,744
Planned Maintenance/DDA Programme [ECD]	8,057	(671)	7,386	2,400	2,400	2,400	14,586
Electric Vehicles [ENV]	384	-	384	-	-	-	384
Footways and Carriageways [ENV]	2,822	-	2,822	2,030	2,030	2,030	8,912
Column Replacement [ENV]	382	-	382	346	346	346	1,420
Parks Programme & Libraries [ENV]	448	-	448	-	-	-	448
Total Mainstream Programmes	36,971	(6,279)	30,692	31,994	4,776	4,776	72,238
Financing							
Capital Receipts	15,464	(4,285)	11,179	4,285	-	-	15,464
Increase/(Decrease) in Borrowing	21,507	(1,994)	19,513	27,709	4,776	4,776	56,774
Total Financing	36,971	(6,279)	30,692	31,994	4,776	4,776	72,238

- The 2021/22 mainstream programme has decreased by £6.3m in comparison to revised 2021/22 budget approved at 2020/21 outturn.

5. 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.
6. Following confirmation of the 2021/22 government grant allocations, an additional 2021/22 budget of £0.985m for Disabled Facilities Grant and £0.511m for other Adult Social Care capital schemes is proposed. The decision on how the Adult Social Care allocation is spent is delegated to the Strategic Director of Social Care in consultation with the Director of Finance and the Cabinet Member for Health and Adult Social Care and Cabinet Member for Finance and Commercial Services.
7. An additional capital budget of £81,102 is included for the Community Schools Programme (CSP) to fund current commitments. This includes work on additional consultation activities, cost reviews and daylight/sunlight modelling. The previously approved budget (as amended) of £2.744m is fully committed. Following completion of the additional consultation and any amendments to the proposals a Cabinet report will be submitted to provide a programme update and request capital budgets to progress the projects to the Council's Development Gateway 3 - Procurement of the main contractor (RIBA 4).
8. An additional budget of £80,000 for the Business Intelligence staffing costs in relation to investment in Digital Infrastructure is included. These costs will be funded from the General Fund capital receipts brought forward from 2020/21.
9. £711,000 of Transport for London funding has been confirmed for 2021/22 and allowance is made for the grant to fund various transport schemes within the Environment department. The budget has been added to the revised Q1 2021/22 capital programme.
10. This report includes allowance for an additional budget of £87,000 in relation to the Hammersmith Bridge stabilisation works to be funded from the General Fund borrowing. A further update on a comprehensive stabilisation scheme will be provided in the Quarter 2 capital monitor to reflect the Leader's Urgent Decision of 16 August 2021.
11. In July 2021, the Cabinet approved an investment of up to £39m in the form of development financing to EdCity Office Ltd to fund the cost of development and construction of the office building thereby facilitating the comprehensive development and regeneration of the site to provide 132 new affordable homes, a new school, new nursery, adult education centre and youth facilities. The investment will be funded by an increase in the Council's Capital Financing Requirement; however it is intended to be self-financing with no additional call on the Council's General Fund resources.
12. In January 2019, Full Council approved a pre-tender capital budget for the refurbishment of the Grade II listed Town Hall, a central feature of the Civic Campus regeneration project. Since the original approval, the case for the Town Hall refurbishment has strengthened. The transition to remote working during the pandemic has identified significant revenue savings are possible by reducing the need for corporate accommodation. Detailed savings plans are

being developed alongside 'Hello Hybrid Future' (the council's new flexible working strategy) to drive this estate efficiency and performance and options will be considered by Cabinet as these are progressed. In addition, significant opportunities arising from estate rationalisation are being explored and will also be considered by Cabinet.

13. The Council entered into construction contract with Ardmore in December 2020. Since then, several factors have impacted the programme's build cost. It has been widely reported in the construction industry that Covid-19 and Brexit combined have seen material shortages leading to price increases in timber, steel and cement. Supply delays and labour shortages affecting timeline and cost are being felt across the industry. The contract entered into for the refurbishment of the Town Hall contained provisional sums which are subject to current day pricing and design confirmation. In addition, other factors include changes to the designs from the point of entering contract due to opening up the building with tests and inspections and uncovering the need for costs relating to structural elements of the build. These must be addressed to proceed and include specialist requirements for heritage areas.
14. In addition, during the design period enhancements to the original scope and cost estimate have been identified, in line with the Council's vision and values. These include design changes to deliver the truly accessible design and inclusivity agenda as well as enhancements to the energy strategy to reduce carbon emissions through a Ground Source Heat Pump. Further enhancements have also been identified to enable the generation of commercial income and to incorporate additional uses that are being explored as part of the wider accommodation strategy, such as moving West London Coroner's Court from Bagley's Lane.
15. In total, an additional budget of £13.286m which will cover the cost escalation for additional fees and various refurbishment improvement works necessary to achieve enhanced outcomes is included within the capital programme. This will be funded from General Fund borrowing where other funding sources such as Community Infrastructure Levy or offsetting capital receipts arising from estate rationalisation cannot be identified.
16. A budget of £914,000 is required for a corporate digital infrastructure upgrade funded by General Fund borrowing. This is required to deliver the hardware and associated support contracts to enable future plans for 145 King Street as part of the wider accommodation strategy and facilitate "Hello Hybrid Future" workforce changes. This involves the purchase, configuration and installation of next generation networking equipment providing fast, secure and reliable LAN (Local Area Network) connectivity. With increased demand on the corporate network, investment is required to ensure sustained network performance as staff transition to hybrid working practises more permanently. This work will also provide a solid IT foundation for future digital transformation programmes like the adoption of cloud services, expansion of WiFi, implementing new Smart Building technologies and new customer engagement methods delivered via the Resident Experience and Access Programme.
17. 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 Capital Financing Requirement (CFR). The current forecast for the General Fund Headline CFR (excluding the self-financing schemes set out in Appendix 5) is £140.3m at the end of 2021/22, an-in year increase of £18.1m.

