

## London Borough of Hammersmith & Fulham

**Report to:** Cabinet

**Date:** 07/02/2022

**Subject:** Capital Programme Monitor & Budget Variations, 2021/22 (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 note the net forecast decrease in 2021/22 capital expenditure of £12m (9.4% of the approved budget). The variations are detailed in Appendix 2.
  2. To approve the updated four-year capital programme 2021-2025 of £473.2m as detailed in Appendix 1.
  3. To note the potential risks regarding the Housing Capital Programme, as summarised in paragraphs 20-22.
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**Wards Affected:** All

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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 this quarter are:

- forecast capital expenditure over the next 4 years is £0.2m lower than forecast in quarter 2.
- a net decrease in forecast 2021/22 expenditure of £12m. 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 £52.6m over the next four years to support capital investment. This would result in an estimated additional revenue budget outgoing of £2.7m per annum by 2025/26.

The Housing Revenue Account 2021/22 borrowing requirement (HRA CFR) is forecast to increase by £25.1m to £258.1m. By the end of 2024/25 the HRA CFR is forecast to be £332.3m.

## 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

None

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## CAPITAL PROGRAMME 2021/22 – 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 £0.2m since the previous quarter to £473.2m. This is primarily due to project timescales now extending beyond the four- year programme window.

**Table 1 – Capital Programme 2021-25 with proposed 2021-22 Q3 variations**

	Analysis of Movements (Q2 to Q3)					Revised Budget 2021/22 (Q3) £'000	Future years indicative budget £'000	Total Budget (All years) £'000
	Revised Budget 2021/22 (Q2) £'000	Slippages from/(to) future years £'000	Addition/ (Reduction) £'000	Transfers £'000	Total Variations £'000			
<b>CAPITAL EXPENDITURE</b>								
Children's Services	3,410	(169)	-	-	(169)	3,241	7,327	10,568
Social Care	3,447	(957)	-	-	(957)	2,490	957	3,447
Environment Department	13,901	-	651	-	651	14,552	14,902	29,454
Finance and Resources Department	2,194	-	-	-	-	2,194	4,585	6,779
General Fund Schemes under the Economy Department	50,149	(11,218)	1,200	-	(10,018)	40,131	155,019	195,150
<b>Sub-total (General Fund)</b>	<b>73,101</b>	<b>(12,344)</b>	<b>1,851</b>	<b>-</b>	<b>(10,493)</b>	<b>62,608</b>	<b>182,790</b>	<b>245,398</b>
Economy Department-HRA Programme	55,127	(1,478)	-	-	(1,478)	53,649	174,193	227,842
<b>Sub-total Economy Department (HRA)</b>	<b>55,127</b>	<b>(1,478)</b>	<b>-</b>	<b>-</b>	<b>(1,478)</b>	<b>53,649</b>	<b>174,193</b>	<b>227,842</b>
<b>Total Expenditure</b>	<b>128,228</b>	<b>(13,822)</b>	<b>1,851</b>	<b>-</b>	<b>(11,971)</b>	<b>116,257</b>	<b>356,983</b>	<b>473,240</b>
<b>CAPITAL FINANCING</b>								
<b>Specific/External Financing:</b>								
Government/Public Body Grants	7,444	(957)	220	-	(737)	6,707	10,062	16,769
Grants and Contributions from Private Developers (includes S106/CIL)	19,575	-	-	-	-	19,575	24,623	44,198
Capital Grants/Contributions from Non-departmental public bodies	857	-	-	-	-	857	45	902
Capital Grants and Contributions from GLA Bodies	7,869	191	211	-	402	8,271	19,308	27,579
Leaseholder Contributions (Housing)	1,584	-	(526)	-	(526)	1,058	4,858	5,916
<b>Sub-total - Specific Financing</b>	<b>37,329</b>	<b>(766)</b>	<b>(95)</b>	<b>-</b>	<b>(861)</b>	<b>36,468</b>	<b>58,896</b>	<b>95,364</b>
<b>Mainstream Financing (Internal):</b>								
Capital Receipts - General Fund	1,627	(27)	-	-	(27)	1,600	13,911	15,511
Capital Receipts - HRA	7,629	-	(388)	-	(388)	7,241	9,381	16,622
Major Repairs Reserve (MRR)	16,245	-	(27)	-	(27)	16,218	51,048	67,266
Earmarked Reserves (Revenue)	1,167	-	-	-	-	1,167	-	1,167
<b>Sub-total - Mainstream Funding</b>	<b>26,668</b>	<b>(27)</b>	<b>(415)</b>	<b>-</b>	<b>(442)</b>	<b>26,226</b>	<b>74,340</b>	<b>100,566</b>
<b>Borrowing-General Fund</b>	<b>38,409</b>	<b>(11,360)</b>	<b>1,420</b>	<b>-</b>	<b>(9,940)</b>	<b>28,469</b>	<b>149,576</b>	<b>178,045</b>
<b>Borrowing -HRA</b>	<b>25,822</b>	<b>(1,669)</b>	<b>941</b>	<b>-</b>	<b>(728)</b>	<b>25,094</b>	<b>74,171</b>	<b>99,265</b>
<b>Total Capital Financing</b>	<b>128,228</b>	<b>(13,822)</b>	<b>1,851</b>	<b>-</b>	<b>(11,971)</b>	<b>116,257</b>	<b>356,983</b>	<b>473,240</b>

- Forecast 2021/22 spend is £12m lower than reported in the second quarter. The main adjustments are for the reprofiling of budgets to/from future years, realignment of budgets and inclusion of new budgets approved in the last quarter. Full details are included in Appendix 2.

