

## London Borough of Hammersmith & Fulham

**Report to:** Cabinet

**Date:** 06/02/2023

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

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

**Responsible Director:** Sukvinder Kalsi, Director of Finance

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### SUMMARY

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

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### RECOMMENDATIONS

1. To note the net decrease in forecast capital expenditure of £5m for 2022/23. The variations are detailed in Appendix 2.
  2. To approve the updated four-year capital programme for 2022-2026 of £641.5m as detailed in Appendix 1.
  3. To approve £890,000 additional budget with regards to Hammersmith Bridge Stabilisation works, funded from General Fund borrowing.
  4. To note the potential risks regarding the Housing Capital Programme, as summarised in paragraphs 18-21.
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**Wards Affected:** All

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

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

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| and their impact on the Council's resources. |
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## 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 £641.5m. The movement (a net increase) of £64.4m is summarised in the below attached table:

| <b>Budget Movement Summary for 2022/23-2025/26 capital programme</b>  | <b>£'m</b>   |
|---|--------------|
| <b>Four-year capital programme budget approved at Full Council in February 2022</b>   | <b>577.1</b> |
| Carry forward of unspent budgets from 2021/22 to future years   | 42.8         |
| New budget approved by July 2022 Council for the Hartopp and Lannoy development.  | 58.6         |
| New budget approved by July 2022 Cabinet for progression and delivery of LBHF's development gateway 2 and 3 for Barclay Close, Jepson House, Becklow Gardens and the Grange sites | 7.5          |
| Additional budget for Hammersmith Bridge Strengthening, of which £5m was approved by Cabinet in October 2022  | 5.9          |
| Additional budget, as per agreed TfL and s106 funding, for various infrastructure and transport schemes   | 5            |
| New budget for Tech-Tonic 2 device refresh programme, as approved by the Cabinet in November 2022   | 4.4          |
| Additional budget for Civic Campus JV partnership loan to reflect actual cash flow forecast   | 3.2          |
| Other variations  | 4            |
| Budget reprofiling for HRA Asset Management and Compliance Programme to the future years  | (60)         |
| Reduction in Education City loan budget to reflect the actual cash flow forecast  | (7)          |
| <b>Revised four -year capital programme as at Q3 2022/23</b>  | <b>641.5</b> |

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 November inflation rate, as measured by the Consumer Price Index, is 11.1% with the Bank of England (BoE) forecasting that it will remain at elevated levels at around 7.4% 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 increased the interest base rate to 3% in November 2022. (it was 0.25% in December 2021). The interest rate regarding long-term borrowing from the Public Works Loans Board (PWLb) now stands at 3.78% compared to 1.5% in December 2021. Economists are forecasting further base rate increases to mitigate inflationary pressures over the next 12 months.

The Council's underlying need to borrow (Capital Financing Requirement - CFR) to support the capital programme is forecast to increase by £376.6m over the next 4 years (£58.8m regarding the headline General Fund CFR, £98.9m regarding self-

financing schemes and £218.9m regarding the Housing Revenue Account). For illustrative purposes it is currently estimated that the increase of £58.8m in the General Fund CFR will result in an estimated additional revenue budget requirement of £4.2m<sup>1</sup> per annum by 2026/27.

The wider economic challenges including an increase in build and labour cost inflation, plus increased borrowing costs as a result of rising interest rates is bad news for the council and will result in additional financial pressures that must 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 an ongoing basis and as part of the development of the 2023-27 capital programme.

Andre Mark, Head of Strategic Planning and Investment, 07776 673 099, 8 December 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.

Jade Monroe, Chief Solicitor, Social Care 0208 753 2695, 29<sup>th</sup> December 2022

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

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

- Capital Programme 2022-26 (published February 2022)

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## **CAPITAL PROGRAMME 2022-23 – Q3 OVERVIEW**

1. The updated Quarter 3 capital programme is summarised in Table 1. The 2022/23 programme has decreased by £5m to £199.8m in comparison to the previous quarter. All the variations are detailed in Appendix 2.