18. The underlying need to borrow is forecast to increase by £48.4m over the next four years to support capital programme. By 2024/25 this will increase annual revenue borrowing costs by an estimated £2.5m. This will need to be allowed for within future budget planning and the medium-term financial strategy process.
19. General Fund capital programme also includes capital receipts of £2.2m brought forward from 2020/21. These will support invest to save expenditure and IT investment to protect use of the Council's reserves. This is in line with the Council's reserves strategy as it contributes towards strengthening the Council's future financial resilience. The identification of additional receipts will protect reserves by enabling, the flexible use of capital receipts to fund invest to save costs and potential capitalisation of other relevant costs in line with proper accounting or statutory practice. The use of capital receipts to fund new capital expenditure will also reduce the Council's need to borrow and therefore reduce the revenue costs of that borrowing with new borrowing incurring an estimated annual revenue cost of £52,500 per annum per £1m.
20. The amendments to the General Fund (GF) capital programme have affected the Council's forecast headline capital debt (CFR) as follows:

	Last forecast (2021/22 opening budget)	Current forecast (2021/22 Q1)
General Fund CFR	£m	£m
2020/21 Closing CFR (actual)	122.16	122.16
2021/22 Closing CFR	142.28	140.31
2024/25 Closing CFR	157.39	170.56

21. £13.78m of General Fund capital receipts are anticipated in 2021/22. £10.2m of this receipt has been included in the current capital programme to fund various General Fund capital schemes. Should the sale not go ahead and the receipt not realise, this will result in an increase in the General Fund CFR by the same amount and additional revenue costs of borrowing of £0.536m per annum. In addition, at the end of 2020/21, £0.295m of deferred disposal costs were accrued in respect of the anticipated capital receipt. Should the sale not proceed, these costs must be written back to revenue.
22. The General Fund capital programme includes budgets for several regeneration schemes that are at an early stage. These include £6.3m for Farm Lane, Mund Street and Lillie Road developments, £2.2m for the Community Schools Programme and £3.5m for Watermeadow Joint Venture exit costs. 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.
23. There are currently no forecast capital receipts beyond 2021/22. However, the Council's Property Transformation Strategy is systematically reviewing all

assets as part of asset management best practice and as part of the wider accommodation strategy in light of the Council's 'Hello Hybrid Future' strategy. As part of this programme of work, 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

24. Housing Capital expenditure for 2021/22 is forecast at £69.1m and for the four-year programme to 2023/24 spend is expected to be £253.8m. The expenditure and funding analysis of the Housing Programme is summarised in Table 3 below.

Table 3 – Housing Capital Programme 2021-25 with proposed 2021-22 Q1 variations:

	2021/22 Revised Budget as @ 2020/21 Outturn £'000	Total Variations £'000	Revised Budget 2021/22 (Q1) £'000	Indicative 2022/23 Budget £'000	Indicative 2023/24 Budget £'000	Indicative 2024/25 Budget £'000
Approved Expenditure						
HRA Asset Management and Compliance Programme	55,351	(6,199)	49,152	56,750	21,246	13,493
Building Homes and Communities Strategy	14,981	(2,108)	12,873	16,187	14,256	31,520
Other HRA Capital Schemes	6,276	816	7,092	10,694	14,495	5,995
Total Housing Programme	76,608	(7,491)	69,117	83,631	49,997	51,008
Available and Approved Resource						
Capital Receipts - Unrestricted	4,000	2,069	6,069	4,019	1,978	-
Capital Receipts - RTB (141)	3,990	(3,760)	230	-	-	-
Capital Receipts - GF	1,432	-	1,432	-	-	-
Major Repairs Reserve (MRR)	16,245	-	16,245	16,651	17,067	13,493
Contributions Developers (S106)	1,036	375	1,411	6,580	9,146	3,649
Contributions from leaseholders	5,380	(4,480)	900	3,605	2,201	-
Capital Grants and Contributions from GLA Bodies	27	607	634	239	1,246	-
RtB GLA Ringfence	-	2,986	2,986	1,367	1,584	3,503
Borrowing (HRA)	44,357	(5,288)	39,069	51,170	16,775	30,363
Borrowing (GF)	141	-	141	-	-	-
Total Funding	76,608	(7,491)	69,117	83,631	49,997	51,008

25. Within the Housing Capital Programme there has been a net budget decrease of £7.5m. 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 33-36.