## 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, revenue contributions or borrowing). It is the area of the programme

where the Council has the greatest discretion. The mainstream programme and quarter 3 movements are summarised in Table 2.

**Table 2 – GF mainstream programme 2021-25 with proposed 2021-22 Q3 variations:**

	Revised Budget 2021/22 (Q2)	Variations (Q3)	Revised Budget 2021/22 (Q3)	Indicative Budget 2022/23	Indicative Budget 2023/24	Indicative Budget 2024/25	Total Budget (All years)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Approved Expenditure</b>							
Social Care Capital projects [ASC]	129	-	129	-	-	-	129
Invest to Save-Flexible Use of Capital Receipts [FIN]	1,500	-	1,500	4,285	-	-	5,785
Investment in Digital Infrastructure [RES]	694	-	694	300	-	-	994
Capital Investment in Street Lighting [ENV]	300	-	300	800	-	-	1,100
WMC JV Exit Costs [ECD]	1,998	-	1,998	-	-	-	1,998
Carnwath Road [ECD]	1,870	(1,870)	-	1,870	-	-	1,870
Hammersmith Bridge Strengthening [ENV]	887	220	1,107	1,946	-	-	3,053
Other Highways Capital Schemes [ENV]	42	-	42	-	-	-	42
North End Road - Good Growth Fund [ECD]	588	-	588	610	-	-	1,198
HRA Watermeadow adjustment [ECD]	-	-	-	1,432	-	-	1,432
Foster carers' extension [CHS]	189	(169)	20	169	-	-	189
Planned Maintenance/DDA Programme [ECD]	7,386	(4,923)	2,463	7,323	2,400	2,400	14,586
Electric Vehicles [ENV]	384	-	384	-	-	-	384
Footways and Carriageways [ENV]	2,797	-	2,797	2,030	2,030	2,030	8,887
Column Replacement [ENV]	382	-	382	346	346	346	1,420
Parks Programme & Libraries [ENV]	448	-	448	-	-	-	448
Hammersmith Town Hall Refurbishment* [ECD]	-	-	-	21,824	2,725	-	24,549
Community Schools Programme [ECD]	176	120	296	1,020	60	-	1,376
Education City regeneration [ECD]	-	-	-	-	3,500	-	3,500
Farm Lane/Mund Street [ECD]	565	-	565	1,439	-	-	2,004
Investment in Affordable Housing-Lillie Road Site [ECD]	834	-	834	910	-	-	1,744
<b>Total Mainstream Programmes</b>	<b>21,169</b>	<b>(6,622)</b>	<b>14,547</b>	<b>46,304</b>	<b>11,061</b>	<b>4,776</b>	<b>76,688</b>
<b>Financing</b>							
Capital Receipts	1,627	(27)	1,600	13,911	-	-	15,511
Increase/(Decrease) in Borrowing	19,542	(6,595)	12,947	32,393	11,061	4,776	61,177
<b>Total Financing</b>	<b>21,169</b>	<b>(6,622)</b>	<b>14,547</b>	<b>46,304</b>	<b>11,061</b>	<b>4,776</b>	<b>76,688</b>

4. The 2021/22 mainstream programme has decreased by £6.6m in comparison to the second quarter.
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. 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 £133.8m at the end of 2021/22, an in-year increase of £11.6m.
7. Over the next four years the underlying need to borrow is forecast to increase by £52.6m. By 2025/26 this will increase annual revenue borrowing costs by an estimated £2.7m. This will need to be allowed for within future budget planning and the medium-term financial strategy process.

8. In March 2019, Cabinet approved the Community Schools Programme and an associated budget to progress design work to Avonmore Primary School and Flora Gardens Primary School. An adjustment to this programme budget, of £1,200,000 (£600,000 per project) is recommended as part of this report, to continue to complete design work in close consultation with residents and the two schools.
9. The new budget will be funded initially from General Fund borrowing as part of the wider funding strategy for the project. The additional general fund borrowing requirement of £1.2m will result in further costs to revenue of estimated £63,000 per year, although the debt is expected to be funded ultimately through sales receipts of the market homes or transferred to the Housing Revenue Account with the interest serviced through rental income.
10. The capital receipts forecast is set out in Appendix 3. The use of capital receipts to fund new capital expenditure reduces the Council's need to borrow and avoids future revenue borrowing costs. The Council also continues to review and consider the potential flexible use of receipts to support invest to save schemes and protect reserves balances.
11. There are currently no forecast capital receipts beyond 2022/23. 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 decision and report.
12. The amendments to the GF capital programme have affected the Council's forecast headline capital debt (CFR) as follows:

	<b>Last forecast (2021/22 Q2)</b>	<b>Current forecast (2021/22 Q3)</b>
<b>General Fund CFR</b>	<b>£m</b>	<b>£m</b>
2020/21 Closing CFR (actual)	122.16	122.16
2021/22 Closing CFR	140.34	133.75
2024/25 Closing CFR	172.42	174.75

13. The decrease in the forecast 2021/22 closing CFR largely reflects the reprofiling of forecast spend from 2021/22 to 2022/23.
14. 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, £3.4m for the Community Schools Programme and £3.5m for Watermeadow Joint Venture exit costs. Should these schemes not progress there is a risk that some, or all, of the expenditure may need to be written off to revenue as abortive costs. In line with the arrangements agreed in the Building Homes and Communities Strategy, the Development Board provides a gateway and governance process for these schemes before commitment of funds to manage and mitigate the risk of abortive costs.

