

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Cabinet

Date: 09/01/2023

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

Report of: Cabinet Member for Finance and 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 decrease in forecast 2022/23 capital expenditure of £17m. The variations are detailed in Appendix 2.
 2. To approve the updated four-year capital programme 2022-2026 of £695.6m as detailed in Appendix 1.
 3. To approve an additional budget of £0.300m for the Farm Lane predevelopment costs (as described in Appendix 6) funded from General Fund borrowing.
 4. To approve an additional budget of £1.435m for asset management and compliance programme costs related to pre-agreed and void works funded from the Housing Revenue Account (HRA) borrowing as described in paragraph 14.
 5. To note the potential risks regarding the Housing Capital Programme, as summarised in paragraphs 16-19.
-

Wards Affected: All

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

Our Values	Summary of how this report aligns to the H&F Values
Being ruthlessly financially efficient	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>Officers are responsible for monitoring and delivering projects within approved budgets and reporting variances.</p> <p>This report provides detailed analysis of the Council's capital programme financial position and highlights any potential risks and their impact on the Council's resources.</p>
--	---

Financial Impact

This report is wholly of a financial nature.

Budget Council approved a four- year capital programme for 2022/23 to 2025/26 of £577.1m. The programme now stands at £695.6m. The increase of £118.5m 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.
- inclusion of a budget, as agreed by July 2022 Council, of £7.5m for progression and delivery of LBHF's development gateway 2 and 3 for Barclay Close, Jepson House, Becklow Gardens and the Grange sites
- inclusion of £5m of a budget, as per agreed TfL and s106 funding, for various infrastructure and transport schemes
- Other variations of £4.6m 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 September inflation rate, as measured by the Consumer Price Index, is 10.1% with the Bank of England (BoE) forecasting that it will peak at just under 11% 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 3% 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 2.25% as at the end of Quarter 2 (September 2022). The BoE have since announced a further interest rate increase of 0.75% on the 3rd of November 2022 to increase the base rate to 3% (it was 0.25% in December 2021). The interest rate regarding long-term borrowing from the Public Works Loans Board (PWLB) now stands at 3.97% compared to 1.5% in December 2021. Economists are forecasting further base rate increases to mitigate inflationary pressures over the next 12 to 18 months.

The Council's underlying need to borrow (capital financing requirement (CFR) to support the capital programme is forecast to increase by £448.8m over the next 4 years (£56.2m regarding the headline General Fund CFR, £102.4m regarding self-financing schemes and £290.2m regarding the Housing Revenue Account). For

illustrative purposes it is currently estimated that the increase of £56.2m in the GF CFR will result in an estimated additional revenue budget requirement of £3.6m¹ 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 self-financing schemes, will also need to be reviewed on ongoing basis and as part of the development of the 2023-27 capital programme.

Andre Mark, Head of Strategic Planning and Investment, 28 November 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.

Grant Deg, Assistant Director, Legal Services, 21 December 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 – Q2 OVERVIEW

1. The updated Quarter 2 capital programme is summarised in Table 1. The 2022/23 programme has decreased by £17m to £204.8m in comparison to the previous quarter. All the variations are detailed in Appendix 2.

¹ Current cost of borrowing rate of 7.25% calculated using the latest discounted certainty PWLB interest rate of 3.97% and minimum revenue provision (MRP) of 3.28%. MRP on new developments is charged at 2%.

