

# LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Cabinet

**Date:** 10/10/2022

**Subject:** Capital Programme Monitor & Budget Variations, 2022/23 (First Quarter)

**Report of:** Cabinet Member for Finance & Reform, Councillor Rowan Ree

**Responsible Director:** Sukvinder Kalsi, 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 increase in forecast 2022/23 capital expenditure of £0.9m. The variations are detailed in Appendix 2.
  2. To approve the updated four-year capital programme 2022-2026 of £681m as detailed in Appendix 1.
  3. To note the potential risks regarding the Housing Capital Programme, as summarised in paragraphs 21-23.
- 

**Wards Affected:** All

---

The capital programme contains schemes and projects which are directly linked to the Council's priorities.

| <b>Our Values</b>                      | <b>Summary of how this report aligns to the H&amp;F Values</b>   |
|--|--|
| 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> |

# LONDON BOROUGH OF HAMMERSMITH & FULHAM

## Financial Impact

This report is wholly of a financial nature.

Budget Council approved a four- year capital programme for 2022/23 to 2025/26 of £577.1m. The programme now stands at £681m. The increase of £103.9m is mainly due to:

- the carry forward of unspent budgets of £42.8m from 2021/22 to future years
- the inclusion of a budget, as agreed by July 2022 Council, of £58.6m for the Hartopp and Lannoy development.
- Other variations of £0.9m as detailed in Appendix 2.

The economic outlook is uncertain with supply constraints and labour shortages, driven by the war in Ukraine, Covid and Brexit, leading to higher prices for works and materials and pressure on wages. The June inflation rate, as measured by the Consumer Price Index, is 9.4% with the Bank of England (BoE) forecasting that it will peak at just over 13% in the last 3 months of 2022. The BoE expect it to remain at very elevated levels throughout much of 2023, before falling to 2% two years ahead. As part of their policy response to the increase in inflation the BoE have increased the interest base rate to 1.75% with further increases likely. The upturn in inflation represents a significant financial risk to the capital programme as it impacts on budgeted costs, contractor performance, potential receipts and scheme viabilities. This risk needs to be kept under review with mitigating actions taken as necessary.

As part of their policy response to the increase in inflation the BoE have increased the interest base rate to 1.75% (it was 0.25% in December 2021). The interest rate regarding long-term borrowing from the Public Works Loans Board (PWLB) now stands at 2.99% compared to 1.5% in December 2021. Most economic forecasters expect that there will be further interest rate increases.

The Council's underlying need to borrow (capital financing requirement (CFR)) to support the capital programme is forecast to increase by £446m over the next 4 years (£56m regarding the headline General Fund CFR, £103m regarding self-financing schemes and £287m regarding the Housing Revenue Account). For illustrative purposes it is currently estimated that the increase of £56m in the GF CFR will result in an estimated additional revenue budget requirement of £3.5m <sup>1</sup>per annum by 2026/27.

The increase in build cost inflation and borrowing costs is bad news for the council and will result in additional financial pressures that need to be addressed through the Medium Term Financial Strategy and HRA business plan. Actions that may partially mitigate against the increase in interest rates, such as use of available internal cash balances or borrowing for shorter-term periods, will continue to be explored with the Council's Treasury Management Team. The revenue affordability and financial sustainability of the council's current, and future, capital expenditure plans, including

---

<sup>1</sup> Current cost of borrowing rate of 6.27% calculated using the latest discounted certainty PWLB interest rate of 2.99% and minimum revenue provision (MRP) of 3.28%. The MRP rate for 2022/23 is lower than the previously estimated 3.34% due to use of the latest data on asset lives.

## **LONDON BOROUGH OF HAMMERSMITH & FULHAM**

self-financing schemes, will also need to be reviewed on ongoing basis and as part of the development of the 2023-27 capital programme.

Name: Andre Mark, Head of Strategic Planning and Investment, telephone: 07776673099, 25 September 2022.

### **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.

Adesuwa Omoregie, Assistant Director, Legal Services telephone: 0208 7532297, 16 August 2022.

---

### **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 2022-26 (published February 2022)
- 

### **CAPITAL PROGRAMME 2022-23 – Q1 OVERVIEW**

1. The updated Quarter 1 capital programme is summarised in Table 1. After allowance for the carry forward of budgets of £42.8m from 2021/22 the 4 -year programme of £681m has increased by £61.1m. This is largely due to the inclusion of an additional £58.6m budget, following approval at July Council, for taking forward the Hartopp and Lannoy development to practical completion. All the variations are detailed in Appendix 2.

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Table 1 – LBHF Capital Programme 2022-26 with proposed 2022-23 Q1 variations**

|  | 2022/23<br>Original<br>Budget | 2022/23<br>Revised<br>Budget @<br>Outturn<br>2021/22 | Total<br>Variations | 2022/23<br>Revised<br>Budget<br>(Q1) | 2023/24        | 2024/25        | 2025/26       | Total Budget<br>(All years) |
|--|-------------------------------|--|---------------------|--------------------------------------|----------------|----------------|---------------|-----------------------------|
|  | £'000                         | £'000  | £'000               | £'000                                | £'000          | £'000          | £'000         | £'000                       |
| <b>CAPITAL EXPENDITURE</b>   |                               |  |                     |                                      |                |                |               |                             |
| Children's Services  | 3,748                         | 6,294  | -                   | 6,294                                | 3,579          | -              | -             | 9,873                       |
| Social Care  | 957                           | 1,959  | 1,496               | 3,455                                | -              | -              | -             | 3,455                       |
| Environment Department   | 10,060                        | 28,544   | 797                 | 29,341                               | 4,126          | 3,511          | 3,515         | 40,493                      |
| Finance and Resources Department                                     | 4,585                         | 6,188  | -                   | 6,188                                | -              | -              | -             | 6,188                       |
| General Fund Schemes under the Economy Department                    | 94,592                        | 101,481  | (2,339)             | 99,142                               | 65,791         | 7,400          | 2,400         | 174,733                     |
| <b>Sub-total (General Fund)</b>                                      | <b>113,942</b>                | <b>144,466</b>                                       | <b>(46)</b>         | <b>144,420</b>                       | <b>73,496</b>  | <b>10,911</b>  | <b>5,915</b>  | <b>234,742</b>              |
| Economy Department-HRA Programme                                     | 77,654                        | 76,488   | 898                 | 77,386                               | 153,540        | 143,658        | 71,723        | 446,307                     |
| <b>Sub-total Economy Department (HRA)</b>                            | <b>77,654</b>                 | <b>76,488</b>  | <b>898</b>          | <b>77,386</b>                        | <b>153,540</b> | <b>143,658</b> | <b>71,723</b> | <b>446,307</b>              |
| <b>Total Expenditure</b>   | <b>191,596</b>                | <b>220,954</b>                                       | <b>852</b>          | <b>221,806</b>                       | <b>227,036</b> | <b>154,569</b> | <b>77,638</b> | <b>681,049</b>              |
| <b>CAPITAL FINANCING</b>   |                               |  |                     |                                      |                |                |               |                             |
| <b>Specific/External Financing:</b>                                  |                               |  |                     |                                      |                |                |               |                             |
| Government/Public Body Grants  | 6,483                         | 15,281   | 1,496               | 16,777                               | 3,579          | -              | -             | 20,356                      |
| Grants and Contributions from Private Developers (includes S106/CIL) | 7,636                         | 18,923   | 899                 | 19,822                               | 7,243          | 9,018          | 4,704         | 40,787                      |
| Capital Grants/Contributions from Non-departmental public bodies     | 45                            | 1,507  | (24)                | 1,483                                | -              | -              | -             | 1,483                       |
| Capital Grants and Contributions from GLA Bodies                     | 5,278                         | 8,000  | 1,547               | 9,547                                | 6,518          | 9,424          | 4,537         | 30,026                      |
| Leaseholder Contributions (Housing)                                  | 1,598                         | 1,598  | -                   | 1,598                                | 1,811          | 1,449          | 931           | 5,789                       |
| <b>Sub-total - Specific Financing</b>                                | <b>21,040</b>                 | <b>45,309</b>  | <b>3,918</b>        | <b>49,227</b>                        | <b>19,151</b>  | <b>19,891</b>  | <b>10,172</b> | <b>98,441</b>               |
| <b>Mainstream Financing (Internal):</b>                              |                               |  |                     |                                      |                |                |               |                             |
| Capital Receipts - General Fund                                      | 13,911                        | 14,678   | -                   | 14,678                               | -              | -              | -             | 14,678                      |
| Capital Receipts - HRA   | 3,156                         | 3,221  | (2,394)             | 827                                  | 6,117          | 5,841          | 30,008        | 42,793                      |
| Major Repairs Reserve (MRR)  | 16,620                        | 16,620   | -                   | 16,620                               | 17,013         | 17,415         | 17,934        | 68,982                      |
| Earmarked Reserves (Revenue)   | -                             | 1,128  | (232)               | 896                                  | -              | -              | -             | 896                         |
| <b>Sub-total - Mainstream Funding</b>                                | <b>33,687</b>                 | <b>35,647</b>  | <b>(2,626)</b>      | <b>33,021</b>                        | <b>23,130</b>  | <b>23,256</b>  | <b>47,942</b> | <b>127,349</b>              |
| <b>Borrowing-General Fund</b>  | <b>85,568</b>                 | <b>89,630</b>  | <b>(2,265)</b>      | <b>87,365</b>                        | <b>68,456</b>  | <b>10,911</b>  | <b>5,915</b>  | <b>172,647</b>              |
| <b>Borrowing -HRA</b>  | <b>51,301</b>                 | <b>50,368</b>  | <b>1,825</b>        | <b>52,193</b>                        | <b>116,299</b> | <b>100,511</b> | <b>13,609</b> | <b>282,612</b>              |
| <b>Total Capital Financing</b>                                       | <b>191,596</b>                | <b>220,954</b>                                       | <b>852</b>          | <b>221,806</b>                       | <b>227,036</b> | <b>154,569</b> | <b>77,638</b> | <b>681,049</b>              |