## HOUSING CAPITAL PROGRAMME OVERVIEW

15. Housing capital expenditure for 2021/22 is forecast at £53.6m and for the four-year programme to 2023/24 spend is expected to be £227.8m. The expenditure and funding analysis of the Housing Programme is summarised in Table 3 below.

**Table 3 – Housing programme 2021-25 with proposed 2021-22 Q3 variations:**

	Revised Budget 2021/22 (Q2)	Total Variations	Revised Budget 2021/22 (Q3)	Indicative 2022/23 Budget	Indicative 2023/24 Budget	Indicative 2024/25 Budget
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Approved Expenditure</b>						
HRA Asset Management and Compliance Programme	40,172	(390)	39,782	51,741	34,739	14,381
Building Homes and Communities Strategy	9,124	(1,088)	8,036	10,578	9,296	26,496
Other HRA Capital Schemes	5,831	0	5,831	2,067	10,638	14,257
<b>Total Housing Programme</b>	<b>55,127</b>	<b>(1,478)</b>	<b>53,649</b>	<b>64,386</b>	<b>54,673</b>	<b>55,134</b>
<b>Available and Approved Resource</b>						
Capital Receipts - Unrestricted	7,399	(388)	7,011	3,156	3,331	2,894
Capital Receipts - RTB (141)	230		230	-	-	-
Capital Receipts - GF	-	0	-	1,432	-	-
Major Repairs Reserve (MRR)	16,245	27	16,218	16,620	17,013	17,415
Contributions Developers (S106)	570	0	570	841	6,580	9,146
Contributions from leaseholders	1,584	(526)	1,058	1,598	1,811	1,449
Capital Grants from Central Government	450	-	450	-	-	-
Capital Grants and Contributions from GLA Bodies	634	-	634	746	3,308	6,468
RtB GLA Ringfence	2,052	191	2,243	1,960	2,249	2,005
Borrowing (HRA)	25,822	(728)	25,094	38,033	20,381	15,757
Borrowing (GF)	141	-	141	-	-	-
<b>Total Funding</b>	<b>55,127</b>	<b>(1,478)</b>	<b>53,649</b>	<b>64,386</b>	<b>54,673</b>	<b>55,134</b>

16. Within the Housing Capital Programme there has been a net budget decrease of £1.5m. 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 20-22.

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

**Table 4 – HRA CFR at Q3 2021-22 (including future years forecast):**

HRA CFR Forecast	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
Closing Forecast HRA CFR	233.05	258.14	296.17	316.55	332.31

18. The Housing Revenue Account 2021/22 CFR has increased by £25.1m 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 £332.3m by the end of 2024/25.
19. Within the Quarter 3 monitoring report, a budget virement of £357,000 from the Structural Works scheme (sitting within the Safety Works category) to some of the Major Refurbishment schemes is being requested. This need for virement has arisen mainly on account of Extension of Time (EOT) costs due to delays related to Covid-19.
20. 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. An updated Housing Revenue Account (HRA) 12 year Asset Management Capital Strategy was approved by Cabinet on 6 September 2021, this will be incorporated into the 2022/23-2025/26 Capital Programme for approval by Full Council in February 2022.

**Table 5 – Compliance and Health and Safety forecast spend 2021/22**

<b>HRA Capital Programme: Health &amp; Safety budget and forecast as at end of Quarter 3, 2021-22</b>					
	<b>Total Approved Budget £'000</b>	<b>Total Spend Forecast £'000</b>	<b>Approved Budget 2021-22 £'000</b>	<b>Actual Spend 2021-22 £'000</b>	<b>2021-22 Budget Variance £'000</b>
<b>Approved Schemes</b>					
Fire Safety Compliance Programme	22,177	22,177	8,609	5,248	(3,361)
Fire Safety Complex Schemes	27,533	27,534	5,391	141	(5,250)
Safety Works - Electrical	18,283	18,313	6,147	1,735	(4,412)
Safety Works - Other	6,224	5,867	2,015	683	(1,332)
<b>Total</b>	<b>74,217</b>	<b>73,891</b>	<b>22,162</b>	<b>7,807</b>	<b>(14,355)</b>

## **HOUSING CAPITAL PROGRAMME RISKS**

21. The following risks associated with funding of future years' expenditure have been identified within the Housing Capital programme:
22. **S106 Funding:** Currently approved capital schemes (including part of Edith Summerskill development budget reprofiled to future years beyond 2024/25) rely 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.

23. **Right to Buy (RtB) funding (receipts retained by Council):** RtB 1-4-1 receipts need to be repaid with interest to Central Government where these are not used within five years of receipt. 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. At 1 April 2021, the Council has £7.8m of retained receipts and the current pipeline of schemes will be sufficient to make use of these receipts if delivered on time.
24. **RtB funding (receipts held by GLA and returned to the council via grants):** The Council has an agreement with the Greater London Authority (GLA) which gives the Council a further three years to use any receipts (plus interest) paid to Central Government after they have been held by the Council for five years (eight years in total). As at 1 October 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 £79m<sup>1</sup> of capital expenditure where the relevant projects need to have at least started on site within the next two years. The approved schemes and the pipeline<sup>2</sup> are sufficient to make use of these receipts if delivered on time, however there are risks to meeting these deadlines due to further design work after extensive consultation being undertaken on the schools' regeneration schemes. To mitigate the risk of potential loss of grant funding, the Council is in regular discussion with the GLA about the use of the receipts and their deadlines.
25. **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 significant capital servicing costs involved.