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<sup>1</sup> Current cost of borrowing rate of 7.06% calculated using the latest discounted certainty PWLB interest rate of 3.78% 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 Q3 variations**

|  | 2022/23 Revised Budget (Q2) | Total Variations<br>£'000 | 2022/23 Revised Budget (Q3) | 2023/24<br>£'000 | 2024/25<br>£'000 | 2025/26<br>£'000 | Total Budget (All years)<br>£'000 |
|--|-----------------------------|---------------------------|-----------------------------|------------------|------------------|------------------|-----------------------------------|
| <b>CAPITAL EXPENDITURE</b>   |                             |                           |                             |                  |                  |                  |                                   |
| Children's Services  | 6,294                       | (4,888)                   | 1,406                       | 4,618            | 3,349            | 500              | 9,873                             |
| Social Care  | 3,455                       | (957)                     | 2,498                       | 957              | -                | -                | 3,455                             |
| Environment Department   | 28,136                      | 1,044                     | 29,180                      | 14,143           | 4,511            | 3,515            | 51,349                            |
| Finance and Resources Department                                     | 6,188                       | (914)                     | 5,274                       | 3,244            | 2,080            | -                | 10,598                            |
| General Fund Schemes under the Economy Department                    | 86,336                      | 2,924                     | 89,260                      | 62,388           | 16,124           | 3,435            | 171,207                           |
| <b>Sub-total (General Fund)</b>                                      | <b>130,409</b>              | <b>(2,791)</b>            | <b>127,618</b>              | <b>85,350</b>    | <b>26,064</b>    | <b>7,450</b>     | <b>246,482</b>                    |
| Economy Department-HRA Programme                                     | 74,360                      | (2,208)                   | 72,152                      | 117,127          | 133,718          | 71,999           | 394,996                           |
| <b>Sub-total Economy Department (HRA)</b>                            | <b>74,360</b>               | <b>(2,208)</b>            | <b>72,152</b>               | <b>117,127</b>   | <b>133,718</b>   | <b>71,999</b>    | <b>394,996</b>                    |
| <b>Total Expenditure</b>   | <b>204,769</b>              | <b>(4,999)</b>            | <b>199,770</b>              | <b>202,477</b>   | <b>159,782</b>   | <b>79,449</b>    | <b>641,478</b>                    |
| <b>CAPITAL FINANCING</b>   |                             |                           |                             |                  |                  |                  |                                   |
| <b>Specific/External Financing:</b>                                  |                             |                           |                             |                  |                  |                  |                                   |
| Government/Public Body Grants  | 16,923                      | (4,839)                   | 12,084                      | 6,235            | 3,349            | 500              | 22,168                            |
| Grants and Contributions from Private Developers (includes S106/CIL) | 18,912                      | (1,279)                   | 17,633                      | 12,617           | 10,018           | 4,704            | 44,972                            |
| Capital Grants/Contributions from Non-departmental public bodies     | 1,502                       | (85)                      | 1,417                       | 35               | -                | -                | 1,452                             |
| Capital Grants and Contributions from GLA Bodies                     | 9,059                       | 796                       | 9,855                       | 8,775            | 9,424            | 4,537            | 32,591                            |
| Leaseholder Contributions (Housing)                                  | 1,598                       | 1,104                     | 2,702                       | 2,833            | 2,750            | 2,737            | 11,022                            |
| <b>Sub-total - Specific Financing</b>                                | <b>47,994</b>               | <b>(4,303)</b>            | <b>43,691</b>               | <b>30,495</b>    | <b>25,541</b>    | <b>12,478</b>    | <b>112,205</b>                    |
| <b>Mainstream Financing (Internal):</b>                              |                             |                           |                             |                  |                  |                  |                                   |
| Capital Receipts - General Fund                                      | 14,678                      | (31)                      | 14,647                      | 31               | -                | -                | 14,678                            |
| Capital Receipts - HRA   | 2,647                       | -                         | 2,647                       | 6,786            | 6,947            | 31,087           | 47,467                            |
| Major Repairs Reserve (MRR)  | 17,305                      | -                         | 17,305                      | 17,386           | 18,312           | 18,780           | 71,783                            |
| General Fund Revenue Funding   | 10                          | (10)                      | -                           | 10               | -                | -                | 10                                |
| Earmarked Reserves (Revenue)   | 934                         | (679)                     | 255                         | 2,711            | 1,845            | -                | 4,811                             |
| <b>Sub-total - Mainstream Funding</b>                                | <b>35,574</b>               | <b>(720)</b>              | <b>34,854</b>               | <b>26,924</b>    | <b>27,104</b>    | <b>49,867</b>    | <b>138,749</b>                    |
| Borrowing-General Fund   | 73,377                      | 3,336                     | 76,713                      | 68,367           | 19,635           | 6,950            | 171,665                           |
| Borrowing -HRA   | 47,824                      | (3,312)                   | 44,512                      | 76,691           | 87,502           | 10,154           | 218,859                           |
| <b>Total Capital Financing</b>                                       | <b>204,769</b>              | <b>(4,999)</b>            | <b>199,770</b>              | <b>202,477</b>   | <b>159,782</b>   | <b>79,449</b>    | <b>641,478</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 3 movements are summarised in Table 2 and identify a £0.4m increase in 2022/23 expenditure.