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

Table 4 – HRA CFR at Q1 2021-22 (including future years forecast):

HRA CFR Forecast	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Closing Forecast HRA CFR	233.05	272.11	323.28	340.06	370.42

27. The Housing Revenue Account 2021/22 CFR has increased by £39.1m in comparison to 2020/21. This is mainly due to 2020/21 budgets being reprofiled

to 2021/22, HRA Asset Management and Compliance Programme budgets being brought forward from the future years due to accelerated works and a reduction in previously forecast funding resources. The HRA CFR is forecast to increase to £370.42m by the end of 2024/25.

28. In February 2021 the Full Council approved Capital Programme 2021-2025 which contains a budget envelop of £28m for 2024/25 HRA Asset Management and Compliance programme. At the time of the approval there were no budgets allocated to specific projects and priority schemes were yet to be confirmed. Conditional surveys carried out recently have identified a number of health and safety works in value of £7.303m to be completed before 2024/25. This report seeks an approval for £7.303m of unallocated 2024/25 budget to be brought forward from 2024/25 to 2022/23 and be allocated to these works. A schedule of proposed schemes is detailed in Appendix 6.
29. The programme of works will be funded from HRA borrowing, as previously approved at Full Council, but such borrowing is now forecast to be required in 2022/23 rather than 2024/25. This will result in earlier revenue borrowing costs that need to be allowed for within the HRA budget strategy. There is a risk that the remaining 2024/25 unallocated Asset Management and Compliance budget will no longer be sufficient to cover the costs of any future works.
30. The Council has received £827,000 grant from the Department of Business, Energy & Industrial Strategy to be spent on Social Housing Decarbonisation Fund Retrofit Program. This report is seeking an approval for the spend on this scheme.
31. £105,000 of costs in relation to Water Supply scheme previously budgeted in revenue have been identified as capital in nature. This report seeks an approval for a corresponding capital budget for these costs to be added to the HRA capital programme and be funded from HRA borrowing. This will result in an increase in HRA CFR.
32. On 1 July 2019 Cabinet approved the Council's Asset Management and Compliance Programme which has a focus on health and safety works. 2021/22 forecast spend includes £22.2m of expenditure related to Health & Safety, of which £14m is on specific fire safety capital works as detailed in Table 5 below.

Table 5 – Compliance and Health and Safety forecast spend 2021-22

HRA Capital Programme: Health & Safety budget and forecast as at end of Quarter 1, 2021-22					
Approved Schemes	Total Approved Budget £'000	Total Spend Forecast £'000	Approved Budget 2021-22 £'000	Spend Forecast 2021-22 £'000	2021-22 Budget Variance £'000
Fire Safety Compliance Programme	15,288	22,177	10,706	8,609	(2,097)
Fire Safety Complex Schemes	27,349	27,533	5,864	5,391	(473)
Safety Works - Electrical	18,253	18,283	8,847	6,147	(2,700)
Safety Works - Other	6,119	6,224	1,990	2,015	25
Total	67,009	74,217	27,407	22,162	(5,245)

HOUSING CAPITAL PROGRAMME RISKS

33. The following risks associated with funding of future years' expenditure have been identified within the Housing Capital programme:
34. **S106 Funding:** The proposed programme for 2021/22–2024/25 relies on £20.7m of S106 receipts for affordable housing, of which £16.1m 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, on a temporary or permanent basis.
35. **Right to Buy funding:** Right to Buy (RTB) one for one receipts need to be repaid with interest to Central Government where these are not used within the required timescales. There is therefore a financial risk if 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, extends the agreement by a further three years. As at 1 July 2021, the GLA held £23.9m of Hammersmith & Fulham RTB receipts which need to be used by Q2 2023/24. This is the equivalent of £60m¹ of capital expenditure to be delivered over the next two and a quarter years. The approved schemes and the pipeline² are sufficient to make use of these receipts if delivered on time. MHCLG has issued updated guidance which provides two more years (five years in total) to use RTB receipts but this does not apply to receipts held by the GLA. The Council is in regular discussion with the GLA about the use of the receipts and the deadlines.
36. **Building Safety Bill and Fire Safety Act:** The Building Safety Bill is going through the Parliamentary process whereas the Fire Safety Act has been enacted. These will significantly impact on the Council 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, additional safety requirements and further significant capital requirements will need to be considered. An updated Asset Management Capital Strategy, setting out a 12-year plan, to be incorporated into the 2022/23 Capital Programme was agreed by Cabinet in September 2021. The impact of the proposals has been modelled in the latest HRA 40-year Business Plan and indicates a requirement for additional revenue savings to finance the capital servicing costs involved.

REASONS FOR DECISION

¹ The recently published MHCLG guidance suggests that 1-4-1 receipts received in the 2017-18 financial year or later can now fund 40% of the total development expenditure on eligible tenures, with the remaining 60% being funded from a mixture of non-housing receipts, S106 and borrowing. The Council is still working through the implications of this new guidance on the optimal allocation of receipts to schemes.

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

37. This report reports the quarter 1 position to Cabinet and seeks revisions to the Capital Programme which require the approval of Cabinet in accordance with the Council's financial regulations.