## REASONS FOR DECISION

26. This report reports the quarter three 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

27. There are no direct equalities implications in relation to this report. This paper is concerned entirely with financial management issues and, as such, the

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<sup>1</sup> The latest MHCLG guidance states 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. Officers continue to work through the implications of this guidance on the optimal allocation of funding to schemes.

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



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**

28. 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.
29. 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.

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

## **RISK MANAGEMENT**

30. 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.
31. 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.
32. 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.

33. 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.
34. 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.
35. 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.
36. Proposals set out in this report seek to comply with the Council's legal duties.

Implications verified by: David Hughes, Director of Audit, Risk and Insurance, Tel: 020 7361 2389.

## **VAT IMPLICATIONS**

37. 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.

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 to Q3)					Revised Budget 2021/22 (Q3)	2022/23 Budget	2023/24 Budget	2024/25 Budget	Total Budget (All years)
	Revised Budget 2021/22 (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>										
SEN sufficiency	200	-	-	-	-	200	650	650	-	1,500
Foster carers' extension	189	(169)	-	-	(169)	20	169	-	-	189
Old Oak	45	-	-	-	-	45	-	-	-	45
Caretakers' lodges	15	-	-	-	-	15	-	-	-	15
School Maintenance Programme	2,961	-	-	-	-	2,961	2,929	2,929	-	8,819
<b>Total Expenditure</b>	<b>3,410</b>	<b>(169)</b>	<b>-</b>	<b>-</b>	<b>(169)</b>	<b>3,241</b>	<b>3,748</b>	<b>3,579</b>	<b>-</b>	<b>10,568</b>
<b>Capital Financing Summary</b>										
<b>Specific/External or Other Financing</b>										
Capital Grants from Central Government	3,176	-	-	-	-	3,176	3,579	3,579	-	10,334
Grants and Contributions from Private Developers (includes S106)	45	-	-	-	-	45	-	-	-	45
<b>Sub-total - Specific or Other Financing</b>	<b>3,221</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,221</b>	<b>3,579</b>	<b>3,579</b>	<b>-</b>	<b>10,379</b>
<b>Mainstream Financing (Internal Council Resource)</b>										
Capital Receipts	47	(27)	-	-	(27)	20	27	-	-	47
<b>Sub-total - Mainstream Funding</b>	<b>47</b>	<b>(27)</b>	<b>-</b>	<b>-</b>	<b>(27)</b>	<b>20</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>47</b>
<b>Borrowing</b>	<b>142</b>	<b>(142)</b>	<b>-</b>	<b>-</b>	<b>(142)</b>	<b>-</b>	<b>142</b>	<b>-</b>	<b>-</b>	<b>142</b>
<b>Total Capital Financing</b>	<b>3,410</b>	<b>(169)</b>	<b>-</b>	<b>-</b>	<b>(169)</b>	<b>3,241</b>	<b>3,748</b>	<b>3,579</b>	<b>-</b>	<b>10,568</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 to Q3)					Revised Budget 2021/22 (Q3)	2022/23 Budget	2023/24 Budget	2024/25 Budget	Total Budget (All years)
	Revised Budget 2021/22 (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	1,342	-	-	-	-	1,342	-	-	-	1,342
Transforming Care (Winterbourne Grant)	300	-	-	-	-	300	-	-	-	300
Social Care Capital Projects	848	-	-	-	-	848	-	-	-	848
<b>Total Expenditure</b>	<b>3,447</b>	<b>(957)</b>	-	-	<b>(957)</b>	<b>2,490</b>	<b>957</b>	-	-	<b>3,447</b>
<b>Capital Financing Summary</b>										
<b>Specific/External or Other Financing</b>										
Capital Grants from Central Government	3,018	(957)	-	-	(957)	2,061	957	-	-	3,018
Capital Grants/Contributions from Non-departmental public bodies	300	-	-	-	-	300	-	-	-	300
<b>Sub-total - Specific or Other Financing</b>	<b>3,318</b>	<b>(957)</b>	-	-	<b>(957)</b>	<b>2,361</b>	<b>957</b>	-	-	<b>3,318</b>
<b>Borrowing</b>	129	-	-	-	-	129	-	-	-	129
<b>Total Capital Financing</b>	<b>3,447</b>	<b>(957)</b>	-	-	<b>(957)</b>	<b>2,490</b>	<b>957</b>	-	-	<b>3,447</b>