Table 1 – LBHF Capital Programme 2022-26 with proposed 2022-23 Q2 variations

	2022/23 Original Budget	2022/23 Revised Budget (Q1)	Total Variations	2022/23 Revised Budget (Q2)	2023/24	2024/25	2025/26	Total Budget (All years)
	£'000	£'000	£'000		£'000	£'000	£'000	£'000
CAPITAL EXPENDITURE								
Children's Services	3,748	6,294	-	6,294	3,579	-	-	9,873
Social Care	957	3,455	-	3,455	-	-	-	3,455
Environment Department	10,060	29,341	(1,205)	28,136	9,368	4,511	3,515	45,530
Finance and Resources Department	4,585	6,188	-	6,188	-	-	-	6,188
General Fund Schemes under the Economy Department	94,592	99,142	(12,806)	86,336	81,453	3,809	3,435	175,033
Sub-total (General Fund)	113,942	144,420	(14,011)	130,409	94,400	8,320	6,950	240,079
Economy Department-HRA Programme	77,654	77,386	(3,026)	74,360	162,641	144,176	74,304	455,481
Sub-total Economy Department (HRA)	77,654	77,386	(3,026)	74,360	162,641	144,176	74,304	455,481
Total Expenditure	191,596	221,806	(17,037)	204,769	257,041	152,496	81,254	695,560
CAPITAL FINANCING								
Specific/External Financing:								
Government/Public Body Grants	6,483	16,777	146	16,923	3,579	-	-	20,502
Grants and Contributions from Private Developers (includes S106/CIL)	7,636	19,822	(910)	18,912	11,314	10,018	4,704	44,948
Capital Grants/Contributions from Non-departmental public bodies	45	1,483	19	1,502	-	-	-	1,502
Capital Grants and Contributions from GLA Bodies	5,278	9,547	(488)	9,059	7,905	9,424	4,537	30,925
Leaseholder Contributions (Housing)	1,598	1,598	-	1,598	1,811	1,449	931	5,789
Sub-total - Specific Financing	21,040	49,227	(1,233)	47,994	24,609	20,891	10,172	103,666
Mainstream Financing (Internal):								
Capital Receipts - General Fund	13,911	14,678	-	14,678	-	-	-	14,678
Capital Receipts - HRA	3,156	827	1,820	2,647	6,786	6,947	27,087	43,467
Major Repairs Reserve (MRR)	16,620	16,620	685	17,305	17,013	17,415	17,934	69,667
General Fund Revenue Funding	-	-	10	10	-	-	-	10
Earmarked Reserves (Revenue)	-	896	38	934	-	-	-	934
Sub-total - Mainstream Funding	33,687	33,021	2,553	35,574	23,799	24,362	45,021	128,756
Borrowing-General Fund	85,568	87,365	(13,988)	73,377	85,289	7,320	6,950	172,936
Borrowing -HRA	51,301	52,193	(4,369)	47,824	123,344	99,923	19,111	290,202
Total Capital Financing	191,596	221,806	(17,037)	204,769	257,041	152,496	81,254	695,560

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 2 movements are summarised in Table 2 and identify a £8.6m reduction in 2022/23 expenditure.

Table 2 – LBHF GF Mainstream Capital Programme 2022-26 with proposed 2022-23 Q2 variations:

	Revised Budget 2022/23 (Q1)	Variations (Q2)	Revised Budget 2022/23 (Q2)	Indicative Budget 2023/24	Indicative Budget 2024/25	Indicative Budget 2025/26	Total Budget (All years)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Approved Expenditure							
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
Hammersmith Bridge Strengthening [ENV]	2,397	-	2,397	-	-	-	2,397
Hammersmith Bridge Pre Restoration Works [ENV]	1,186	-	1,186	-	-	-	1,186
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]	7,366	-	7,366	3,400	2,400	2,400	15,566
Electric Vehicles [ENV]	150	-	150	-	-	-	150
Footways and Carriageways [ENV]	2,386	-	2,386	2,030	2,030	2,030	8,476
Column Replacement [ENV]	363	-	363	346	346	346	1,401
Parks Programme & Libraries [ENV]	180	(11)	169	-	-	-	169
Hammersmith Town Hall Refurbishment [ECD]	16,929	(11,188)	5,741	18,808	-	-	24,549
Community Schools Programme [ECD]	1,123	(202)	921	262	-	-	1,183
Education City Youth Zone [ECD]	-	3,500	3,500	-	-	-	3,500
Farm Lane/Mund Street [ECD]	1,069	(860)	209	1,105	479	511	2,304
Investment in Affordable Housing-Lillie Road Site [ECD]	1,001	184	1,185	100	-	-	1,285
Total Mainstream Programmes	46,947	(8,577)	38,370	29,381	6,390	6,426	80,567
Financing							
Capital Receipts	14,678	-	14,678	-	-	-	14,678
Increase/(Decrease) in Borrowing	32,269	(8,577)	23,692	29,381	6,390	6,426	65,889
Total Financing	46,947	(8,577)	38,370	29,381	6,390	6,426	80,567

- The mainstream programme presented in Table 2 does not include self-financing schemes (where the net General Fund revenue borrowing costs are nil). Appendix 5 details the self-financing schemes and their borrowing requirement.
- A key financial focus of the capital monitoring report is the potential impact of capital expenditure on future borrowing and its revenue affordability. The Council's underlying need to borrow for a capital purpose is measured through the CFR 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:

	Last forecast (2022/23 opening budget)	Current forecast (2022/23 Q2)
General Fund CFR	£m	£m
2021/22 Closing CFR (actual)	128.91	128.91

2022/23 Closing CFR	159.62	151.04
2025/26 Closing CFR	184.96	185.14

5. The underlying need to borrow is forecast to increase by £56.2m over the next four years. By 2026/27 illustrative modelling indicates that this will increase annual revenue borrowing costs by an estimated £3.6m. 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 £6.6m 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 and therefore will rely on borrowing to finance programmes in future years. 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 considering the Council's 'Hello Hybrid Future' strategy. As part of this programme of work, surplus assets may be identified that cannot be re-purposed for other uses and that could be sold for a capital receipt to support the capital programme. Any decisions on asset disposals will be the subject of a future report.

HOUSING CAPITAL PROGRAMME OVERVIEW

10. Housing Capital expenditure for 2022/23 is forecast at £74.4m and for the four-year programme to 2025/26 spend is expected to be £455.5m. 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 Q2 variations:

	Revised Budget 2022/23 (Q1)	Total Variations	Revised Budget 2022/23 (Q2)	Indicative 2023/24 Budget	Indicative 2024/25 Budget	Indicative 2025/26 Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Approved Expenditure						
HRA Asset Management and Compliance Programme	56,247	1,435	57,682	99,676	72,682	61,041
Building Homes and Communities Strategy	18,141	(4,686)	13,455	23,516	32,014	5,174
Other HRA Capital Schemes	2,998	225	3,223	39,449	39,480	8,089
Total Housing Programme	77,386	(3,026)	74,360	162,641	144,176	74,304
Available and Approved Resource						
Capital Receipts - Unrestricted	134	1,820	1,954	4,000	6,947	27,087
Capital Receipts - RTB (141)	693	-	693	2,786	-	-
Capital Receipts - GF	1,432	-	1,432	-	-	-
Major Repairs Reserve (MRR)	16,620	685	17,305	17,013	17,415	17,934
Contributions Developers (S106)	231	225	456	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	4,089	(1,387)	2,702	4,899	4,735	1,468
Borrowing (HRA)	52,193	(4,369)	47,824	123,344	99,923	19,111
Borrowing (GF)	108	-	108	-	-	-
Total Funding	77,386	(3,026)	74,360	162,641	144,176	74,304

11. Within the Housing Capital Programme there has been a net budget decrease of £3m. Detailed analysis of the budget variances is presented in Appendix 2. The risks associated with funding the future years' Housing Capital Programme are summarised in paragraphs 16-19.

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

Table 4 – HRA CFR at Q2 2022-23 (including future years forecast):

HRA CFR Forecast	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
Closing Forecast HRA CFR	256.97	304.79	428.13	528.06	547.17

13. The Housing Revenue Account 2022/23 CFR has increased by £47.8m in comparison to 2021/22. This is mainly due to 2021/22 budgets being reprofiled to 2022/23 and an increase in budget for the HRA Asset Management and Compliance Programme. The HRA CFR is forecast to increase to £547.1m by the end of 2025/26.

HOUSING CAPITAL PROGRAMME RISKS

14. The following risks associated with funding of future years' expenditure have been identified within the Housing Capital programme:
15. **S106 Funding:** The proposed programme for 2022/23–2025/26 relies on £20m 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.
16. **Right to Buy funding (GLA):** 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.
17. **Right to Buy funding (retained):** The Council has retained £10.1m of RTB 1-4-1 receipts which need to be spent within five years from the date of retention on eligible expenditure in respect of building new affordable housing schemes. £1.5m of these receipts is due to be spend by 31 March 2023. Should these receipts not be spent on timely basis, the Council will have to repay them back to the Department of Levelling Up, Housing and Communities (DLUHC) with interest which would be an additional costs to HRA.
18. **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

19. 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

20. 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

21. 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.
22. 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.
23. 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.
24. 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.
25. 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.