### 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 and identify a £4m reduction in 2022/23 expenditure.

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Table 2 – LBHF GF Mainstream Capital Programme 2022-26 with proposed 2022-23 Q1 variations:**

|   | Revised Budget 2022/23 @ 2021/22 Outturn | Variations (Q1) | Revised Budget 2022/23 (Q1) | Indicative Budget 2023/24 | Indicative Budget 2024/25 | Indicative Budget 2025/26 | 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]   | 5,274                                    | -               | 5,274                       | -                         | -                         | -                         | 5,274                    |
| Investment in Digital Infrastructure [RES]              | 914                                      | -               | 914                         | -                         | -                         | -                         | 914                      |
| Capital Investment in Street Lighting [ENV]             | 665                                      | -               | 665                         | -                         | -                         | -                         | 665                      |
| WMC JV Exit Costs [ECD]                                 | 1,873                                    | -               | 1,873                       | -                         | -                         | -                         | 1,873                    |
| Carnwath Road [ECD]                                     | 1,870                                    | (1,870)         | -                           | 1,870                     | -                         | -                         | 1,870                    |
| Hammersmith Bridge Strengthening [ENV]                  | 2,264                                    | 133             | 2,397                       | -                         | -                         | -                         | 2,397                    |
| Hammersmith Bridge Pre Restoration Works [ENV]          | 1,167                                    | 19              | 1,186                       | -                         | -                         | -                         | 1,186                    |
| Safer Cycle Pathway [ENV]                               | -  | -               | -                           | -                         | -                         | -                         | -                        |
| Public CCTV [ENV]                                       | 510                                      | -               | 510                         | 1,370                     | 1,135                     | 1,139                     | 4,154                    |
| Other Highways Capital Schemes [ENV]                    | -  | 214             | 214                         | -                         | -                         | -                         | 214                      |
| North End Road - Good Growth Fund [ECD]                 | 1,152                                    | -               | 1,152                       | -                         | -                         | -                         | 1,152                    |
| HRA Watermeadow adjustment [ECD]                        | 1,524                                    | -               | 1,524                       | -                         | -                         | -                         | 1,524                    |
| Foster carers' extension [CHS]                          | 184                                      | -               | 184                         | -                         | -                         | -                         | 184                      |
| Leisure Centre Capital Investment [ENV]                 | 358                                      | -               | 358                         | 90                        | -                         | -                         | 448                      |
| Planned Maintenance/DDA Programme [ECD]                 | 8,366                                    | (1,000)         | 7,366                       | 3,400                     | 2,400                     | 2,400                     | 15,566                   |
| Electric Vehicles [ENV]                                 | -  | 150             | 150                         | -                         | -                         | -                         | 150                      |
| Footways and Carriageways [ENV]                         | 2,560                                    | (174)           | 2,386                       | 2,030                     | 2,030                     | 2,030                     | 8,476                    |
| Column Replacement [ENV]                                | 363                                      | -               | 363                         | 346                       | 346                       | 346                       | 1,401                    |
| Parks Programme & Libraries [ENV]                       | 448                                      | (268)           | 180                         | -                         | -                         | -                         | 180                      |
| Hammersmith Town Hall Refurbishment [ECD]               | 16,929                                   | -               | 16,929                      | 7,620                     | -                         | -                         | 24,549                   |
| Community Schools Programme [ECD]                       | 1,123                                    | -               | 1,123                       | 60                        | -                         | -                         | 1,183                    |
| Education City regeneration [ECD]                       | -  | -               | -                           | 3,500                     | -                         | -                         | 3,500                    |
| Farm Lane/Mund Street [ECD]                             | 2,004                                    | (935)           | 1,069                       | 935                       | -                         | -                         | 2,004                    |
| Investment in Affordable Housing-Lillie Road Site [ECD] | 1,285                                    | (284)           | 1,001                       | 284                       | -                         | -                         | 1,285                    |
| <b>Total Mainstream Programmes</b>                      | <b>50,962</b>                            | <b>(4,015)</b>  | <b>46,947</b>               | <b>21,505</b>             | <b>5,911</b>              | <b>5,915</b>              | <b>80,278</b>            |
| <b>Financing</b>  |  |                 |                             |                           |                           |                           |                          |
| Capital Receipts  | 14,678                                   | -               | 14,678                      | -                         | -                         | -                         | 14,678                   |
| Increase/(Decrease) in Borrowing                        | 36,284                                   | (4,015)         | 32,269                      | 21,505                    | 5,911                     | 5,915                     | 65,600                   |
| <b>Total Financing</b>                                  | <b>50,962</b>                            | <b>(4,015)</b>  | <b>46,947</b>               | <b>21,505</b>             | <b>5,911</b>              | <b>5,915</b>              | <b>80,278</b>            |

3. 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.
  
4. A key financial focus of the capital monitoring report is the potential impact of capital expenditure on future borrowing and its revenue affordability. The Council's underlying need to borrow for a capital purpose is measured through the CFR and incorporates the forecast borrowing for the mainstream programme. The current forecast for the General Fund Headline CFR (excluding the self-financing schemes set out in Appendix 5) is set out below:

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

|                                 | Last forecast<br>(2022/23 opening<br>budget) | Current forecast<br>(2022/23 Q1) |
|---------------------------------|--|----------------------------------|
| <b>General Fund CFR</b>         | <b>£m</b>                                    | <b>£m</b>                        |
| 2021/22 Closing CFR<br>(actual) | 128.91                                       | 128.91                           |
| 2022/23 Closing CFR             | 163.60                                       | 159.62                           |
| 2025/26 Closing CFR             | 184.66                                       | 184.96                           |

5. The underlying need to borrow is forecast to increase by £56m over the next four years. By 2026/27 illustrative modelling indicates that this will increase annual revenue borrowing costs by an estimated £3.5m. This will need to be allowed for within future budget planning and the medium-term financial strategy process.
6. The mainstream forecast assumes funding of £14.7m (including £1.5m brought forward from 2021/22) from capital receipts. These will be partially used to support invest to save expenditure and IT investment of £6.1m in accordance with the council's reserve strategy and action plan.
7. New capital receipts of £13.78m are anticipated in 2022/23. These will be used to support investment in the Council's General Fund capital schemes. Should the receipts slip to future years, or not proceed, then there is risk that the 2022/23 CFR increase will be greater than the current forecast.
8. The General Fund capital programme includes several regeneration schemes that are at an early stage. These include £6.3m for the 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. As mitigation against this risk the Development Board (chaired by the Director of Economy) is providing a gateway and governance process for these schemes before commitment of funds. An earmarked revenue reserve of £5m is also set aside as further mitigation.
9. 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 report.
10. Following confirmation of 2022/23 government grant allocations, an additional 2022/23 budget of £0.985m for Disabled Facilities Grant and £0.511m for other Adult Social Care capital schemes is included within the programme. 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

## **LONDON BOROUGH OF HAMMERSMITH & FULHAM**

the Cabinet Member for Health and Adult Social Care and Cabinet Member for Finance and Reform.