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

Environment Department	Current Year Programme					Indicative Future Years Analysis			Total Budget (All years) £'000	
Analysis of Movements (Q2 to Q3)						2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000		
Revised Budget 2021/22 (Q2) £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000	Revised Budget 2021/22 (Q3) £'000					
<b>Scheme Expenditure Summary</b>										
Footways and Carriageways	2,598	-	-	-	-	2,598	2,030	2,030	2,030	8,688
Transport For London Schemes	1,405	-	(9)	-	(9)	1,396	-	-	-	1,396
Safer Cycle Pathway (TFL/S278 funded)	1,340	-	-	-	-	1,340	-	-	-	1,340
Hammersmith Bridge Existing Works	1,315	-	-	-	-	1,315	-	-	-	1,315
Hammersmith Bridge Stabilisation Works	2,400	-	660	-	660	3,060	5,840	-	-	8,900
Electric Vehicle Infrastructure	216	-	-	-	-	216	-	-	-	216
Column Replacement	351	-	-	-	-	351	346	346	346	1,389
Other Highways Capital Schemes	1,017	-	-	-	-	1,017	994	-	-	2,011
Carbon Reduction and Offset Schemes	65	-	-	-	-	65	-	-	-	65
Bloemfontein Road (Thames Water/Suds)	5	-	-	-	-	5	-	-	-	5
Public CCTV	285	-	-	-	-	285	-	-	-	285
Capital Investment in Street Lighting	300	-	-	-	-	300	800	-	-	1,100
Parks Capital Rolling Programme	180	-	-	-	-	180	-	-	-	180
Other Parks Capital Schemes	75	-	-	-	-	75	-	-	-	75
Fulham Football Club -Bishops Park	483	-	-	-	-	483	-	-	-	483
Containers (Recycling/Food)	44	-	-	-	-	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
<b>Total Expenditure</b>	<b>13,901</b>	<b>-</b>	<b>651</b>	<b>-</b>	<b>651</b>	<b>14,552</b>	<b>10,060</b>	<b>2,466</b>	<b>2,376</b>	<b>29,454</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 to Q3)									
Revised Budget 2021/22 (Q2)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements	Revised Budget 2021/22 (Q3)	2022/23 Budget	2023/24 Budget	2024/25 Budget	Total Budget (All years)
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Capital Financing Summary</b>									
<b>Specific/External or Other Financing</b>									
Capital Grants from Central Government	800	-	220	-	220	1,947	-	-	2,967
Grants and Contributions from Private Developers (includes S106/S278)	1,696	-	-	-	-	999	90	-	2,785
Capital Grants/Contributions from Non-departmental public bodies	428	-	-	-	-	45	-	-	473
Capital Grants and Contributions from GLA	4,570	-	211	-	211	1,947	-	-	6,728
<b>Sub-total - Specific or Other Financing</b>	<b>7,494</b>	<b>-</b>	<b>431</b>	<b>-</b>	<b>431</b>	<b>4,938</b>	<b>90</b>	<b>-</b>	<b>12,953</b>
<b>Mainstream Financing (Internal Council Resource)</b>									
Capital Receipts	-	-	-	-	-	844	-	-	844
Use of Reserves	1,167	-	-	-	-	-	-	-	1,167
<b>Sub-total - Mainstream Funding</b>	<b>1,167</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>844</b>	<b>-</b>	<b>-</b>	<b>2,011</b>
<b>Borrowing</b>	<b>5,240</b>	<b>-</b>	<b>220</b>	<b>-</b>	<b>220</b>	<b>4,278</b>	<b>2,376</b>	<b>2,376</b>	<b>14,490</b>
<b>Total Capital Financing</b>	<b>13,901</b>	<b>-</b>	<b>651</b>	<b>-</b>	<b>651</b>	<b>10,060</b>	<b>2,466</b>	<b>2,376</b>	<b>29,454</b>