**Table 2 – LBHF GF Mainstream Capital Programme 2022-26 with proposed 2022-23 Q3 variations:**

|   | Revised Budget 2022/23 (Q2)<br>£'000 | Variations (Q3)<br>£'000 | Revised Budget 2022/23 (Q3)<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>                             |                                      |                          |                                      |                                    |                                    |                                    |                                   |
| 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                                | -                                  | -                                  | 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                                | 890                      | 3,287                                | -                                  | -                                  | -                                  | 3,287                             |
| Hammersmith Bridge Pre Restoration Works [ENV]          | 1,186                                | 578                      | 1,764                                | 1,087                              | -                                  | -                                  | 2,851                             |
| 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                                  | (173)                    | 11                                   | 173                                | -                                  | -                                  | 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]                       | 169                                  | -                        | 169                                  | -                                  | -                                  | -                                  | 169                               |
| Hammersmith Town Hall Refurbishment [ECD]               | 5,741                                | -                        | 5,741                                | 18,808                             | -                                  | -                                  | 24,549                            |
| Community Schools Programme [ECD]                       | 921                                  | -                        | 921                                  | 262                                | -                                  | -                                  | 1,183                             |
| Education City Youth Zone [ECD]                         | 3,500                                | -                        | 3,500                                | -                                  | -                                  | -                                  | 3,500                             |
| Farm Lane/Mund Street [ECD]                             | 209                                  | -                        | 209                                  | 1,105                              | 479                                | 511                                | 2,304                             |
| Investment in Affordable Housing-Lillie Road Site [ECD] | 1,185                                | -                        | 1,185                                | 100                                | -                                  | -                                  | 1,285                             |
| <b>Total Mainstream Programmes</b>                      | <b>38,370</b>                        | <b>381</b>               | <b>38,751</b>                        | <b>31,555</b>                      | <b>6,390</b>                       | <b>6,426</b>                       | <b>83,122</b>                     |
| <b>Financing</b>  |                                      |                          |                                      |                                    |                                    |                                    |                                   |
| Capital Receipts  | 14,678                               | (31)                     | 14,647                               | 31                                 | -                                  | -                                  | 14,678                            |
| Increase/(Decrease) in Borrowing                        | 23,692                               | 412                      | 24,104                               | 31,524                             | 6,390                              | 6,426                              | 68,444                            |
| <b>Total Financing</b>                                  | <b>38,370</b>                        | <b>381</b>               | <b>38,751</b>                        | <b>31,555</b>                      | <b>6,390</b>                       | <b>6,426</b>                       | <b>83,122</b>                     |

- 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<br>(2022/23 Q2) | Current forecast<br>(2022/23 Q3) |
|---------------------------------|-------------------------------|----------------------------------|
| <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             | 151.04                        | 151.45                           |
| 2025/26 Closing CFR             | 185.14                        | 187.71                           |

5. The underlying need to borrow is forecast to increase by £58.8m over the next four years. By 2026/27 illustrative modelling indicates that this will increase annual revenue borrowing costs by an estimated £4.2m. 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 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 a risk that the 2022/23 CFR increase will be greater than the current forecast.
8. In August 2021, £6m capital budget with regards to Hammersmith Bridge stabilisation works was approved via Leader's Urgency Report (LUR). An additional £2.9m budget was approved by the Cabinet in December 2021 following a further review of total project costs. In line with government announcements, central government and TfL are expected to fund two-thirds of the total project costs and this is expected to be formalised in a proposed Memorandum of Understanding (MoU). The Council will fund its share of the stabilisation project costs through borrowing (an increase in the Council's Capital Financing Requirement).
9. Further review of the project in October 2022 has revealed that the project's budget contingency is now fully committed and further budget of £0.890m is required. This additional budget is required in part to rising costs of steel as a result of the war in Ukraine. The additional budget will be funded from borrowing, resulting in estimated additional revenue costs of £0.063m per annum.
10. 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 Strategic Director of The 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.