11. There was an incident at the Civic Campus on 11 May 2022 when the structural steelwork in the Town Hall inner courtyard collapsed. Two people sustained injuries and we understand both are recovering well. The cause of the collapse is currently unknown and investigations continue. On 12 May the Health and Safety Executive (HSE) issued a Direction to Leave Undisturbed for the Town Hall element of the site followed by an amended directive on 19 May which reduced the area in question to just the Town Hall courtyard. On 12 July, the existing Direction to Leave Undisturbed was lifted and replaced with a new one specific to the atrium allowing very limited entry into the area. This will most likely stay in place until the process to remove the collapsed steelwork starts.
12. There will be financial and programme impacts as a result of this incident, although the extent is unknown at this point. Work is underway to capture any resultant costs as part of a wider Civic Campus update that is expected to come to Cabinet.

### **HOUSING CAPITAL PROGRAMME OVERVIEW**

13. Housing Capital expenditure for 2022/23 is forecast at £77.4m and for the four-year programme to 2025/26 spend is expected to be £446.3m. The expenditure and funding analysis of the Housing Programme is summarised in Table 3 below.

**Table 3 – Housing Capital Programme 2022-26 with proposed 2022-23 Q1 variations:**

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

|  | 2022/23<br>Revised<br>Budget as<br>@ 2021/22<br>Outturn<br>£'000 | Total<br>Variations<br>£'000 | Revised<br>Budget<br>2022/23<br>(Q1)<br>£'000 | Indicative<br>2023/24<br>Budget<br>£'000 | Indicative<br>2024/25<br>Budget<br>£'000 | Indicative<br>2025/26<br>Budget<br>£'000 |
|--|--|------------------------------|---|--|--|--|
| <b>Approved Expenditure</b>                      |  |                              |   |  |  |  |
| HRA Asset Management and Compliance Programme    | 66,438   | (10,191)                     | 56,247  | 95,071                                   | 75,226                                   | 63,101                                   |
| Building Homes and Communities Strategy          | 8,321  | 9,820                        | 18,141  | 19,020                                   | 28,952                                   | 533                                      |
| Other HRA Capital Schemes                        | 1,729  | 1,269                        | 2,998   | 39,449                                   | 39,480                                   | 8,089                                    |
| <b>Total Housing Programme</b>                   | <b>76,488</b>  | <b>898</b>                   | <b>77,386</b>                                 | <b>153,540</b>                           | <b>143,658</b>                           | <b>71,723</b>                            |
| <b>Available and Approved Resource</b>           |  |                              |   |  |  |  |
| Capital Receipts - Unrestricted                  | 3,156  | (3,022)                      | 134   | 3,331                                    | 5,841                                    | 30,008                                   |
| Capital Receipts - RTB (141)                     | 65   | 628                          | 693   | 2,786                                    | -  | -  |
| Capital Receipts - GF                            | 1,432  | -                            | 1,432   | -  | -  | -  |
| Major Repairs Reserve (MRR)                      | 16,620   | -                            | 16,620  | 17,013                                   | 17,415                                   | 17,934                                   |
| Contributions Developers (S106)                  | 231  | -                            | 231   | 5,782                                    | 9,018                                    | 4,704                                    |
| Contributions from leaseholders                  | 1,598  | -                            | 1,598   | 1,811                                    | 1,449                                    | 931                                      |
| Capital Grants from Central Government           | 239  | -                            | 239   | -  | -  | -  |
| Capital Grants and Contributions from GLA Bodies | 49   | -                            | 49  | 3,006                                    | 4,689                                    | 3,069                                    |
| RtB GLA Ringfence                                | 2,622  | 1,467                        | 4,089   | 3,512                                    | 4,735                                    | 1,468                                    |
| Borrowing (HRA)                                  | 50,368   | 1,825                        | 52,193  | 116,299                                  | 100,511                                  | 13,609                                   |
| Borrowing (GF)                                   | 108  | -                            | 108   | -  | -  | -  |
| <b>Total Funding</b>                             | <b>76,488</b>  | <b>898</b>                   | <b>77,386</b>                                 | <b>153,540</b>                           | <b>143,658</b>                           | <b>71,723</b>                            |

14. Within the Housing Capital Programme there has been a net budget increase of £0.9m. 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 21-23.

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

**Table 4 – HRA CFR at Q1 2022-23 (including future years forecast):**

| HRA CFR Forecast         | 2021/22<br>£m | 2022/23<br>£m | 2023/24<br>£m | 2024/25<br>£m | 2025/26<br>£m |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Closing Forecast HRA CFR | 256.97        | 309.16        | 425.46        | 525.97        | 539.58        |

16. The Housing Revenue Account 2022/23 CFR has increased by £52.2m in comparison to 2021/22. This is mainly due to 2021/22 budgets being reprofiled to 2022/23 and enlarged HRA Asset Management and Compliance Programme budget envelop. The HRA CFR is forecast to increase to £539.6m by the end of 2025/26.

17. In July 2022 the Full Council approved further £58.6m budget (including contingency) to deliver 134 new homes at Hartopp & Lannoy site which will be mixture of social and affordable rents, affordable ownership and private homes



## LONDON BOROUGH OF HAMMERSMITH & FULHAM

sales. This will bring the total project budget envelope to ££61m funded through a combination of HRA borrowing, GLA grant, Right to Buy receipts and capital receipts from private sales. The current capital programme has been updated to incorporate this newly approved budget.

18. As set out in Appendix 1, there has been a realignment between Safety and Compliance programme and the Repairs programme. This is based on the latest spend estimates. This includes an additional £2.294m allowance for Complex Repairs.
19. Any future shortfalls in funding of the Complex Repairs schemes will need to be considered as a part of 2023-27 capital programme.

### HOUSING CAPITAL PROGRAMME RISKS

20. The following risks associated with funding of future years' expenditure have been identified within the Housing Capital programme:
21. **S106 Funding:** The proposed programme for 2022/23–2025/26 relies on £19.7m 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. There is a risk should such contributions materialise.
22. **Right to Buy funding:** 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 31 March 2022, the GLA held £23.9m of Hammersmith & Fulham RTB receipts. To fully utilise these the Council will need to approve expenditure of £79m, by Q2 2023/24, on qualifying new build schemes. Whilst current monitoring indicates that such receipts will be fully utilised, there is a risk that any delay in progressing the schemes may prevent the full use of such receipts.
23. **Building Safety Act and Fire Safety Act:** The Building Safety Act came into force on 28 April 2022 whereas the Fire Safety Act was enacted in 2021. These legislations 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, was approved by the Cabinet in September 2021. Four -year spend for the period 2022/23-2025/26 has already been incorporated into the current Capital Programme. 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

## **LONDON BOROUGH OF HAMMERSMITH & FULHAM**

24. 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**

25. 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.

### **RISK MANAGEMENT**

26. 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, Brexit and the war in Ukraine 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.
27. 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.
28. 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.
29. The Fire Safety Act 2021 (the Act) received Royal Assent on 29 April 2021 and commenced on 16 May 2022. The Act amended the Regulatory Reform (Fire Safety) Order 2005 (the Fire Safety Order). The Act confirms that responsible persons (RPs) for multi-occupied residential buildings must assess, manage and put in place measures to reduce the risk of fire for the structure and external walls of the building, including cladding, balconies and windows, and entrance doors to individual flats that open into common parts.

## **LONDON BOROUGH OF HAMMERSMITH & FULHAM**

30. 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.
31. 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.
32. Proposals set out in this report seek to comply with the Council's legal duties.
33. The report sets out the ongoing economic uncertainty, including the potential for further interest rate rises to be agreed by the Bank of England, and identifies actions which will, in part, mitigate this risk.
34. Implications completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance, 15 August 2022

### **VAT IMPLICATIONS**

35. 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.
36. Implications verified by: Joanna Monaghan, Principal Accountant (Taxation), Corporate Finance, 11 August 2022.