EQUALITY IMPLICATIONS

38. 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

39. 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.
40. 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.
41. Implications completed by Nicki Burgess, Business and Enterprise Manager, Economic Development, Tel:07796610094.

RISK MANAGEMENT

42. 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 Brexit and the impact of cost inflation. 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.
43. 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.

44. 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.
45. 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 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.
46. 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.
47. 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.
48. Proposals set out in this report seek to comply with the Council's legal duties.
49. Implications completed by: David Hughes, Director of Audit, Risk and Insurance, Tel: 020 7361 2389.

VAT IMPLICATIONS

50. 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.
51. 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 6 – HRA Asset Management and Compliance Programme – proposed budget virements from the 2024-25 unallocated budget envelope

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)

	2021/22 Revised Budget as @ 2020/21 Outturn £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000	Revised Budget 2021/22 (Q1) £'000	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary										
Schools Organisational Strategy	138	-	(138)	-	(138)	-	-	-	-	-
SEN sufficiency	-	(1,300)	1,500	-	200	200	650	650	-	1,500
School Maintenance Programme	2,127	(2,982)	3,816	-	834	2,961	2,929	2,929	-	8,819
Total Expenditure	2,265	(4,282)	5,178	-	896	3,161	3,579	3,579	-	10,319
Capital Financing Summary										
Specific/External or Other Financing										
Capital Grants from Central Government	2,265	(4,282)	5,178	-	896	3,161	3,579	3,579	-	10,319
Sub-total - Specific or Other Financing	2,265	(4,282)	5,178	-	896	3,161	3,579	3,579	-	10,319
Total Capital Financing	2,265	(4,282)	5,178	-	896	3,161	3,579	3,579	-	10,319

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)					Revised Budget 2021/22 (Q1)	2022/23 Budget	2023/24 Budget	2024/25 Budget	Total Budget (All years)
	2021/22 Revised Budget as @ 2020/21 Outturn	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements					
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Scheme Expenditure Summary										
Extra Care New Build project (Adults' Personal Social Services Grant)	957	-	-	-	-	957	-	-	-	957
Disabled Facilities Grant	357	-	985	-	985	1,342	-	-	-	1,342
Transforming Care (Winterbourne Grant)	300	-	-	-	-	300	-	-	-	300
Social Care Capital Projects	337	-	511	-	511	848	-	-	-	848
Total Expenditure	1,951	-	1,496	-	1,496	3,447	-	-	-	3,447
Capital Financing Summary										
Specific/External or Other Financing										
Capital Grants from Central Government	1,522	-	1,496	-	1,496	3,018	-	-	-	3,018
Capital Grants/Contributions from Non-departmental public bodies	300	-	-	-	-	300	-	-	-	300
Sub-total - Specific or Other Financing	1,822	-	1,496	-	1,496	3,318	-	-	-	3,318
Borrowing	129	-	-	-	-	129	-	-	-	129
Total Capital Financing	1,951	-	1,496	-	1,496	3,447	-	-	-	3,447

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

Environment Department

Current Year Programme

Indicative Future Years Analysis

Analysis of Movements (Revised budget to Q1)

	2021/22 Revised Budget as @ 2020/21 Outturn	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements	Revised Budget 2021/22 (Q1)	2022/23 Budget	2023/24 Budget	2024/25 Budget	Total Budget (All years)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Scheme Expenditure Summary										
Footways and Carriageways	2,799	-	-	-	-	2,799	2,030	2,030	2,030	8,889
Transport For London Schemes	265	-	794	233	1,027	1,292	-	-	-	1,292
Safer Cycle Pathway (TFL/S278 funded)	65	-	999	-	999	1,064	-	-	-	1,064
Hammersmith Bridge (TfL)	1,228	-	-	-	-	1,228	-	-	-	1,228
Hammersmith Bridge Stabilisation Works (Council funded)	-	-	87	-	87	87	-	-	-	87
Electric Vehicle Infrastructure	216	-	-	-	-	216	-	-	-	216
Column Replacement	351	-	-	-	-	351	346	346	346	1,389
Other Highways Capital Schemes	1,933	-	464	(236)	228	2,161	-	-	-	2,161
Counters Creek (Thames Water funded)	56	-	(56)	-	(56)	-	-	-	-	-
Better Homes (West London Homes)	-	-	127	-	127	127	-	-	-	127
Bloemfontein Road (Thames Water/Suds)	-	-	-	3	3	3	-	-	-	3
Public CCTV	-	-	285	-	285	285	-	-	-	285
Capital Investment in Street Lighting	1,100	(400)	-	-	(400)	700	400	-	-	1,100
Parks Capital Rolling Programme	120	-	-	-	-	120	-	-	-	120
Other Parks Capital Schemes	135	-	-	-	-	135	-	-	-	135
Fulham Football Club -Bishops Park	370	-	-	-	-	370	-	-	-	370
Containers (Recycling/Food)	21	-	23	-	23	44	-	-	-	44
Electric Vehicles	698	-	-	-	-	698	-	-	-	698
Other (Delivery, RFID, Charge Points)	167	-	-	-	-	167	-	-	-	167
Leisure Centre Capital Investment	957	-	-	-	-	957	50	90	-	1,097
Total Expenditure	10,481	(400)	2,723	-	2,323	12,804	2,826	2,466	2,376	20,472