26. 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.
27. Proposals set out in this report seek to comply with the Council's legal duties.
28. 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.
29. Implications completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance, 15 August 2022

VAT IMPLICATIONS

30. 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.
31. 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)

Appendix 6- 11 Farm Lane -additional budget request

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

Children's Services	Current Year Programme					Indicative Future Years Analysis				
	Analysis of Movements (Q1 to Q2)					Revised Budget 2022/23 (Q2)	2023/24 Budget	2024/25 Budget	2025/26 Budget	Total Budget (All years)
	Revised Budget 2022/23 (Q1)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements					
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Scheme Expenditure Summary										
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
Total Expenditure	6,294	-	-	-	-	6,294	3,579	-	-	9,873
Capital Financing Summary										
Specific/External or Other Financing										
Capital Grants from Central Government	6,110	-	-	-	-	6,110	3,579	-	-	9,689
Sub-total - Specific or Other Financing	6,110	-	-	-	-	6,110	3,579	-	-	9,689
Mainstream Financing (Internal Council Resource)										
Capital Receipts	42	-	-	-	-	42	-	-	-	42
Sub-total - Mainstream Funding	42	-	-	-	-	42	-	-	-	42
Borrowing	142	-	-	-	-	142	-	-	-	142
Total Capital Financing	6,294	-	-	-	-	6,294	3,579	-	-	9,873

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

Social Care Services	Current Year Programme					Indicative Future Years Analysis			Total Budget (All years) £'000
	Analysis of Movements (Q1 to Q2)					2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000	
	Revised Budget 2022/23 (Q1) £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000				
Scheme Expenditure Summary									
Extra Care New Build project (Adults' Personal Social Services Grant)	957	-	-	-	-	957	-	-	957
Disabled Facilities Grant	1,308	-	-	-	-	1,308	-	-	1,308
Transforming Care (Winterbourne Grant)	300	-	-	-	-	300	-	-	300
Social Care Capital Projects	890	-	-	-	-	890	-	-	890
Total Expenditure	3,455	-	-	-	-	3,455	-	-	3,455
Capital Financing Summary									
Specific/External or Other Financing									
Capital Grants from Central Government	3,026	-	-	-	-	3,026	-	-	3,026
Capital Grants/Contributions from Non-departmental public bodies	300	-	-	-	-	300	-	-	300
Sub-total - Specific or Other Financing	3,326	-	-	-	-	3,326	-	-	3,326
Borrowing	129	-	-	-	-	129	-	-	129
Total Capital Financing	3,455	-	-	-	-	3,455	-	-	3,455

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

Environment Department	Current Year Programme					Indicative Future Years Analysis			
Analysis of Movements (Q1 to Q2)									
Revised Budget 2022/23 (Q1)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements	Revised Budget 2022/23 (Q2)	2023/24 Budget	2024/25 Budget	2025/26 Budget	Total Budget (All years)
£'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	572	-	854	-	1,426	-	-	-	1,426
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	5,353	(2,775)	1,054	(1,721)	3,632	4,813	1,000	-	9,445
Hammersmith Bridge Existing Works	60	-	-	-	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	473	-	-	-	473	-	-	-	473
Public CCTV	1,410	-	-	-	1,410	1,370	1,135	1,139	5,054
Parks Projects	2,428	(429)	91	(338)	2,090	719	-	-	2,809
Leisure Centre Capital Investment	358	-	-	-	358	90	-	-	448
Total Expenditure	29,341	(3,204)	1,999	(1,205)	28,136	9,368	4,511	3,515	45,530

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

Environment Department	Current Year Programme					Indicative Future Years Analysis				
Analysis of Movements (Q1 to Q2)										
Revised Budget 2022/23 (Q1)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements	Revised Budget 2022/23 (Q2)	2023/24 Budget	2024/25 Budget	2025/26 Budget	Total Budget (All years)	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Capital Financing Summary										
Specific/External or Other Financing										
Capital Grants from Central Government	7,402	-	146	-	146	7,548	-	-	-	7,548
Grants and Contributions from Private Developers (includes S106/S278)	6,817	(3,204)	895	3	(2,306)	4,511	5,532	1,000	-	11,043
Capital Grants/Contributions from Non-departmental public bodies	1,156	-	110	(91)	19	1,175	-	-	-	1,175
Capital Grants and Contributions from GLA	4,661	-	854	45	899	5,560	-	-	-	5,560
Sub-total - Specific or Other Financing	20,036	(3,204)	2,005	(43)	(1,242)	18,794	5,532	1,000	-	25,326
Mainstream Financing (Internal Council Resource)										
Capital Receipts	844	-	-	-	-	844	-	-	-	844
General Fund Revenue Account (revenue funding)	-	-	10	-	10	10	-	-	-	10
Use of Reserves	896	-	(16)	54	38	934	-	-	-	934
Sub-total - Mainstream Funding	1,740	-	(6)	54	48	1,788	-	-	-	1,788
Borrowing	7,565	-	-	(11)	(11)	7,554	3,836	3,511	3,515	18,416
Total Capital Financing	29,341	(3,204)	1,999	-	(1,205)	28,136	9,368	4,511	3,515	45,530