### **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)

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

### 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)    |                                    |                  |   |                                      |                                  |                   |                   |                             |
| 2022/23<br>Revised<br>Budget as @<br>2021/22<br>Outturn | <i>Slippages<br/>from/(to)<br/>future years</i> | <i>Additions/<br/>(Reductions)</i> | <i>Transfers</i> | <i>Total<br/>Transfers/<br/>Virements</i> | Revised<br>Budget<br>2022/23<br>(Q1) | 2023/24<br>Budget                | 2024/25<br>Budget | 2025/26<br>Budget | Total Budget<br>(All years) |
| £'000   | £'000   | £'000                              | £'000            | £'000                                     | £'000                                | £'000                            | £'000             | £'000             | £'000                       |
| <b>Scheme Expenditure Summary</b>                       |   |                                    |                  |   |                                      |                                  |                   |                   |                             |
| SEN sufficiency   | 721   | -                                  | -                | -   | 721                                  | 650                              | -                 | -                 | 1,371                       |
| Foster carers' extension                                | 184   | -                                  | -                | -   | 184                                  | -                                | -                 | -                 | 184                         |
| Caretakers' lodges                                      | 15  | -                                  | -                | -   | 15                                   | -                                | -                 | -                 | 15                          |
| School Maintenance Programme                            | 5,374   | -                                  | -                | -   | 5,374                                | 2,929                            | -                 | -                 | 8,303                       |
| <b>Total Expenditure</b>                                | <b>6,294</b>                                    | <b>-</b>                           | <b>-</b>         | <b>-</b>                                  | <b>6,294</b>                         | <b>3,579</b>                     | <b>-</b>          | <b>-</b>          | <b>9,873</b>                |
| <b>Capital Financing Summary</b>                        |   |                                    |                  |   |                                      |                                  |                   |                   |                             |
| <b>Specific/External or Other Financing</b>             |   |                                    |                  |   |                                      |                                  |                   |                   |                             |
| Capital Grants from Central Government                  | 6,110   | -                                  | -                | -   | 6,110                                | 3,579                            | -                 | -                 | 9,689                       |
| <b>Sub-total - Specific or Other Financing</b>          | <b>6,110</b>                                    | <b>-</b>                           | <b>-</b>         | <b>-</b>                                  | <b>6,110</b>                         | <b>3,579</b>                     | <b>-</b>          | <b>-</b>          | <b>9,689</b>                |
| <b>Mainstream Financing (Internal Council Resource)</b> |   |                                    |                  |   |                                      |                                  |                   |                   |                             |
| Capital Receipts  | 42  | -                                  | -                | -   | 42                                   | -                                | -                 | -                 | 42                          |
| <b>Sub-total - Mainstream Funding</b>                   | <b>42</b>                                       | <b>-</b>                           | <b>-</b>         | <b>-</b>                                  | <b>42</b>                            | <b>-</b>                         | <b>-</b>          | <b>-</b>          | <b>42</b>                   |
| <b>Borrowing</b>  | <b>142</b>                                      | <b>-</b>                           | <b>-</b>         | <b>-</b>                                  | <b>142</b>                           | <b>-</b>                         | <b>-</b>          | <b>-</b>          | <b>142</b>                  |
| <b>Total Capital Financing</b>                          | <b>6,294</b>                                    | <b>-</b>                           | <b>-</b>         | <b>-</b>                                  | <b>6,294</b>                         | <b>3,579</b>                     | <b>-</b>          | <b>-</b>          | <b>9,873</b>                |

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

### 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)                       |   |                                 |  |   |                                |                                  |                                |  |              |
| 2022/23<br>Revised<br>Budget as<br>@ 2021/22<br>Outturn<br><br>£'000  | <i>Slippages<br/>from/(to)<br/>future<br/>years<br/><br/>£'000</i> | <i>Additions/<br/>(Reductions)<br/><br/>£'000</i> | <i>Transfers<br/><br/>£'000</i> | <b>Total<br/>Transfers/<br/>Virements<br/><br/>£'000</b> | <b>Revised<br/>Budget<br/>2022/23<br/>(Q1)<br/><br/>£'000</b> | 2023/24<br>Budget<br><br>£'000 | 2024/25<br>Budget<br><br>£'000   | 2025/26<br>Budget<br><br>£'000 | <b>Total Budget<br/>(All years)<br/><br/>£'000</b> |              |
| <b>Scheme Expenditure Summary</b>                                     |  |   |                                 |  |   |                                |                                  |                                |  |              |
| Extra Care New Build project (Adults' Personal Social Services Grant) | 957  | -   | -                               | -  | -   | 957                            | -                                | -                              | -  | 957          |
| Disabled Facilities Grant   | 323  | -   | 985                             | -  | 985   | 1,308                          | -                                | -                              | -  | 1,308        |
| Transforming Care (Winterbourne Grant)                                | 300  | -   | -                               | -  | -   | 300                            | -                                | -                              | -  | 300          |
| Social Care Capital Projects  | 379  | -   | 511                             | -  | 511   | 890                            | -                                | -                              | -  | 890          |
| <b>Total Expenditure</b>  | <b>1,959</b>   | <b>-</b>  | <b>1,496</b>                    | <b>-</b>   | <b>1,496</b>  | <b>3,455</b>                   | <b>-</b>                         | <b>-</b>                       | <b>-</b>   | <b>3,455</b> |
| ;   |  |   |                                 |  |   |                                |                                  |                                |  |              |
| <b>Capital Financing Summary</b>                                      |  |   |                                 |  |   |                                |                                  |                                |  |              |
| <b>Specific/External or Other Financing</b>                           |  |   |                                 |  |   |                                |                                  |                                |  |              |
| Capital Grants from Central Government                                | 1,530  | -   | 1,496                           | -  | 1,496   | 3,026                          | -                                | -                              | -  | 3,026        |
| Capital Grants/Contributions from Non-departmental public bodies      | 300  | -   | -                               | -  | -   | 300                            | -                                | -                              | -  | 300          |
| <b>Sub-total - Specific or Other Financing</b>                        | <b>1,830</b>   | <b>-</b>  | <b>1,496</b>                    | <b>-</b>   | <b>1,496</b>  | <b>3,326</b>                   | <b>-</b>                         | <b>-</b>                       | <b>-</b>   | <b>3,326</b> |
| <b>Borrowing</b>  | <b>129</b>   | <b>-</b>  | <b>-</b>                        | <b>-</b>   | <b>-</b>  | <b>129</b>                     | <b>-</b>                         | <b>-</b>                       | <b>-</b>   | <b>129</b>   |
| <b>Total Capital Financing</b>  | <b>1,959</b>   | <b>-</b>  | <b>1,496</b>                    | <b>-</b>   | <b>1,496</b>  | <b>3,455</b>                   | <b>-</b>                         | <b>-</b>                       | <b>-</b>   | <b>3,455</b> |

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

### 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)            |   |                                    |                  |   |  |                                  |                   |                   |                                     |
| 2022/23<br>Revised<br>Budget as<br>@ 2021/22<br>Outturn | <i>Slippages<br/>from/(to)<br/>future<br/>years</i> | <i>Additions/<br/>(Reductions)</i> | <i>Transfers</i> | <b>Total<br/>Transfers/<br/>Virements</b> | <b>Revised<br/>Budget<br/>2022/23<br/>(Q1)</b> | 2023/24<br>Budget                | 2024/25<br>Budget | 2025/26<br>Budget | <b>Total Budget<br/>(All years)</b> |
| £'000   | £'000   | £'000                              | £'000            | £'000                                     | £'000  | £'000                            | £'000             | £'000             | £'000                               |
| Scheme Expenditure Summary                              |   |                                    |                  |   |  |                                  |                   |                   |                                     |
| Footways and Carriageways                               | 2,560   | -                                  | -                | -   | 2,560  | 2,030                            | 2,030             | 2,030             | 8,650                               |
| Transport For London Schemes                            | 447   | -                                  | 125              | -   | 125  | -                                | -                 | -                 | 572                                 |
| Column Replacement                                      | 363   | -                                  | -                | -   | 363  | 346                              | 346               | 346               | 1,401                               |
| Capital Investment in Street Lighting                   | 665   | -                                  | -                | -   | 665  | -                                | -                 | -                 | 665                                 |
| Electric Vehicle Infrastructure                         | 3,269   | -                                  | -                | -   | 3,269  | -                                | -                 | -                 | 3,269                               |
| Other Highways Capital Schemes                          | 5,022   | -                                  | 331              | -   | 5,353  | -                                | -                 | -                 | 5,353                               |
| Hammersmith Bridge Existing Works                       | 41  | -                                  | 19               | -   | 60   | -                                | -                 | -                 | 60                                  |
| Hammersmith Bridge Stabilisation Works                  | 8,330   | -                                  | -                | -   | 8,330  | -                                | -                 | -                 | 8,330                               |
| Hammersmith Bridge Pre Restoration Works                | 3,500   | -                                  | -                | -   | 3,500  | -                                | -                 | -                 | 3,500                               |
| Waste Collection and Disposal Projects                  | 497   | -                                  | (24)             | -   | 473  | -                                | -                 | -                 | 473                                 |
| Public CCTV   | 1,410   | -                                  | -                | -   | 1,410  | 1,370                            | 1,135             | 1,139             | 5,054                               |
| Parks Projects  | 2,082   | -                                  | 346              | -   | 2,428  | 290                              | -                 | -                 | 2,718                               |
| Leisure Centre Capital Investment                       | 358   | -                                  | -                | -   | 358  | 90                               | -                 | -                 | 448                                 |
| <b>Total Expenditure</b>                                | <b>28,544</b>                                       | <b>-</b>                           | <b>797</b>       | <b>-</b>                                  | <b>29,341</b>                                  | <b>4,126</b>                     | <b>3,511</b>      | <b>3,515</b>      | <b>40,493</b>                       |