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

Environment Department

Current Year Programme

Indicative Future Years Analysis

Analysis of Movements (Revised budget to Q1)

2021/22 Revised Budget as @ 2020/21 Outturn £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000	Revised Budget 2021/22 (Q1) £'000	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000	Total Budget (All years) £'000
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Capital Financing Summary

Specific/External or Other Financing

Grants and Contributions from Private Developers (includes S106/S278)	2,204	-	598	-	598	2,802	50	90	-	2,942
Capital Grants/Contributions from Non-departmental public bodies	641	-	118	(233)	(115)	526	-	-	-	526
Capital Grants and Contributions from GLA	1,534	-	1,815	233	2,048	3,582	-	-	-	3,582
Sub-total - Specific or Other Financing	4,379	-	2,531	-	2,531	6,910	50	90	-	7,050

Mainstream Financing (Internal Council Resource)

Capital Receipts	1,056	-	-	-	-	1,056	-	-	-	1,056
Use of Reserves	949	-	105	-	105	1,054	-	-	-	1,054
Sub-total - Mainstream Funding	2,005	-	105	-	105	2,110	-	-	-	2,110

Borrowing

Borrowing	4,097	(400)	87	-	(313)	3,784	2,776	2,376	2,376	11,312
Total Capital Financing	10,481	(400)	2,723	-	2,323	12,804	2,826	2,466	2,376	20,472

Finance Department

Current Year Programme

Indicative Future Years Analysis

Analysis of Movements (Revised budget to Q1)

	2021/22 Revised Budget as @ 2020/21 Outturn £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000	Revised Budget 2021/22 (Q1) £'000	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary										
Invest to Save - Flexible Use of Capital Receipts	5,865	(4,285)	-	(80)	(4,365)	1,500	4,285	-	-	5,785
Investment in Digital Infrastructure	-	(300)	914	80	694	694	300	-	-	994
Total Expenditure	5,865	(4,585)	914	-	(3,671)	2,194	4,585	-	-	6,779
Capital Financing Summary										
Mainstream Financing (Internal Council Resource)										
Capital Receipts	5,865	(4,285)	-	-	(4,285)	1,580	4,285	-	-	5,865
Sub-total - Mainstream Funding	5,865	(4,285)	-	-	(4,285)	1,580	4,285	-	-	5,865
Borrowing	-	(300)	914	-	614	614	300	-	-	914
Total Capital Financing	5,865	(4,585)	914	-	(3,671)	2,194	4,585	-	-	6,779

Economy Department General Fund Managed Schemes

Current Year Programme

Indicative Future Years Analysis

Analysis of Movements (Revised budget to Q1)

	2021/22 Revised Budget as @ 2020/21 Outturn £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000	Revised Budget 2021/22 (Q1) £'000	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary										
Civic Campus										
Hammersmith Town Hall Refurbishment *	15,975	(13,268)	13,268	-	-	15,975	18,694	-	-	34,669
HTH Refurbishment -Fit Out	7,256	-	-	-	-	7,256	2,725	-	-	9,981
Acquisition of commercial units	10,714	(10)	-	-	(10)	10,704	16,738	28,365	-	55,807
Equity Loan (Civic Campus)	13,663	-	-	-	-	13,663	8,400	-	-	22,063
Subtotal Civic Campus	47,608	(13,278)	13,268	-	(10)	47,598	46,557	28,365	-	122,520
Building Homes and Communities Strategy (GF sites)										
Education City Loan	-	(39,000)	39,000	-	-	-	22,000	12,000	5,000	39,000
Education City -Youth Facility	2,625	-	-	-	-	2,625	2,625	-	-	5,250
Farm Lane	1,211	-	-	-	-	1,211	-	-	-	1,211
Mund Street	3,173	(1,269)	-	-	(1,269)	1,904	1,269	-	-	3,173
Community Schools Programme	-	-	81	-	81	81	-	-	-	81
Investment in Affordable Housing-Lillie Road Site	1,743	(436)	-	-	(436)	1,307	436	-	-	1,743
Subtotal Building Homes and Communities Strategy (GF sites)	8,752	(40,705)	39,081	-	(1,624)	7,128	26,330	12,000	5,000	50,458
Other GF Capital Schemes managed by the Economy										
Sands End Community Centre	178	-	(49)	-	(49)	129	-	-	-	129
Planned Maintenance/DDA Programme	8,056	-	(671)	-	(671)	7,385	2,400	2,400	2,400	14,585
Carwath Road	1,870	-	-	-	-	1,870	-	-	-	1,870
North End Road - Business Low Emissions Neighbourhood	113	-	-	-	-	113	125	-	-	238
North End Road - Good Growth Fund	1,088	-	-	-	-	1,088	1,110	-	-	2,198
WMC JV Exit Costs	1,857	-	-	-	-	1,857	-	-	-	1,857
Subtotal Other GF Capital Schemes managed by the Economy	13,162	-	(720)	-	(720)	12,442	3,635	2,400	2,400	20,877
Total Expenditure	69,522	(53,983)	51,629	-	(2,354)	67,168	76,522	42,765	7,400	193,855