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 (Q1 to Q2)					Revised Budget 2022/23 (Q2)	2023/24 Budget	2024/25 Budget	2025/26 Budget	Total Budget (All years)
	Revised Budget 2022/23 (Q1)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements					
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Scheme Expenditure Summary										
Invest to Save - Flexible Use of Capital Receipts	5,114	-	-	-	-	5,114	-	-	-	5,114
Investment in Digital Infrastructure	914	-	-	-	-	914	-	-	-	914
Business Intelligence Infrastructure	160	-	-	-	-	160	-	-	-	160
Total Expenditure	6,188	-	-	-	-	6,188	-	-	-	6,188
Capital Financing Summary										
Mainstream Financing (Internal Council Resource)										
Capital Receipts	5,274	-	-	-	-	5,274	-	-	-	5,274
Sub-total - Mainstream Funding	5,274	-	-	-	-	5,274	-	-	-	5,274
Borrowing	914	-	-	-	-	914	-	-	-	914
Total Capital Financing	6,188	-	-	-	-	6,188	-	-	-	6,188

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 (Q1 to Q2)						2023/24 Budget	2024/25 Budget	2025/26 Budget	Total Budget (All years)
	Revised Budget 2022/23 (Q1)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements	Revised Budget 2022/23 (Q2)				
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Scheme Expenditure Summary										
Civic Campus										
Hammersmith Town Hall Refurbishment	27,602	(11,188)	-	-	(11,188)	16,414	18,808	-	-	35,222
Acquisition of commercial units	21,488	(12,857)	-	-	(12,857)	8,631	41,197	-	-	49,828
Commercial Units- Cinema Fit Out	1,750	-	-	-	-	1,750	-	-	-	1,750
Equity Loan (Civic Campus)	9,858	6,611	-	-	6,611	16,469	-	-	-	16,469
Subtotal Civic Campus	60,698	(17,434)	-	-	(17,434)	43,264	60,005	-	-	103,269
Building Homes and Communities Strategy (GF sites)										
Education City Loan	22,000	835	-	-	835	22,835	14,711	930	524	39,000
Education City -Youth Facility	579	4,671	-	-	4,671	5,250	-	-	-	5,250
Farm Lane	591	(200)	300	-	100	691	200	-	-	891
Mund Street	2,000	(960)	-	-	(960)	1,040	905	479	511	2,935
Community Schools Programme	1,123	(202)	-	-	(202)	921	262	-	-	1,183
Investment in Affordable Housing-Lillie Road Site	1,000	184	-	-	184	1,184	100	-	-	1,284
Subtotal Building Homes and Communities Strategy (GF sites)	27,293	4,328	300	-	4,628	31,921	16,178	1,409	1,035	50,543
Other GF Capital Schemes managed by the Economy										
Sands End Community Centre	27	-	-	-	-	27	-	-	-	27
Planned Maintenance/DDA Programme	7,366	-	-	-	-	7,366	3,400	2,400	2,400	15,566
Carnwath Road	-	-	-	-	-	-	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
Subtotal Other GF Capital Schemes managed by the Economy	11,151	-	-	-	-	11,151	5,270	2,400	2,400	21,221
Total Expenditure	99,142	(13,106)	300	-	(12,806)	86,336	81,453	3,809	3,435	175,033

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 (Q1 to Q2)						2023/24 Budget	2024/25 Budget	2025/26 Budget	Total Budget (All years)
	Revised Budget 2022/23 (Q1)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements	Revised Budget 2022/23 (Q2)				
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Capital Financing Summary										
Specific/External or Other Financing										
Grants and Contributions from Private Developers (includes S106)	2,101	1,171	-	-	1,171	3,272	-	-	-	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
Sub-total - Specific or Other Financing	13,549	1,171	-	-	1,171	14,720	-	-	-	14,720
Mainstream Financing (Internal Council Resource)										
Capital Receipts (GF)	7,086	-	-	-	-	7,086	-	-	-	7,086
Sub-total - Mainstream Funding	7,086	-	-	-	-	7,086	-	-	-	7,086
GF Borrowing	78,507	(14,277)	300	-	(13,977)	64,530	81,453	3,809	3,435	153,227
Total Borrowing	78,507	(14,277)	300	-	(13,977)	64,530	81,453	3,809	3,435	153,227
Total Capital Financing	99,142	(13,106)	300	-	(12,806)	86,336	81,453	3,809	3,435	175,033