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

### 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)                          |   |                                    |                  |   |                                      |                                  |                   |                   |                             |
| 2022/23<br>Revised<br>Budget as<br>@ 2021/22<br>Outturn               | <i>Slippages<br/>from/(to)<br/>future<br/>years</i> | <i>Additions/<br/>(Reductions)</i> | <i>Transfers</i> | <i>Total<br/>Transfers/<br/>Virements</i> | Revised<br>Budget<br>2022/23<br>(Q1) | 2023/24<br>Budget                | 2024/25<br>Budget | 2025/26<br>Budget | Total Budget<br>(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                                | 7,402   | -                                  | -                | -   | 7,402                                | -                                | -                 | -                 | 7,402                       |
| Grants and Contributions from Private Developers (includes S106/S278) | 5,918   | -                                  | 677              | 222                                       | 899                                  | 290                              | -                 | -                 | 7,107                       |
| Capital Grants/Contributions from Non-departmental public bodies      | 1,180   | -                                  | (24)             | -   | (24)                                 | -                                | -                 | -                 | 1,156                       |
| Capital Grants and Contributions from GLA                             | 4,581   | -                                  | 125              | (45)                                      | 80                                   | -                                | -                 | -                 | 4,661                       |
| <b>Sub-total - Specific or Other Financing</b>                        | <b>19,081</b>                                       | <b>-</b>                           | <b>778</b>       | <b>177</b>                                | <b>955</b>                           | <b>290</b>                       | <b>-</b>          | <b>-</b>          | <b>20,326</b>               |
| <b>Mainstream Financing (Internal Council Resource)</b>               |   |                                    |                  |   |                                      |                                  |                   |                   |                             |
| Capital Receipts  | 844   | -                                  | -                | -   | 844                                  | -                                | -                 | -                 | 844                         |
| Use of Reserves   | 1,128   | -                                  | -                | (232)                                     | (232)                                | -                                | -                 | -                 | 896                         |
| <b>Sub-total - Mainstream Funding</b>                                 | <b>1,972</b>  | <b>-</b>                           | <b>-</b>         | <b>(232)</b>                              | <b>(232)</b>                         | <b>-</b>                         | <b>-</b>          | <b>-</b>          | <b>1,740</b>                |
| <b>Borrowing</b>  | <b>7,491</b>  | <b>-</b>                           | <b>19</b>        | <b>55</b>                                 | <b>74</b>                            | <b>3,836</b>                     | <b>3,511</b>      | <b>3,515</b>      | <b>18,427</b>               |
| <b>Total Capital Financing</b>  | <b>28,544</b>                                       | <b>-</b>                           | <b>797</b>       | <b>-</b>                                  | <b>797</b>                           | <b>4,126</b>                     | <b>3,511</b>      | <b>3,515</b>      | <b>40,493</b>               |

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

### 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 (Revised budget to Q1)            |   |                                  |                    |                                     |                                      |                         |                                  |                         |                                   |              |
| 2022/23 Revised Budget as @ 2021/22 Outturn<br>£'000    | Slippages from/(to) future years<br>£'000 | Additions/ (Reductions)<br>£'000 | Transfers<br>£'000 | Total Transfers/ Virements<br>£'000 | Revised Budget 2022/23 (Q1)<br>£'000 | 2023/24 Budget<br>£'000 | 2024/25 Budget<br>£'000          | 2025/26 Budget<br>£'000 | Total Budget (All years)<br>£'000 |              |
| <b>Scheme Expenditure Summary</b>                       |   |                                  |                    |                                     |                                      |                         |                                  |                         |                                   |              |
| Invest to Save - Flexible Use of Capital Receipts       | 5,274                                     | -                                | -                  | (160)                               | (160)                                | 5,114                   | -                                | -                       | -                                 | 5,114        |
| Investment in Digital Infrastructure                    | 914                                       | -                                | -                  | -                                   | -                                    | 914                     | -                                | -                       | -                                 | 914          |
| Business Intelligence Infrastructure                    | -   | -                                | -                  | 160                                 | 160                                  | 160                     | -                                | -                       | -                                 | 160          |
| <b>Total Expenditure</b>                                | <b>6,188</b>                              | <b>-</b>                         | <b>-</b>           | <b>-</b>                            | <b>-</b>                             | <b>6,188</b>            | <b>-</b>                         | <b>-</b>                | <b>-</b>                          | <b>6,188</b> |
| <b>Capital Financing Summary</b>                        |   |                                  |                    |                                     |                                      |                         |                                  |                         |                                   |              |
| <b>Mainstream Financing (Internal Council Resource)</b> |   |                                  |                    |                                     |                                      |                         |                                  |                         |                                   |              |
| Capital Receipts  | 5,274                                     | -                                | -                  | -                                   | -                                    | 5,274                   | -                                | -                       | -                                 | 5,274        |
| <b>Sub-total - Mainstream Funding</b>                   | <b>5,274</b>                              | <b>-</b>                         | <b>-</b>           | <b>-</b>                            | <b>-</b>                             | <b>5,274</b>            | <b>-</b>                         | <b>-</b>                | <b>-</b>                          | <b>5,274</b> |
| <b>Borrowing</b>  | <b>914</b>                                | <b>-</b>                         | <b>-</b>           | <b>-</b>                            | <b>-</b>                             | <b>914</b>              | <b>-</b>                         | <b>-</b>                | <b>-</b>                          | <b>914</b>   |
| <b>Total Capital Financing</b>                          | <b>6,188</b>                              | <b>-</b>                         | <b>-</b>           | <b>-</b>                            | <b>-</b>                             | <b>6,188</b>            | <b>-</b>                         | <b>-</b>                | <b>-</b>                          | <b>6,188</b> |