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 (Revised budget to Q1)						2022/23 Budget	2023/24 Budget	2024/25 Budget	Total Budget (All years)
2021/22 Revised Budget as @ 2020/21 Outturn	Slippages from/(to) future years	Additions/(Reductions)	Transfers	Total Transfers/Virements	Revised Budget 2021/22 (Q1)				
£'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)	4,130	-	-	-	-	4,130	-	-	-	4,130
Community Infrastructure Levy (CIL)	15,975	-	-	-	-	15,975	4,126	-	-	20,101
Capital Grants/Contributions from Non-departmental public bodies	178	-	(49)	-	(49)	129	-	-	-	129
Capital Grants and Contributions from GLA Bodies	613	-	-	-	-	613	625	-	-	1,238
Sub-total - Specific or Other Financing	20,896	-	(49)	-	(49)	20,847	4,751	-	-	25,598
Mainstream Financing (Internal Council Resource)										
Capital Receipts (GF)	7,111	-	-	-	-	7,111	-	-	-	7,111
Sub-total - Mainstream Funding	7,111	-	-	-	-	7,111	-	-	-	7,111
GF Borrowing	41,515	(53,983)	51,678	-	(2,305)	39,210	71,771	42,765	7,400	161,146
Total Borrowing	41,515	(53,983)	51,678	-	(2,305)	39,210	71,771	42,765	7,400	161,146
Total Capital Financing	69,522	(53,983)	51,629	-	(2,354)	67,168	76,522	42,765	7,400	193,855

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)

2021/22 Revised Budget as @ 2020/21 Outturn £'000	Slippages from/(to) future years £'000	Additions/(Reductions) £'000	Transfers £'000	Total Transfers/Virements £'000	Revised Budget 2021/22 (Q1) £'000	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000	Total Budget (All years) £'000
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Scheme Expenditure Summary

HRA Asset Management and Compliance Programme

Pre Agreed Works	10,579	(1,476)	-	-	(1,476)	9,103	6,522	-	-	15,625
Fire Safety Compliance Programme	10,706	(401)	-	(1,696)	(2,097)	8,609	7,607	3,671	2,290	22,177
Fire Safety Complex Schemes	5,864	(557)	-	84	(473)	5,391	16,774	5,368	-	27,533
Pre Agreed Lift Scheme	2,508	967	-	-	967	3,475	1,985	-	-	5,460
Pre Agreed Boiler Scheme	2,762	0	-	-	-	2,762	2,500	2,500	2,270	10,032
Safety Works - Electrical	8,847	(2,700)	-	-	(2,700)	6,147	7,396	4,107	633	18,283
Safety Works	1,990	(80)	105	-	25	2,015	3,543	666	-	6,224
Void Works	3,522	(1,033)	-	-	(1,033)	2,489	3,009	-	-	5,498
Neighbourhood, parking & garage improvements	3,923	-	588	200	788	4,711	2,664	1,334	175	8,884
Capitalised salaries	3,150	(200)	-	-	(200)	2,950	3,200	2,000	1,800	9,950
Capitalised repairs	1,500	-	-	-	-	1,500	1,550	1,600	1,650	6,300
Unallocated budget - Priority schemes to be confirmed	-	(1,412)	-	1,412	-	-	-	-	4,675	4,675
Subtotal HRA Asset Management and Compliance Programme	55,351	(6,892)	693	-	(6,199)	49,152	56,750	21,246	13,493	140,641

Building Homes and Communities Strategy (HRA sites)

Homes & Communities Strategy	1,450	(1,182)	-	-	(1,182)	268	1,182	-	-	1,450
White City Estate Regeneration	2,200	(1,908)	2,702	-	794	2,994	1,908	-	-	4,902
Old Laundry Yard	1,171	(796)	-	-	(796)	375	796	-	-	1,171
Education City- HRA element	10,160	(924)	-	-	(924)	9,236	12,301	14,256	31,520	67,313
Subtotal Building Homes and Communities Strategy (HRA sites)	14,981	(4,810)	2,702	-	(2,108)	12,873	16,187	14,256	31,520	74,836

Other HRA Capital Schemes

Housing Development Project	695	-	422	-	422	1,117	56	-	-	1,173
Stanhope Joint Venture	1,680	-	-	-	-	1,680	9,888	13,745	5,483	30,796
Affordable Housing Delivery Framework	146	-	-	-	-	146	-	-	-	146
Property Acquisition for Affordable Housing	755	-	-	-	-	755	-	-	-	755
Hartopp & Lannoy	2,971	-	-	-	-	2,971	750	750	512	4,983
Nourish Project (Good Growth Fund)	29	-	394	-	394	423	-	-	-	423
Subtotal Other HRA Capital Schemes	6,276	-	816	-	816	7,092	10,694	14,495	5,995	38,276
Total Expenditure	76,608	(11,702)	4,211	-	(7,491)	69,117	83,631	49,997	51,008	253,753