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 (Q1 to Q2)					Revised Budget 2022/23 (Q2)	2023/24 Budget	2024/25 Budget	2025/26 Budget	Total Budget (All years)
	Revised Budget 2022/23 (Q1)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements					
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Scheme Expenditure Summary										
HRA Asset Management and Compliance Programme										
Pre Agreed Works	8,772	(173)	1,380	-	1,207	9,979	1,128	6,869	7,368	25,344
Fire Safety Compliance Programme	8,187	(1,922)	-	-	(1,922)	6,265	4,585	7,689	5,400	23,939
Fire Safety Complex Schemes	9,056	(5,115)	-	-	(5,115)	3,941	42,897	6,500	-	53,338
Lift Schemes	2,434	(1,229)	-	-	(1,229)	1,205	3,962	750	750	6,667
Boiler Schemes	2,960	-	-	-	-	2,960	4,970	6,140	4,370	18,440
Safety Works - Electrical	5,157	2,050	-	-	2,050	7,207	9,128	2,250	2,000	20,585
Safety Works	6,322	(2,163)	-	-	(2,163)	4,159	17,121	12,750	13,150	47,180
Void Works	3,447	(973)	20	-	(953)	2,494	3,015	1,200	1,200	7,909
Other Capital Improvements	5,675	45	35	282	362	6,037	4,304	1,861	1,050	13,252
Capitalised salaries	4,957	-	-	-	-	4,957	211	1,800	3,300	10,268
Capitalised repairs	7,752	-	-	-	-	7,752	4,040	4,070	3,500	19,362
Climate Emergency and Other future works	3,000	-	-	(282)	(282)	2,718	15,280	18,835	17,160	53,993
Allowance for program slippage for financial modeling purposes	(11,472)	9,480	-	-	9,480	(1,992)	(10,965)	1,968	1,793	(9,196)
Subtotal HRA Asset Management and Compliance Programme	56,247	-	1,435	-	1,435	57,682	99,676	72,682	61,041	291,081
Building Homes and Communities Strategy (HRA sites)										
Homes & Communities Strategy	1,388	(68)	-	-	(68)	1,320	68	-	-	1,388
White City Estate Regeneration	1,447	(276)	-	-	(276)	1,171	582	542	310	2,605
Becklow Gardens	-	(1,458)	1,678	-	220	220	725	300	433	1,678
Barclay Close	-	(791)	901	-	110	110	456	155	180	901
Jepson House	-	(2,871)	3,201	-	330	330	1,575	615	681	3,201
The Grange	-	(1,513)	1,733	-	220	220	775	300	438	1,733
Old Laundry Yard	1,133	(1,062)	-	-	(1,062)	71	400	362	300	1,133
Education City- HRA element	14,173	(4,160)	-	-	(4,160)	10,013	18,935	29,740	2,832	61,520
Subtotal Building Homes and Communities Strategy (HRA sites)	18,141	(12,199)	7,513	-	(4,686)	13,455	23,516	32,014	5,174	74,159
Other HRA Capital Schemes										
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	2,095	-	-	-	-	2,095	30,661	25,773	939	59,468
Nourish Project (Good Growth Fund)	121	-	225	-	225	346	-	-	-	346
Subtotal Other HRA Capital Schemes	2,998	-	225	-	225	3,223	39,449	39,480	8,089	90,241
Total Expenditure	77,386	(12,199)	9,173	-	(3,026)	74,360	162,641	144,176	74,304	455,481