## LONDON BOROUGH OF HAMMERSMITH & FULHAM

### 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<br>Revised<br>Budget as<br>@ 2021/22<br>Outturn<br>£'000   | Slippages<br>from/(to)<br>future<br>years<br>£'000 | Additions/<br>(Reductions)<br>£'000 | Transfers<br>£'000 | Total<br>Transfers/<br>Virements<br>£'000 | Revised<br>Budget<br>2022/23<br>(Q1)<br>£'000 | 2023/24<br>Budget<br>£'000 | 2024/25<br>Budget<br>£'000       | 2025/26<br>Budget<br>£'000 | Total Budget<br>(All years)<br>£'000 |  |
| <b>Scheme Expenditure Summary</b>                                  |  |                                     |                    |   |   |                            |                                  |                            |                                      |  |
| <b>Civic Campus</b>  |  |                                     |                    |   |   |                            |                                  |                            |                                      |  |
| Hammersmith Town Hall Refurbishment                                | 27,602   | -                                   | -                  | -   | 27,602  | 7,620                      | -                                | -                          | 35,222                               |  |
| Acquisition of commercial units                                    | 21,488   | -                                   | -                  | -   | 21,488  | 28,340                     | -                                | -                          | 49,828                               |  |
| Commercial Units- Cinema Fit Out                                   | -  | -                                   | 1,750              | -   | 1,750   | -                          | -                                | -                          | 1,750                                |  |
| Equity Loan (Civic Campus)   | 9,858  | -                                   | -                  | -   | 9,858   | 6,611                      | -                                | -                          | 16,469                               |  |
| <b>Subtotal Civic Campus</b>                                       | <b>58,948</b>                                      | <b>-</b>                            | <b>1,750</b>       | <b>-</b>                                  | <b>60,698</b>                                 | <b>42,571</b>              | <b>-</b>                         | <b>-</b>                   | <b>103,269</b>                       |  |
| <b>Building Homes and Communities Strategy (GF sites)</b>          |  |                                     |                    |   |   |                            |                                  |                            |                                      |  |
| Education City Loan  | 22,000   | -                                   | -                  | -   | 22,000  | 12,000                     | 5,000                            | -                          | 39,000                               |  |
| Education City -Youth Facility                                     | 579  | -                                   | -                  | -   | 579   | 4,671                      | -                                | -                          | 5,250                                |  |
| Farm Lane  | 591  | -                                   | -                  | -   | 591   | -                          | -                                | -                          | 591                                  |  |
| Mund Street  | 2,935  | (935)                               | -                  | -   | 2,000   | 935                        | -                                | -                          | 2,935                                |  |
| Community Schools Programme  | 1,123  | -                                   | -                  | -   | 1,123   | 60                         | -                                | -                          | 1,183                                |  |
| Investment in Affordable Housing-Lillie Road Site                  | 1,284  | (284)                               | -                  | -   | 1,000   | 284                        | -                                | -                          | 1,284                                |  |
| <b>Subtotal Building Homes and Communities Strategy (GF sites)</b> | <b>28,512</b>                                      | <b>(1,219)</b>                      | <b>-</b>           | <b>-</b>                                  | <b>27,293</b>                                 | <b>17,950</b>              | <b>5,000</b>                     | <b>-</b>                   | <b>50,243</b>                        |  |
| <b>Other GF Capital Schemes managed by the Economy</b>             |  |                                     |                    |   |   |                            |                                  |                            |                                      |  |
| Sands End Community Centre   | 27   | -                                   | -                  | -   | 27  | -                          | -                                | -                          | 27                                   |  |
| Planned Maintenance/DDA Programme                                  | 8,366  | (1,000)                             | -                  | -   | 7,366   | 3,400                      | 2,400                            | 2,400                      | 15,566                               |  |
| Carnwath Road  | 1,870  | (1,870)                             | -                  | -   | -   | 1,870                      | -                                | -                          | 1,870                                |  |
| North End Road - Business Low Emissions Neighbourhood              | 160  | -                                   | -                  | -   | 160   | -                          | -                                | -                          | 160                                  |  |
| North End Road - Good Growth Fund                                  | 1,741  | -                                   | -                  | -   | 1,741   | -                          | -                                | -                          | 1,741                                |  |
| WMC JV Exit Costs  | 1,857  | -                                   | -                  | -   | 1,857   | -                          | -                                | -                          | 1,857                                |  |
| <b>Subtotal Other GF Capital Schemes managed by the Economy</b>    | <b>14,021</b>                                      | <b>(2,870)</b>                      | <b>-</b>           | <b>-</b>                                  | <b>11,151</b>                                 | <b>5,270</b>               | <b>2,400</b>                     | <b>2,400</b>               | <b>21,221</b>                        |  |
| <b>Total Expenditure</b>   | <b>101,481</b>                                     | <b>(4,089)</b>                      | <b>1,750</b>       | <b>-</b>                                  | <b>99,142</b>                                 | <b>65,791</b>              | <b>7,400</b>                     | <b>2,400</b>               | <b>174,733</b>                       |  |

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

### 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<br>Revised<br>Budget as<br>@ 2021/22<br>Outturn<br>£'000 | <i>Slippages<br/>from/(to)<br/>future<br/>years<br/>£'000</i> | <i>Additions/<br/>(Reductions)<br/>£'000</i> | <i>Transfers<br/>£'000</i> | <i>Total<br/>Transfers/<br/>Virements<br/>£'000</i> | <i>Revised<br/>Budget<br/>2022/23<br/>(Q1)<br/>£'000</i> | 2023/24<br>Budget<br>£'000 | 2024/25<br>Budget<br>£'000       | 2025/26<br>Budget<br>£'000 | Total Budget<br>(All years)<br>£'000 |  |
| <b>Capital Financing Summary</b>                                 |   |  |                            |   |  |                            |                                  |                            |                                      |  |
| <b>Specific/External or Other Financing</b>                      |   |  |                            |   |  |                            |                                  |                            |                                      |  |
| Grants and Contributions from Private Developers (includes S106) | 2,101   | -  | -                          | -   | 2,101  | 1,171                      | -                                | -                          | 3,272                                |  |
| Community Infrastructure Levy (CIL)                              | 10,673  | -  | -                          | -   | 10,673   | -                          | -                                | -                          | 10,673                               |  |
| Capital Grants/Contributions from Non-departmental public bodies | 27  | -  | -                          | -   | 27   | -                          | -                                | -                          | 27                                   |  |
| Capital Grants and Contributions from GLA Bodies                 | 748   | -  | -                          | -   | 748  | -                          | -                                | -                          | 748                                  |  |
| <b>Sub-total - Specific or Other Financing</b>                   | <b>13,549</b>   | -  | -                          | -   | <b>13,549</b>  | <b>1,171</b>               | -                                | -                          | <b>14,720</b>                        |  |
| <b>Mainstream Financing (Internal Council Resource)</b>          |   |  |                            |   |  |                            |                                  |                            |                                      |  |
| Capital Receipts (GF)  | 7,086   | -  | -                          | -   | 7,086  | -                          | -                                | -                          | 7,086                                |  |
| <b>Sub-total - Mainstream Funding</b>                            | <b>7,086</b>  | -  | -                          | -   | <b>7,086</b>   | -                          | -                                | -                          | <b>7,086</b>                         |  |
| GF Borrowing   | 80,846  | (4,089)                                      | 1,750                      | -   | (2,339)  | 64,620                     | 7,400                            | 2,400                      | 152,927                              |  |
| <b>Total Borrowing</b>   | <b>80,846</b>   | <b>(4,089)</b>                               | <b>1,750</b>               | -   | <b>(2,339)</b>   | <b>64,620</b>              | <b>7,400</b>                     | <b>2,400</b>               | <b>152,927</b>                       |  |
| <b>Total Capital Financing</b>                                   | <b>101,481</b>  | <b>(4,089)</b>                               | <b>1,750</b>               | -   | <b>(2,339)</b>   | <b>65,791</b>              | <b>7,400</b>                     | <b>2,400</b>               | <b>174,733</b>                       |  |