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)									
2021/22 Revised Budget as @ 2020/21 Outturn	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements	Revised Budget 2021/22 (Q1)	2022/23 Budget	2023/24 Budget	2024/25 Budget	Total Budget (All years)
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

Capital Financing Summary

Specific/External or Other Financing

Contributions from leaseholders	5,380	-	(4,480)	-	(4,480)	900	3,605	2,201	-	6,706
Grants and Contributions from Private Developers (includes S106)	1,036	-	375	-	375	1,411	6,580	9,146	3,649	20,786
Capital Grants and Contributions from GLA Bodies	27	-	607	-	607	634	239	1,246	-	2,119
RtB GLA Ringfence	-	(586)	-	3,572	2,986	2,986	1,367	1,584	3,503	9,440
Sub-total - Specific or Other Financing	6,443	(586)	(3,498)	3,572	(512)	5,931	11,791	14,177	7,152	39,051

Mainstream Financing (Internal Council Resource)

Capital Receipts (HRA)	7,990	-	2,069	(3,760)	(1,691)	6,299	4,019	1,978	-	12,296
Major Repairs Reserve (MRR) / Major Repairs Allowance	16,245	-	-	-	-	16,245	16,651	17,067	13,493	63,456
Capital Receipts (GF)	1,432	-	-	-	-	1,432	-	-	-	1,432
Sub-total - Mainstream Funding	25,667	-	2,069	(3,760)	(1,691)	23,976	20,670	19,045	13,493	77,184

Borrowing(HRA)	44,357	(11,116)	5,640	188	(5,288)	39,069	51,170	16,775	30,363	137,377
Borrowing (GF)	141	-	-	-	-	141	-	-	-	141

Total Capital Financing	76,608	(11,702)	4,211	-	(7,491)	69,117	83,631	49,997	51,008	253,753
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Appendix 2 – Analysis of budget variations

Variation by department	Amount £000
Adult Social Care	
Social Care capital projects funded from Disabled Facilities Grant – additional budget allocation for adaptation works to reflect funding received in 2021/22	511
Disabled Facilities Grant – additional budget allocation for adaptation works to reflect funding received in 2021/22	985
Total Adult Social Care variations	1,496
Finance Department	
Invest to Save schemes under flexible use of capital receipts dispensation – reprofiling to future years due to project delays	(4,365)
Investment in Digital Infrastructure – additional budget of £0.914m for Corporate Digital Infrastructure to be funded from GF borrowing, reprofiled across 2021/22 and 2022/23	614
Investment in Digital Infrastructure – budget reallocation from Invest to Save schemes to finance Business Intelligence development works	80
Total Finance Department variations	(3,671)
Children’s Services Department	
Schools Organisational Strategy – budget reduction as works no longer required	(138)
SEN sufficiency – £1.5m additional budget funded from SEND grant, of which £1.3m reprofiled to future years	200
School Maintenance Programme – additional budget approved by Cabinet in September 2021	834
Total Children’s Services Department variations	896
Environment Department	
Transport for London (TfL) Schemes – additional budget to reflect external grant received	794
Safer Cycle Pathway (TfL/S278 funded) – additional budget approved via various delegated decision reports to reflect an increase in amount of external funding received	999
Hammersmith Bridge Stabilisation – additional budget required to complete current works	87
Other Highways Capital Schemes – additional budget approved via various delegated decision reports to reflect an increase in amount of external funding received	464
Counters Creek (Thames Water funded) – reduction in budget as scheme completed	(56)
Public CCTV – additional budget to reflect approved S106 funding	285
Capital Investment in Street Lighting – budget reprofiled to future years due to the project delays	(400)
Better Homes – additional budget to reflect external grant received	127
Containers (Recycling/Food) – additional budget to reflect LWARB funding received	23
Total Environment Department variations	2,323
General Fund schemes under Economy Department	
Acquisition of commercial units – budget adjustment to future years to reflect updated cash flow forecast	(10)
Civic Campus (Hammersmith Town Hall Refurbishment) – additional budget of £13.268m for the Civic Campus project to be funded from General Fund borrowing reprofiled to 2022/23	0
Community Schools Programme – additional budget required to fund required	81

Variation by department	Amount £000
RIBA 2 works	
Mund Street – budget reprofiled to future years due to project delays	(1,269)
Lillie Road Site – budget reprofiled to future years due to project delays	(436)
Sands End Community Centre – project completed in 2020/21, budget no longer required	(49)
Corporate Planned Maintenance Programme (CPMP) – budget adjustment to reflect 2021/22 CPMP capital programme approved by the Cabinet in April 2021	(671)
Education City - EdCity Office Ltd development financing for the construction of office building approved by July 2021 Cabinet and reprofiled to future years	0
Total General Fund schemes under Economy Department variations	(2,354)
Economy Department (HRA) Schemes	
Education City – budget reprofiled to future years due to delays in start on site	(924)
Asset Management and Compliance Programme – net budget movement as a result of £6.892m budget reprofiling to future years to reflect delays in programme of works on various sites/ schemes and additional budgets required for Safety Works (£0.105m) and Social Housing Decarbonisation Scheme (£0.588m)	(6,199)
White City Estate Regeneration – additional budget of £2.702m approved in July 2021 of which £1.908m reprofiled to future years due to delay in start of the scheme	794
Homes & Communities Strategy – budget reprofiled to future years due to delays	(1,182)
Old Laundry Yard – budget reprofiled to future years due to delays	(796)
Housing Development Project – additional funding for Spring Vale project approved by Cabinet in September 2021	422
Nourish Project (Good Growth Fund) – additional budget to reflect additional S106 and GLA funding received	394
Total Economy Department (HRA) variations	(7,491)
Total 2021/22 Q1 variations	(8,801)