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 (Q1 to Q2)					Revised Budget 2022/23 (Q2)	2023/24 Budget	2024/25 Budget	2025/26 Budget	Total Budget (All years)
	Revised Budget 2022/23 (Q1)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements					
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Capital Financing Summary										
Specific/External or Other Financing										
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 (includes S106)	231	-	225	-	225	456	5,782	9,018	4,704	19,960
Capital Grants and Contributions from GLA Bodies	49	-	-	-	-	49	3,006	4,689	3,069	10,813
RtB GLA Ringfence	4,089	(1,387)	-	-	(1,387)	2,702	4,899	4,735	1,468	13,804
Sub-total - Specific or Other Financing	6,206	(1,387)	225	-	(1,162)	5,044	15,498	19,891	10,172	50,605
Mainstream Financing (Internal Council Resource)										
Capital Receipts (HRA)	827	-	-	1,820	1,820	2,647	6,786	6,947	27,087	43,467
Major Repairs Reserve (MRR) / Major Repairs Allowance	16,620	-	-	685	685	17,305	17,013	17,415	17,934	69,667
Capital Receipts (GF)	1,432	-	-	-	-	1,432	-	-	-	1,432
Sub-total - Mainstream Funding	18,879	-	-	2,505	2,505	21,384	23,799	24,362	45,021	114,566
Borrowing(HRA)	52,193	(10,812)	8,948	(2,505)	(4,369)	47,824	123,344	99,923	19,111	290,202
Borrowing (GF)	108	-	-	-	-	108	-	-	-	108
Total Capital Financing	77,386	(12,199)	9,173	-	(3,026)	74,360	162,641	144,176	74,304	455,481

Appendix 2 – Analysis of budget variations

Variation by department	Amount £000
Environment Department	
Transport for London (TfL) Schemes – additional budget to reflect external grant received	854
Other Highways Capital Schemes –budget adjustment to reflect additional approved S106 funding £1.054m and budget reprofiling to future years (£2.775m)	(1,721)
Parks Capital Projects – budget adjustment to reflect additional approved S106 funding (£91,000) and budget reprofiling (£429,000) to future years due to the project delays	(338)
Total Environment Department variations	(1,205)
General Fund schemes under Economy Department	
Hammersmith Town Hall Refurbishment – budget reprofiled to future years due to the incident on the site	(11,188)
Acquisition of Commercial Units- budget reprofiled to future years to reflect the revised cash flow forecast	(12,857)
Civic Campus Equity Loan - budget reprofiled from future years to reflect the revised cash flow forecast	6,611
Farm Lane – additional budget request £0.3m reprofiled to future years (£0.2m)	100
Mund Street – budget reprofiled to future years due to project delays	(960)
Lillie Road Site – budget reprofiled from future years to reflect current year's forecast spend commitments	184
Education City Youth Zone- budget reprofiled from future years to reflect the revised cash flow forecast	4,671
Education City Loan- budget brought forward from future years to reflect current cash flow forecast	835
Community Schools Programme - budget reprofiled to future years due to project delays	(202)
Total General Fund schemes under Economy Department variations	(12,806)
Economy Department (HRA) Schemes	
Education City – budget reprofiled to future years to reflect current cash flow forecast	(4,160)
Asset Management and Compliance Programme – additional budget request to fund pre agreed and void works	1,435
Homes and Communities Strategy – budget reprofiled due to delays in 50 Commonwealth Avenue project	(68)
Barclay Close/The Grange/Becklow Gardens /Jepson House- new budget approved by the Cabinet in July 2022 (£7.5m) and reprofiled to future years (£6.6m)	880
White City Estate Regeneration – budget reprofiled to future years due to the project delays	(276)
Nourish Project (Good Growth Fund)- additional budget to reflect approved s106 funding	225
Old Laundry Yard-budget reprofiled to future years due to project delays	(1,062)
Total Economy Department (HRA) variations	(3,026)
Total 2022/23 Q2 variations	(17,037)

Appendix 3 – General Fund Capital Receipts Forecast

Financial Year	Q2 2022/23
2022/23	£'000
Receipts b/f from 2021/22	1,454
Forecast capital receipts for the year	13,775
Cost of Sales (4%)	(551)
Total 2022/23	14,678

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

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.

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

1. The Capital Finance Requirement (CFR) measures the Council's long-term indebtedness. Table 1 below shows the Council's forecast total GF CFR for the period 2022/23-2025/26:

Table 1 - Forecast General Fund CFR 2022/23-2025/26 (Quarter 2)