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

Finance and Resources Department	Current Year Programme					Indicative Future Years Analysis				
	Analysis of Movements (Q2 to Q3)									
	Revised Budget 2021/22 (Q2)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements	Revised Budget 2021/22 (Q3)	2022/23 Budget	2023/24 Budget	2024/25 Budget	Total Budget (All years)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Scheme Expenditure Summary</b>										
Invest to Save - Flexible Use of Capital Receipts	1,500	-	-	-	-	1,500	4,285	-	-	5,785
Investment in Digital Infrastructure	614	-	-	-	-	614	300	-	-	914
Business Intelligence Infrastructure	80	-	-	-	-	80	-	-	-	80
<b>Total Expenditure</b>	<b>2,194</b>	-	-	-	-	<b>2,194</b>	<b>4,585</b>	-	-	<b>6,779</b>
<b>Capital Financing Summary</b>										
<b>Mainstream Financing (Internal Council Resource)</b>										
Capital Receipts	1,580	-	-	-	-	1,580	4,285	-	-	5,865
<b>Sub-total - Mainstream Funding</b>	<b>1,580</b>	-	-	-	-	<b>1,580</b>	<b>4,285</b>	-	-	<b>5,865</b>
<b>Borrowing</b>	<b>614</b>	-	-	-	-	<b>614</b>	<b>300</b>	-	-	<b>914</b>
<b>Total Capital Financing</b>	<b>2,194</b>	-	-	-	-	<b>2,194</b>	<b>4,585</b>	-	-	<b>6,779</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 to Q3)					Revised Budget 2021/22 (Q3)	2022/23 Budget	2023/24 Budget	2024/25 Budget	Total Budget (All years)
	Revised Budget 2021/22 (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>										
Hammersmith Town Hall Refurbishment	15,975	-	-	-	-	15,975	25,950	2,725	-	44,650
Acquisition of commercial units	8,965	(1,610)	-	-	(1,610)	7,355	17,281	31,171	-	55,807
Equity Loan (Civic Campus)	9,904	(1,735)	-	-	(1,735)	8,169	13,894	-	-	22,063
<b>Subtotal Civic Campus</b>	<b>34,844</b>	<b>(3,345)</b>	-	-	<b>(3,345)</b>	<b>31,499</b>	<b>57,125</b>	<b>33,896</b>	<b>-</b>	<b>122,520</b>
<b>Building Homes and Communities Strategy (GF sites)</b>										
Education City Loan	-	-	-	-	-	-	22,000	12,000	5,000	39,000
Education City -Youth Facility	-	-	-	-	-	-	579	4,671	-	5,250
Farm Lane	1,211	-	-	-	-	1,211	-	-	-	1,211
Mund Street	643	-	-	-	-	643	2,530	-	-	3,173
Community Schools Programme	176	(1,080)	1,200	-	120	296	1,020	60	-	1,376
Investment in Affordable Housing-Lillie Road Site	833	-	-	-	-	833	910	-	-	1,743
<b>Subtotal Building Homes and Communities Strategy (GF sites)</b>	<b>2,863</b>	<b>(1,080)</b>	<b>1,200</b>	-	<b>120</b>	<b>2,983</b>	<b>27,039</b>	<b>16,731</b>	<b>5,000</b>	<b>51,753</b>
<b>Other GF Capital Schemes managed by the Economy</b>										
Sands End Community Centre	129	-	-	-	-	129	-	-	-	129
Planned Maintenance/DDA Programme	7,385	(4,923)	-	-	(4,923)	2,462	7,323	2,400	2,400	14,585
Carnwath Road	1,870	(1,870)	-	-	(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
<b>Subtotal Other GF Capital Schemes managed by the Economy</b>	<b>12,442</b>	<b>(6,793)</b>	-	-	<b>(6,793)</b>	<b>5,649</b>	<b>10,428</b>	<b>2,400</b>	<b>2,400</b>	<b>20,877</b>
<b>Total Expenditure</b>	<b>50,149</b>	<b>(11,218)</b>	<b>1,200</b>	-	<b>(10,018)</b>	<b>40,131</b>	<b>94,592</b>	<b>53,027</b>	<b>7,400</b>	<b>195,150</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 to Q3)					Revised Budget 2021/22 (Q3)	2022/23 Budget	2023/24 Budget	2024/25 Budget	Total Budget (All years)
	Revised Budget 2021/22 (Q2)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements					
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Capital Financing Summary</b>										
<b>Specific/External or Other Financing</b>										
Grants and Contributions from Private Developers (includes S106)	1,289	-	-	-	-	1,289	1,670	1,171	-	4,130
Community Infrastructure Levy (CIL)	15,975	-	-	-	-	15,975	4,126	-	-	20,101
Capital Grants/Contributions from Non-departmental public bodies	129	-	-	-	-	129	-	-	-	129
Capital Grants and Contributions from GLA Bodies	613	-	-	-	-	613	625	-	-	1,238
<b>Sub-total - Specific or Other Financing</b>	<b>18,006</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,006</b>	<b>6,421</b>	<b>1,171</b>	<b>-</b>	<b>25,598</b>
<b>Mainstream Financing (Internal Council Resource)</b>										
Capital Receipts (GF)	-	-	-	-	-	-	7,323	-	-	7,323
<b>Sub-total - Mainstream Funding</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,323</b>	<b>-</b>	<b>-</b>	<b>7,323</b>
GF Borrowing	32,143	(11,218)	1,200	-	(10,018)	22,125	80,848	51,856	7,400	162,229
<b>Total Borrowing</b>	<b>32,143</b>	<b>(11,218)</b>	<b>1,200</b>	<b>-</b>	<b>(10,018)</b>	<b>22,125</b>	<b>80,848</b>	<b>51,856</b>	<b>7,400</b>	<b>162,229</b>
<b>Total Capital Financing</b>	<b>50,149</b>	<b>(11,218)</b>	<b>1,200</b>	<b>-</b>	<b>(10,018)</b>	<b>40,131</b>	<b>94,592</b>	<b>53,027</b>	<b>7,400</b>	<b>195,150</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 to Q3)					Revised Budget 2021/22 (Q3) £'000	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000	Total Budget (All years) £'000
	Revised Budget 2021/22 (Q2) £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000					
<b>Scheme Expenditure Summary</b>										
<b>HRA Asset Management and Compliance Programme</b>										
Pre Agreed Works	7,790	373	-	357	730	8,520	7,183	250	-	15,953
Fire Safety Compliance Programme	7,316	-	-	-	-	7,316	8,900	3,671	2,290	22,177
Fire Safety Complex Schemes	2,604	(607)	-	-	(607)	1,997	9,597	15,940	-	27,534
Pre Agreed Lift Scheme	3,175	-	-	-	-	3,175	2,285	-	-	5,460
Pre Agreed Boiler Scheme	2,762	-	-	-	-	2,762	2,500	2,500	2,270	10,032
Safety Works - Electrical	4,722	-	-	-	-	4,722	7,224	5,337	1,030	18,313
Safety Works	1,959	64	-	(357)	(293)	1,666	1,893	2,308	-	5,867
Void Works	3,280	(286)	-	-	(286)	2,994	2,504	-	-	5,498
Other Capital Improvements	2,114	66	-	-	66	2,180	4,905	1,133	666	8,884
Capitalised salaries	2,950	-	-	-	-	2,950	3,200	2,000	1,800	9,950
Capitalised repairs	1,500	-	-	-	-	1,500	1,550	1,600	1,650	6,300
Climate Emergency and Other future works	-	-	-	-	-	-	-	-	4,675	4,675
<b>Subtotal HRA Asset Management and Compliance Programme</b>	<b>40,172</b>	<b>(390)</b>	<b>-</b>	<b>-</b>	<b>(390)</b>	<b>39,782</b>	<b>51,741</b>	<b>34,739</b>	<b>14,381</b>	<b>140,643</b>
<b>Building Homes and Communities Strategy (HRA sites)</b>										
Homes & Communities Strategy	176	(41)	-	-	(41)	135	1,315	-	-	1,450
White City Estate Regeneration	2,914	(326)	-	-	(326)	2,588	386	386	386	3,746
Old Laundry Yard	100	(40)	-	-	(40)	60	1,111	-	-	1,171
Education City- HRA element	5,934	(681)	-	-	(681)	5,253	7,766	8,910	26,110	48,039
<b>Subtotal Building Homes and Communities Strategy (HRA sites)</b>	<b>9,124</b>	<b>(1,088)</b>	<b>-</b>	<b>-</b>	<b>(1,088)</b>	<b>8,036</b>	<b>10,578</b>	<b>9,296</b>	<b>26,496</b>	<b>54,406</b>
<b>Other HRA Capital Schemes</b>										
Housing Development Project	1,119	-	-	-	-	1,119	54	-	-	1,173
Stanhope Joint Venture	417	-	-	-	-	417	1,263	9,888	13,745	25,313
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)	423	-	-	-	-	423	-	-	-	423
<b>Subtotal Other HRA Capital Schemes</b>	<b>5,831</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,831</b>	<b>2,067</b>	<b>10,638</b>	<b>14,257</b>	<b>32,793</b>
<b>Total Expenditure</b>	<b>55,127</b>	<b>(1,478)</b>	<b>-</b>	<b>-</b>	<b>(1,478)</b>	<b>53,649</b>	<b>64,386</b>	<b>54,673</b>	<b>55,134</b>	<b>227,842</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 to Q3)								
Revised Budget 2021/22 (Q2)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements	Revised Budget 2021/22 (Q3)	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