Appendix 3 – General Fund Capital Receipts Forecast

General Fund Capital Receipts – 2021/22 and future years' forecast	
	£000
Capital receipts brought forward from 2020/21	2,235
Forecast receipts for 2021/22	13,780
Less cost of sale	(551)
Total capital receipts available for 2021/22	15,464

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. A breach would likely cost the Council between £2-£3m per year whilst in breach.

LBHF Partial Exemption

The Council's Partial Exemption position 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.

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 2021/22-2024/25:

Table 1 - Forecast General Fund CFR 2021/22-2024/25 (Quarter 1)

GENERAL FUND CFR ANALYSIS	2020/21	2021/22	2022/23	2023/24	2024/25
HEADLINE CFR EXCLUDING SELF FINANCING SCHEMES AND LOANS	£m	£m	£m	£m	£m
Opening Capital Finance Requirement (CFR)	114.08	122.16	140.31	166.37	168.51
Revenue Repayment of Debt (MRP)	(1.36)	(1.36)	(1.65)	(2.64)	(2.72)
Mainstream Programme (Surplus)/Shortfall	9.44	19.51	27.71	4.78	4.78
Closing Capital Finance Requirement (CFR)	122.16	140.31	166.37	168.51	170.56
SELF FINANCING SCHEMES AND LOANS	£m	£m	£m	£m	£m
Opening Capital Finance	11.84	21.51	45.70	92.66	105.66
Equity loan repayment	-	-	-	(25.95)	-
Revenue Repayment of Debt (MRP)	(1.42)	(0.18)	(0.17)	(1.42)	(2.19)
In Year Borrowing	11.08	24.37	47.14	40.37	5.00
Closing Capital Finance	21.51	45.70	92.66	105.66	108.47
Finance leases/PFI/ Deferred costs of	8.91	7.79	7.09	6.39	5.69
Total Closing GF CFR	152.57	193.80	266.12	280.56	284.72

1. The current forecast for the General Fund (GF) Headline CFR is £140.3m at the end of 2021/22 and £170.6m by the end of 2023/24. The increase in GF Headline CFR puts additional pressures on revenue budgets.
2. The Headline CFR figures exclude:
 - £4.4m Schools Windows Replacement Programme
 - £32m equity loan to the Civic Campus programme
 - £63m investment in acquisition of Civic Campus commercial units
 - £39m development financing to EdCity Office Ltd

Whilst these will have an 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).

2. 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 £24.19m to £45.7m in 2021/22 and to £108.47m by the end of 2024/25. Table 2 details the CFR movements regarding these schemes:

Table 2 - Self-financing schemes and loans CFR movements 2021/22-2024/25

	2021/22 Revised Budget	Variations (Q1)	Revised Budget 2021/22 (Q1)	Indicative Budget 2022/23	Indicative Budget 2023/24	Indicative Budget 2024/25	Total Budget (All years)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Approved Expenditure							
<i>Ad Hoc Schemes:</i>							
Education City -ARK loan	-	-	-	22,000	12,000	5,000	39,000
Acquisition of commercial units (Civic Campus)	10,714	(10)	10,704	16,738	28,365	-	55,807
Equity Loan (Civic Campus) [ECD]	13,663	-	13,663	8,400	-	-	22,063
Total Mainstream Programmes	24,377	(10)	24,367	47,138	40,365	5,000	116,870
Financing							
Increase/(Decrease) in Borrowing	24,377	(10)	24,367	47,138	40,365	5,000	116,870
Total Financing	24,377	(10)	24,367	47,138	40,365	5,000	116,870

3. 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.
4. 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 3.34%).

Appendix 6 – HRA Asset Management and Compliance Programme – proposed budget virements from the 2024-25 unallocated budget envelop

Scheme/Project	Amount £'000	Proposed work description
Unallocated budget 2024-25	(7,303)	
10+ Storey and High Risk Fire Doors	800	Removal of asbestos identified across multiple during upgrade of fire doors and associated works
Automated Fire Detection	2,450	Upgrade of fire detector heads across H&F stock as part of the Electrical Condition Inspection Report (ECIR) programme
Compartmentation & Firestopping	4,105	Unforeseen works at Drake & Shackleton and Cheeseman Estates
Jepson House fire safety works	184	Wet risers not scoped within the original budget.
Sheltered Housing fire door scheme	(466)	Forecast underspend on the scheme
Caretakers mess refurbishment	200	Work to refurbish 22 mess rooms which do not meet the standard required under the Health and Safety Executive Directive for Workplace Facilities
Controlled Access scheme	30	Access security work at 24-26 Matheson Road
Control Total	-	