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

### 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)                        |   |                            |               |                                  |                                      |                   |                                  |                   |                             |                |
| 2022/23<br>Revised<br>Budget as<br>@ 2021/22<br>Outturn             | Slippages<br>from/(to)<br>future<br>years | Additions/<br>(Reductions) | Transfers     | Total<br>Transfers/<br>Virements | Revised<br>Budget<br>2022/23<br>(Q1) | 2023/24<br>Budget | 2024/25<br>Budget                | 2025/26<br>Budget | Total Budget<br>(All years) |                |
| £'000   | £'000                                     | £'000                      | £'000         | £'000                            | £'000                                | £'000             | £'000                            | £'000             | £'000                       |                |
| <b>Scheme Expenditure Summary</b>                                   |   |                            |               |                                  |                                      |                   |                                  |                   |                             |                |
| <b>HRA Asset Management and Compliance Programme</b>                |   |                            |               |                                  |                                      |                   |                                  |                   |                             |                |
| Pre Agreed Works  | 8,445                                     | (704)                      | -             | 1,031                            | 327                                  | 8,772             | 954                              | 6,868             | 7,368                       | 23,962         |
| Fire Safety Compliance Programme                                    | 7,180                                     | 1,007                      | -             | -                                | 1,007                                | 8,187             | 2,664                            | 7,689             | 5,400                       | 23,940         |
| Fire Safety Complex Schemes   | 19,539                                    | (6,842)                    | -             | (3,641)                          | (10,483)                             | 9,056             | 37,782                           | 6,500             | -                           | 53,338         |
| Lift Schemes  | 4,417                                     | (1,983)                    | -             | -                                | (1,983)                              | 2,434             | 2,733                            | 750               | 750                         | 6,667          |
| Boiler Schemes  | 2,960                                     | -                          | -             | -                                | -                                    | 2,960             | 4,970                            | 6,140             | 4,370                       | 18,440         |
| Safety Works - Electrical   | 6,998                                     | (1,841)                    | -             | -                                | (1,841)                              | 5,157             | 7,178                            | 4,390             | 3,860                       | 20,585         |
| Safety Works  | 7,353                                     | -                          | -             | (1,031)                          | (1,031)                              | 6,322             | 14,958                           | 12,750            | 13,150                      | 47,180         |
| Void Works  | 4,303                                     | (842)                      | (14)          | -                                | (856)                                | 3,447             | 2,042                            | 1,200             | 1,200                       | 7,889          |
| Other Capital Improvements  | 6,436                                     | (761)                      | -             | -                                | (761)                                | 5,675             | 3,744                            | 2,266             | 1,250                       | 12,935         |
| Capitalised salaries  | 3,168                                     | 1,789                      | -             | -                                | 1,789                                | 4,957             | 211                              | 1,800             | 3,300                       | 10,268         |
| Capitalised repairs   | 4,111                                     | -                          | -             | 3,641                            | 3,641                                | 7,752             | 4,040                            | 4,070             | 3,500                       | 19,362         |
| Climate Emergency and Other future works                            | 3,000                                     | -                          | -             | -                                | -                                    | 3,000             | 15,280                           | 18,835            | 17,160                      | 54,275         |
| Allowance for program slippage for financial modeling purposes      | (11,472)                                  | -                          | -             | -                                | -                                    | (11,472)          | (1,485)                          | 1,968             | 1,793                       | (9,196)        |
| <b>Subtotal HRA Asset Management and Compliance Programme</b>       | <b>66,438</b>                             | <b>(10,177)</b>            | <b>(14)</b>   | <b>-</b>                         | <b>(10,191)</b>                      | <b>56,247</b>     | <b>95,071</b>                    | <b>75,226</b>     | <b>63,101</b>               | <b>289,645</b> |
| <b>Building Homes and Communities Strategy (HRA sites)</b>          |   |                            |               |                                  |                                      |                   |                                  |                   |                             |                |
| Homes & Communities Strategy  | 1,388                                     | -                          | -             | -                                | -                                    | 1,388             | -                                | -                 | -                           | 1,388          |
| White City Estate Regeneration                                      | 1,447                                     | -                          | -             | -                                | -                                    | 1,447             | 386                              | 386               | 386                         | 2,605          |
| Old Laundry Yard  | 1,133                                     | -                          | -             | -                                | -                                    | 1,133             | -                                | -                 | -                           | 1,133          |
| Education City- HRA element   | 4,353                                     | 9,820                      | -             | -                                | 9,820                                | 14,173            | 18,634                           | 28,566            | 147                         | 61,520         |
| <b>Subtotal Building Homes and Communities Strategy (HRA sites)</b> | <b>8,321</b>                              | <b>9,820</b>               | <b>-</b>      | <b>-</b>                         | <b>9,820</b>                         | <b>18,141</b>     | <b>19,020</b>                    | <b>28,952</b>     | <b>533</b>                  | <b>66,646</b>  |
| <b>Other HRA Capital Schemes</b>                                    |   |                            |               |                                  |                                      |                   |                                  |                   |                             |                |
| Housing Development Project   | 213                                       | -                          | -             | -                                | -                                    | 213               | -                                | -                 | -                           | 213            |
| Stanhope Joint Venture  | 325                                       | -                          | -             | -                                | -                                    | 325               | 8,788                            | 13,707            | 7,150                       | 29,970         |
| Affordable Housing Delivery Framework                               | 2   | -                          | -             | -                                | -                                    | 2                 | -                                | -                 | -                           | 2              |
| Property Acquisition for Affordable Housing                         | 242                                       | -                          | -             | -                                | -                                    | 242               | -                                | -                 | -                           | 242            |
| Hartopp & Lannoy  | 826                                       | (57,373)                   | 58,642        | -                                | 1,269                                | 2,095             | 30,661                           | 25,773            | 939                         | 59,468         |
| Nourish Project (Good Growth Fund)                                  | 121                                       | -                          | -             | -                                | -                                    | 121               | -                                | -                 | -                           | 121            |
| <b>Subtotal Other HRA Capital Schemes</b>                           | <b>1,729</b>                              | <b>(57,373)</b>            | <b>58,642</b> | <b>-</b>                         | <b>1,269</b>                         | <b>2,998</b>      | <b>39,449</b>                    | <b>39,480</b>     | <b>8,089</b>                | <b>90,016</b>  |
| <b>Total Expenditure</b>  | <b>76,488</b>                             | <b>(57,730)</b>            | <b>58,628</b> | <b>-</b>                         | <b>898</b>                           | <b>77,386</b>     | <b>153,540</b>                   | <b>143,658</b>    | <b>71,723</b>               | <b>446,307</b> |

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

### 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)                         |  |   |                                 |  |   |                                |                                  |                                |  |  |
| 2022/23<br>Revised<br>Budget as<br>@ 2021/22<br>Outturn<br><br>£'000 | <i>Slippages<br/>from/(to)<br/>future<br/>years<br/><br/>£'000</i> | <i>Additions/<br/>(Reductions)<br/><br/>£'000</i> | <i>Transfers<br/><br/>£'000</i> | <b>Total<br/>Transfers/<br/>Virements<br/><br/>£'000</b> | <b>Revised<br/>Budget<br/>2022/23<br/>(Q1)<br/><br/>£'000</b> | 2023/24<br>Budget<br><br>£'000 | 2024/25<br>Budget<br><br>£'000   | 2025/26<br>Budget<br><br>£'000 | <b>Total Budget<br/>(All years)<br/><br/>£'000</b> |  |
| <b>Capital Financing Summary</b>                                     |  |   |                                 |  |   |                                |                                  |                                |  |  |
| <b>Specific/External or Other Financing</b>                          |  |   |                                 |  |   |                                |                                  |                                |  |  |
| Capital Grants from Central Government                               | 239  | -   | -                               | -  | 239   | -                              | -                                | -                              | 239  |  |
| Contributions from leaseholders                                      | 1,598  | -   | -                               | -  | 1,598   | 1,811                          | 1,449                            | 931                            | 5,789  |  |
| Grants and Contributions from Private Developers<br>(includes S106)  | 231  | -   | -                               | -  | 231   | 5,782                          | 9,018                            | 4,704                          | 19,735   |  |
| Capital Grants and Contributions from GLA Bodies                     | 49   | -   | -                               | -  | 49  | 3,006                          | 4,689                            | 3,069                          | 10,813   |  |
| RtB GLA Ringfence  | 2,622  | (3,993)   | 5,460                           | -  | 1,467   | 3,512                          | 4,735                            | 1,468                          | 13,804   |  |
| <b>Sub-total - Specific or Other Financing</b>                       | <b>4,739</b>   | <b>(3,993)</b>                                    | <b>5,460</b>                    | <b>-</b>   | <b>1,467</b>  | <b>14,111</b>                  | <b>19,891</b>                    | <b>10,172</b>                  | <b>50,380</b>                                      |  |
| <b>Mainstream Financing (Internal Council Resource)</b>              |  |   |                                 |  |   |                                |                                  |                                |  |  |
| Capital Receipts (HRA)   | 3,221  | (5,733)   | 7,299                           | (3,960)  | (2,394)   | 6,117                          | 5,841                            | 30,008                         | 42,793   |  |
| Major Repairs Reserve (MRR) / Major Repairs Allowance                | 16,620   | -   | -                               | -  | 16,620  | 17,013                         | 17,415                           | 17,934                         | 68,982   |  |
| Capital Receipts (GF)  | 1,432  | -   | -                               | -  | 1,432   | -                              | -                                | -                              | 1,432  |  |
| <b>Sub-total - Mainstream Funding</b>                                | <b>21,273</b>  | <b>(5,733)</b>                                    | <b>7,299</b>                    | <b>(3,960)</b>   | <b>(2,394)</b>  | <b>23,130</b>                  | <b>23,256</b>                    | <b>47,942</b>                  | <b>113,207</b>                                     |  |
| Borrowing(HRA)   | 50,368   | (48,004)  | 45,869                          | 3,960  | 1,825   | 116,299                        | 100,511                          | 13,609                         | 282,612  |  |
| Borrowing (GF)   | 108  | -   | -                               | -  | 108   | -                              | -                                | -                              | 108  |  |
| <b>Total Capital Financing</b>                                       | <b>76,488</b>  | <b>(57,730)</b>                                   | <b>58,628</b>                   | <b>-</b>   | <b>898</b>  | <b>153,540</b>                 | <b>143,658</b>                   | <b>71,723</b>                  | <b>446,307</b>                                     |  |