<b>Specific/External or Other Financing</b>										
Capital Grants from Central Government	450	-	-	-	-	450	-	-	-	450
Contributions from leaseholders	1,584	-	(526)	-	(526)	1,058	1,598	1,811	1,449	5,916
Grants and Contributions from Private Developers (includes S106)	570	-	-	-	-	570	841	6,580	9,146	17,137
Capital Grants and Contributions from GLA Bodies	634	-	-	-	-	634	746	3,308	6,468	11,156
RtB GLA Ringfence	2,052	191	-	-	191	2,243	1,960	2,249	2,005	8,457
<b>Sub-total - Specific or Other Financing</b>	<b>5,290</b>	<b>191</b>	<b>(526)</b>	<b>-</b>	<b>(335)</b>	<b>4,955</b>	<b>5,145</b>	<b>13,948</b>	<b>19,068</b>	<b>43,116</b>
<b>Mainstream Financing (Internal Council Resource)</b>										
Capital Receipts (HRA)	7,629	-	(388)	-	(388)	7,241	3,156	3,331	2,894	16,622
Major Repairs Reserve (MRR) / Major Repairs Allowance	16,245	-	(27)	-	(27)	16,218	16,620	17,013	17,415	67,266
Capital Receipts (GF)	-	-	-	-	-	-	1,432	-	-	1,432
<b>Sub-total - Mainstream Funding</b>	<b>23,874</b>	<b>-</b>	<b>(415)</b>	<b>-</b>	<b>(415)</b>	<b>23,459</b>	<b>21,208</b>	<b>20,344</b>	<b>20,309</b>	<b>85,320</b>
Borrowing(HRA)	25,822	(1,669)	941	-	(728)	25,094	38,033	20,381	15,757	99,265
Borrowing (GF)	141	-	-	-	-	141	-	-	-	141
<b>Total Capital Financing</b>	<b>55,127</b>	<b>(1,478)</b>	<b>-</b>	<b>-</b>	<b>(1,478)</b>	<b>53,649</b>	<b>64,386</b>	<b>54,673</b>	<b>55,134</b>	<b>227,842</b>

## Appendix 2 – Analysis of budget variations

Variation by department	Amount £000
<b>Children's Services Department</b>	
Foster carer's extension – budget reprofiled to 2022/23 due to delay in start of works	(169)
<b>Total Children's Services Department variations</b>	<b>(169)</b>
<b>Social Care Department</b>	
Extra Care new build (Adults' Personal Social Services Grant) – budget reprofiled to future years due to the delays	(957)
<b>Total Social Care Department variations</b>	<b>(957)</b>
<b>Environment Department</b>	
Transport for London (TfL) Schemes – budget adjustment to reflect external grant received	(9)
Hammersmith Bridge Stabilisation Works – £2.9m additional budget approved in December 2021 and reprofiled across 2021/22 and 2022/23 financial years	660
<b>Total Environment Department variations</b>	<b>651</b>
<b>General Fund schemes under Economy Department</b>	
Civic Campus commercial units acquisition – budget adjustment to future years to reflect updated cash flow forecast	(1,610)
Civic Campus equity loan – budget adjustment to future years to reflect updated cash flow forecast	(1,735)
Community Schools Programme – £1.2m additional budget reprofiled across 2021/22 and future years	120
Carnwath Road – budget profiled to future years due to delays in the scheme start	(1,870)
Corporate Planned Maintenance Programme – budget reprofiled in line with spend	(4,923)
<b>Total General Fund schemes under Economy Department variations</b>	<b>(10,018)</b>
<b>Economy Department (HRA) Schemes</b>	
Education City Development – budget reprofiled to future years due to the delays in start on site	(681)
Asset Management and Compliance Programme – budget reprofiling to future years to reflect delays in programme of works on various sites/ schemes	(390)
White City Estate Regeneration – budget reprofiled to future years due to delay in start of the scheme	(326)
Homes & Communities Strategy – budget reprofiled to future years due to delays	(41)
Old Laundry Yard – budget reprofiled to future years due to delays	(40)
<b>Total Economy Department (HRA) variations</b>	<b>(1,478)</b>
<b>Total 2021/22 Q3 variations</b>	<b>(11,971)</b>