GENERAL FUND CFR ANALYSIS	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
HEADLINE CFR EXCLUDING SELF FINANCING SCHEMES AND LOANS					
Opening Capital Finance Requirement (CFR)	122.16	128.91	151.04	178.51	181.92
Revenue Repayment of Debt (MRP)	(1.36)	(1.56)	(1.91)	(2.99)	(3.20)
Mainstream Programme (Surplus)/Shortfall	8.11	23.69	29.38	6.39	6.43
Closing Capital Finance Requirement (CFR)	128.91	151.04	178.51	181.92	185.14
SELF FINANCING SCHEMES AND LOANS					
	£m	£m	£m	£m	£m
Opening Capital Finance Requirement	21.51	28.66	78.34	134.25	133.27
Revenue Repayment of Debt (MRP)	(4.42)	-	-	(1.92)	(2.67)
In Year Borrowing	11.57	49.69	55.91	0.93	0.52
Closing Capital Finance Requirement	28.66	78.34	134.25	133.27	131.12
Finance leases/PFI/ Deferred costs of disposal	8.52	7.09	6.39	5.69	4.99
Total Closing GF CFR	166.09	236.47	319.15	320.87	321.25

2. The current forecast for the General Fund (GF) Headline CFR is £151m at the end of 2022/23 and £185.1m by the end of 2025/26. The increase in GF Headline CFR puts additional pressures on revenue budgets.
3. 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).

4. CFR movements related to these schemes are presented under "Self-Financing Schemes and Loans" heading in the Table 1. CFR for these schemes is forecast to increase by £49.6m to £78.3m in 2022/23 and to £131.1m by the end of 2025/26. Table 2 details the CFR movements regarding these schemes:

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

	Revised Budget 2022/23 (Q1)	Variations (Q2)	Revised Budget 2022/23 (Q2)	Indicative Budget 2023/24	Indicative Budget 2024/25	Indicative Budget 2025/26	Total Budget (All years)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Approved Expenditure							
<i>Ad Hoc Schemes:</i>							
Education City -ARK loan	22,000	835	22,835	14,711	930	524	39,000
Acquisition of commercial units (Civic Campus) [ECD]	21,488	(12,857)	8,631	41,197	-	-	49,828
Commercial Units- Cinema Fit Out [ECD]	1,750		1,750	-	-	-	1,750
Equity Loan (Civic Campus) [ECD]	9,858	6,611	16,469	-	-	-	16,469
Total Mainstream Programmes	55,096	(5,411)	49,685	55,908	930	524	107,047
Financing							
Increase/(Decrease) in Borrowing	55,096	(5,411)	49,685	55,908	930	524	107,047
Total Financing	55,096	(5,411)	49,685	55,908	930	524	107,047

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 the weighted average life of an asset (proposed 2022/23 rate 3.28%).

Appendix 6 - 11 Farm Lane Redevelopment – Additional Budget Request

1. On 6th July 2020, Cabinet approved a capital budget of £1,269,947 to progress Farm Lane to LBHF's agreed development life-cycle gateway stages 2 – Planning (RIBA Stages 1 Review, 2 and 3), and, stage 3 – Procurement (RIBA Stage 4).
2. Officers require an adjustment to this project budget commitment, for an additional £300,000, to enable continued progression of the projects associated activities and tasks, up to and including LBHF's development gateway stage 3 – Procurement (RIBA Stage 4), at the enhanced 'aspirational' sustainability and Passivhaus standards – to be operationally net zero and support our Climate and Ecology Strategies transitional action plan targets.
3. This new budget is required to:
 - Proportionally increase the existing budget commitments to sufficient levels, to enable progression and delivery up to and including a full planning application (RIBA 3) and procurement of a main/principal contractor (RIBA 4).
 - Provide necessary funding to meet the uplift in costs associated with delivery of an enhanced scope and requirements for the scheme, which include an enhancement of associated professional fees, services, surveys and modelling, required to progress the remaining detailed design work the desired enhanced aspirational sustainability standards and achieve Passivhaus classic standards thereby, ensuring the proposed development is operationally net zero and supports our recently approved Climate and Ecology Strategy and agreed step change 'Homes, Buildings and Energy' (Theme 1: Council housing) action plan targets (Ref: H1.6 & H1.7).
 - Notwithstanding the above, this request also accommodates higher planning fees and implementation of a planning performance agreement (PPA) costs, along with an element of project contingency, thereby providing certainty to the projects delivery.
4. This will increase the total approved budget for the project from £1,269,947, to £1,569,947.
5. The new budget will be funded from General Fund borrowing. This will result in additional revenue costs with regards to interest charges of estimated £11,910 per annum. Once the scheme is fully approved, it is anticipated that these predevelopment as well as any future development costs will be appropriated to HRA therefore no MRP charges will be applicable.
6. Based on the current designs and the latest viability model, - with this additional budget accommodated - the project continues to demonstrate acceptable performance with regards to LBHF's agreed financial hurdles (NPV & IRR).