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

### Appendix 2 – Analysis of budget variations

| Variation by department  | Amount<br>£000 |
|--|----------------|
| <b>Adult Social Care</b>   |                |
| Social Care capital projects funded from Disabled Facilities Grant – additional budget allocation for adaptation works to reflect funding received in 2022/23  | 511            |
| Disabled Facilities Grant – additional budget allocation for adaptation works to reflect funding received in 2022/23   | 985            |
| <b>Total Adult Social Care variations</b>  | <b>1,496</b>   |
| <b>Finance Department</b>  |                |
| Invest to Save schemes - budget reallocation to Investment in Digital Infrastructure to finance Business Intelligence development works  | (160)          |
| Investment in Digital Infrastructure – budget reallocation from Invest to Save schemes to finance Business Intelligence development works  | 160            |
| <b>Total Finance Department variations</b>   | <b>0</b>       |
| <b>Environment Department</b>  |                |
| Transport for London (TfL) Schemes – additional budget to reflect external grant received  | 125            |
| Hammersmith Bridge Stabilisation – additional budget required to complete current works  | 19             |
| Other Highways Capital Schemes – budget adjustment to reflect additional approved S106 funding   | 331            |
| Parks Capital Projects – budget adjustment to reflect additional approved S106 funding   | 346            |
| Waste Collection and Disposal Programme – budget reduction to reflect current spend forecast   | (24)           |
| <b>Total Environment Department variations</b>   | <b>797</b>     |
| <b>General Fund schemes under Economy Department</b>   |                |
| Commercial Units Cinema Fit Out- additional budget approved at 2021/22 Capital Outturn   | 1,750          |
| Mund Street – budget reprofiled to future years due to project delays  | (935)          |
| Lillie Road Site – budget reprofiled to future years due to project delays   | (284)          |
| Carnwarth Road- budget reprofiled to future years due to project delays  | (1,870)        |
| Corporate Planned Maintenance Programme (CPMP) – budget reprofiled to future years due to project delays   | (1,000)        |
| <b>Total General Fund schemes under Economy Department variations</b>  | <b>(2,339)</b> |
| <b>Economy Department (HRA) Schemes</b>  |                |
| Education City – budget reprofiled from future years to reflect current cash flow forecast   | 9,820          |
| Asset Management and Compliance Programme – net budget movement as a result of £10.177m budget reprofiling to future years to reflect delays in programme of works on various sites/ schemes and £14,000 budget reduction for Void Works | (10,191)       |
| Hartopp and Lannoy- additional budget approved by Full Council in July 2022 and reprofiled across 2022/23 and future years   | 1,269          |
| <b>Total Economy Department (HRA) variations</b>   | <b>898</b>     |
| <b>Total 2022/23 Q1 variations</b>   | <b>852</b>     |

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

### Appendix 3 – General Fund Capital Receipts Forecast

| Financial Year                         | Q1<br>2022/23 |
|--|---------------|
| <b>2022/23</b>                         | <b>£'000</b>  |
| Receipts b/f from 2021/22              | 1,454         |
| Forecast capital receipts for the year | 13,775        |
| Cost of Sales (4%)                     | (551)         |
| <b>Total 2022/23</b>                   | <b>14,678</b> |

There is risk that the cost of sales will need to be written back to revenue should the actual sales not proceed.

# LONDON BOROUGH OF HAMMERSMITH & FULHAM

## 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, on capital expenditure on properties which are let or leased. However, under Section 33 of the VAT Act 1994, local authorities are able to recover VAT incurred in relation to VAT exempt activities, for example property transactions, as 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 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 £2.5m (the impact on the threshold being the VAT incurred on this amount, i.e. £0.54m). 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 and the Council's tax accountant 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.

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

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

- 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 2022/23-2025/26:

**Table 1 - Forecast General Fund CFR 2022/23-2025/26 (Quarter 1)**

| <b>GENERAL FUND CFR ANALYSIS</b>                               | <b>2021/22</b> | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> | <b>2025/26</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>122.16</b>  | <b>128.91</b>  | <b>159.62</b>  | <b>179.21</b>  | <b>182.14</b>  |
| Revenue Repayment of Debt (MRP)                                | (1.36)         | (1.56)         | (1.91)         | (2.99)         | (3.09)         |
| Mainstream Programme (Surplus)/Shortfall                       | 8.11           | 32.27          | 21.51          | 5.91           | 5.92           |
| <b>Closing Capital Finance Requirement (CFR)</b>               | <b>128.91</b>  | <b>159.62</b>  | <b>179.21</b>  | <b>182.14</b>  | <b>184.96</b>  |
|  |                |                |                |                |                |
| <b>SELF FINANCING SCHEMES AND LOANS</b>                        | <b>2021/22</b> | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> | <b>2025/26</b> |
|  | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      |
| <b>Opening Capital Finance Requirement</b>                     | <b>21.51</b>   | <b>28.66</b>   | <b>83.75</b>   | <b>130.71</b>  | <b>133.87</b>  |
| Revenue Repayment of Debt (MRP)                                | (4.42)         | -              | -              | (1.83)         | (2.68)         |
| In Year Borrowing  | 11.57          | 55.10          | 46.95          | 5.00           | -              |
| <b>Closing Capital Finance Requirement</b>                     | <b>28.66</b>   | <b>83.75</b>   | <b>130.71</b>  | <b>133.87</b>  | <b>131.19</b>  |
| Finance leases/PFI/ Deferred costs of disposal                 | 8.52           | 7.09           | 6.39           | 5.69           | 4.99           |
| <b>Total Closing GF CFR</b>                                    | <b>166.09</b>  | <b>250.46</b>  | <b>316.31</b>  | <b>321.70</b>  | <b>321.14</b>  |

- The current forecast for the General Fund (GF) Headline CFR is £159.6m at the end of 2022/23 and £185m by the end of 2025/26. The increase in GF Headline CFR puts additional pressures on revenue budgets.
- The Headline CFR figures exclude:
  - £32m equity loan to the Civic Campus programme
  - £63m investment in acquisition of Civic Campus commercial units
  - £39m development financing to EdCity Office Ltd
  - £1.75m Civic Campus Cinema Fit-Out

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).

- 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 £55.1m to £83.8m in 2022/23 and to £131.1m by the end of 2025/26. Table 2 details the CFR movements regarding these schemes:



## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Table 2 - Self-financing schemes and loans CFR movements 2022/23-2025/26**

|  | Revised Budget 2022/23 @ 2021/22 Outturn<br>£'000 | Variations (Q1)<br>£'000 | Revised Budget 2022/23 (Q1)<br>£'000 | Indicative Budget 2023/24<br>£'000 | Indicative Budget 2024/25<br>£'000 | Indicative Budget 2025/26<br>£'000 | Total Budget (All years)<br>£'000 |
|--|---|--------------------------|--------------------------------------|------------------------------------|------------------------------------|------------------------------------|-----------------------------------|
| <b>Approved Expenditure</b>                          |   |                          |                                      |                                    |                                    |                                    |                                   |
| <b>Ad Hoc Schemes:</b>                               |   |                          |                                      |                                    |                                    |                                    |                                   |
| Education City - ARK loan                            | 22,000  | -                        | 22,000                               | 12,000                             | 5,000                              | -                                  | 39,000                            |
| Acquisition of commercial units (Civic Campus) [ECD] | 21,488  | -                        | 21,488                               | 28,340                             | -                                  | -                                  | 49,828                            |
| Commercial Units- Cinema Fit Out [ECD]               | -   | 1,750                    | 1,750                                | -                                  | -                                  | -                                  | 1,750                             |
| Equity Loan (Civic Campus) [ECD]                     | 9,858   | -                        | 9,858                                | 6,611                              | -                                  | -                                  | 16,469                            |
| <b>Total Mainstream Programmes</b>                   | <b>53,346</b>                                     | <b>1,750</b>             | <b>55,096</b>                        | <b>46,951</b>                      | <b>5,000</b>                       | <b>-</b>                           | <b>107,047</b>                    |
| <b>Financing</b>                                     |   |                          |                                      |                                    |                                    |                                    |                                   |
| Increase/(Decrease) in Borrowing                     | 53,346  | 1,750                    | 55,096                               | 46,951                             | 5,000                              | 0                                  | 107,047                           |
| <b>Total Financing</b>                               | <b>53,346</b>                                     | <b>1,750</b>             | <b>55,096</b>                        | <b>46,951</b>                      | <b>5,000</b>                       | <b>-</b>                           | <b>107,047</b>                    |

2. 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.
  
3. 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 (proposed 2022/23 rate 3.28%).