### Appendix 3 – General Fund Capital Receipts Forecast

Financial Year	Q3 2021/22
<b>2021/22</b>	<b>£'000</b>
Brought forward receipts	1,580
Forecast capital receipts for the year	47
Cost of Sales (4%)	-
<b>Total 2021/22</b>	<b>1,627</b>
<b>2022/23</b>	
Forecast capital receipts for the year	14,435
Cost of Sales (4%)	(551)
<b>Total 2022/23</b>	<b>13,884</b>
<b>Total All Years</b>	<b>15,511</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. A breach would likely cost the Council between £2-3m per year whilst in breach.

### The Council's 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 Corporate Accountancy, Systems and Tax 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. Table 1 below shows the Council's forecast total General Fund (GF) CFR for the period 2021/22-2024/25:

**Table 1 - Forecast General Fund CFR 2021/22-2024/25 (Quarter 3)**

<b>GENERAL FUND CFR ANALYSIS</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</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>114.08</b>	<b>122.16</b>	<b>133.75</b>	<b>164.42</b>	<b>172.80</b>
Revenue Repayment of Debt (MRP)	(1.36)	(1.36)	(1.72)	(2.69)	(2.82)
Mainstream Programme (Surplus)/Shortfall	9.44	12.95	32.39	11.06	4.78
<b>Closing Capital Finance Requirement (CFR)</b>	<b>122.16</b>	<b>133.75</b>	<b>164.42</b>	<b>172.80</b>	<b>174.75</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 Requirement</b>	<b>11.84</b>	<b>21.51</b>	<b>36.85</b>	<b>89.86</b>	<b>132.87</b>
Revenue Repayment of Debt (MRP)	(1.42)	(0.18)	(0.17)	(0.16)	(2.74)
In Year Borrowing	11.08	15.52	53.18	43.17	5.00
<b>Closing Capital Finance Requirement</b>	<b>21.51</b>	<b>36.85</b>	<b>89.86</b>	<b>132.87</b>	<b>135.13</b>
Finance leases/PFI/ Deferred costs of disposal	8.91	7.79	7.09	6.39	5.69
<b>Total Closing GF CFR</b>	<b>152.57</b>	<b>178.39</b>	<b>261.37</b>	<b>312.05</b>	<b>315.57</b>

2. The current forecast for the General Fund (GF) headline CFR is £133.8m at the end of 2021/22 and £174.8m by the end of 2024/25. The increase in GF headline CFR puts additional pressures on revenue budgets.
3. The headline CFR figures exclude:
  - £4.4m Schools Windows Replacement Programme
  - £32m equity loan to the Civic Campus joint venture
  - £63m investment in acquisition of Civic Campus commercial units
  - £39m development financing to EdCity Office Ltd.
4. Whilst these will have an impact on the Council's CFR, it is assumed that Minimum Revenue Payment (MRP) and interest costs will be fully funded and 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).
5. 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 £15.3m to £36.9m in 2021/22 and to £135.1m 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**

	Revised Budget 2021/22 (Q2) £'000	Variations (Q3) £'000	Revised Budget 2021/22 (Q3) £'000	Indicative Budget 2022/23 £'000	Indicative Budget 2023/24 £'000	Indicative Budget 2024/25 £'000	Total Budget (All years) £'000
<b>Approved Expenditure</b>							
<b>Ad Hoc Schemes:</b>							
Education City -ARK loan	-	-	-	22,000	12,000	5,000	<b>39,000</b>
Acquisition of commercial units (Civic Campus) [ECD]	8,965	(1,610)	7,355	17,281	31,171	-	<b>55,807</b>
Equity Loan (Civic Campus) [ECD]	9,904	(1,735)	8,169	13,894	-	-	<b>22,063</b>
<b>Total Mainstream Programmes</b>	<b>18,869</b>	<b>(3,345)</b>	<b>15,524</b>	<b>53,175</b>	<b>43,171</b>	<b>5,000</b>	<b>116,870</b>
<b>Financing</b>							
Increase/(Decrease) in Borrowing	18,869	(3,345)	15,524	53,175	43,171	5,000	<b>116,870</b>
<b>Total Financing</b>	<b>18,869</b>	<b>(3,345)</b>	<b>15,524</b>	<b>53,175</b>	<b>43,171</b>	<b>5,000</b>	<b>116,870</b>

6. 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.
  
7. The statutory guidance issued by the Secretary of State (Ministry for Housing, Communities and Local Government) details the ways MRP should be charged 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 the year after the expenditure is incurred. The rate used is based on weighted average life of an assets (currently 3.34%).