11. There are currently no forecast capital receipts beyond 2022/23 and therefore will rely on borrowing to finance capital programmes in future years. However, the Council's Property Transformation team is systematically reviewing all assets as part of asset management best practice and as part of the wider accommodation 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

12. Housing Capital expenditure for 2022/23 is forecast at £72.2m and for the four-year programme to 2025/26 spend is expected to be £395m. 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 Q3 variations:**

|  | Revised Budget 2022/23 (Q2) | Total Variations | Revised Budget 2022/23 (Q3) | Indicative 2023/24 Budget | Indicative 2024/25 Budget | Indicative 2025/26 Budget |
|--|-----------------------------|------------------|-----------------------------|---------------------------|---------------------------|---------------------------|
|  | £'000                       | £'000            | £'000                       | £'000                     | £'000                     | £'000                     |
| <b>Approved Expenditure</b>                      |                             |                  |                             |                           |                           |                           |
| HRA Asset Management and Compliance Programme    | 57,682                      | (2,208)          | 55,474                      | 54,162                    | 62,224                    | 59,426                    |
| Building Homes and Communities Strategy          | 13,455                      | -                | 13,455                      | 23,516                    | 32,014                    | 4,484                     |
| Other HRA Capital Schemes                        | 3,223                       | -                | 3,223                       | 39,449                    | 39,480                    | 8,089                     |
| <b>Total Housing Programme</b>                   | <b>74,360</b>               | <b>(2,208)</b>   | <b>72,152</b>               | <b>117,127</b>            | <b>133,718</b>            | <b>71,999</b>             |
| <b>Available and Approved Resource</b>           |                             |                  |                             |                           |                           |                           |
| Capital Receipts - Unrestricted                  | 1,954                       | -                | 1,954                       | 4,000                     | 6,947                     | 31,087                    |
| Capital Receipts - RTB (141)                     | 693                         | -                | 693                         | 2,786                     | -                         | -                         |
| Capital Receipts - GF                            | 1,432                       | -                | 1,432                       | -                         | -                         | -                         |
| Major Repairs Reserve (MRR)                      | 17,305                      | -                | 17,305                      | 17,386                    | 18,312                    | 18,780                    |
| Contributions Developers (S106)                  | 456                         | -                | 456                         | 5,782                     | 9,018                     | 4,704                     |
| Contributions from leaseholders                  | 1,598                       | 1,104            | 2,702                       | 2,833                     | 2,750                     | 2,737                     |
| 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                                | 2,702                       | -                | 2,702                       | 4,899                     | 4,735                     | 1,468                     |
| Borrowing (HRA)                                  | 47,824                      | (3,312)          | 44,512                      | 76,435                    | 87,267                    | 10,154                    |
| Borrowing (GF)                                   | 108                         | -                | 108                         | -                         | -                         | -                         |
| <b>Total Funding</b>                             | <b>74,360</b>               | <b>(2,208)</b>   | <b>72,152</b>               | <b>117,127</b>            | <b>133,718</b>            | <b>71,999</b>             |

13. Within the Housing Capital Programme there has been a net budget decrease of £2.2m. 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 18-21.

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

**Table 4 – HRA CFR at Q3 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  | 301.48  | 378.17  | 465.67  | 475.82  |

15. The Housing Revenue Account 2022/23 CFR has increased by £44.5m 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 £475.8m by the end of 2025/26.

## **HOUSING CAPITAL PROGRAMME RISKS**

16. The following risks associated with funding of future years' expenditure have been identified within the Housing Capital programme:
17. **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.
18. **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.
19. **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 spent by 31 March 2023. Should these receipts not be spent in a 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 cost to the HRA.
20. **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**

21. This report reports the quarter 3 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**

22. 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**

23. 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.
24. 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.
25. 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.
26. 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.
27. 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.

28. 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.
29. Proposals set out in this report seek to comply with the Council's legal duties.
30. 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.
31. Implications verified by: Ray Chitty, Head of Tri-Borough Insurance Service, 21<sup>st</sup> December 2022.

### **VAT IMPLICATIONS**

32. 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.
33. Implications verified by: Joanna Monaghan, Principal Accountant (Taxation), Corporate Finance, 22<sup>nd</sup> December 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 1 – Detailed capital budget, spend and variation analysis by department

| Children's Services                                     | Current Year Programme               |   |                                  |                    |                                     | Indicative Future Years Analysis     |                         |                         |                         |                                   |
|---|--------------------------------------|---|----------------------------------|--------------------|-------------------------------------|--------------------------------------|-------------------------|-------------------------|-------------------------|-----------------------------------|
|   | Analysis of Movements (Q2 to Q3)     |   |                                  |                    |                                     | Revised Budget 2022/23 (Q3)<br>£'000 | 2023/24 Budget<br>£'000 | 2024/25 Budget<br>£'000 | 2025/26 Budget<br>£'000 | Total Budget (All years)<br>£'000 |
|   | Revised Budget 2022/23 (Q2)<br>£'000 | Slippages from/(to) future years<br>£'000 | Additions/ (Reductions)<br>£'000 | Transfers<br>£'000 | Total Transfers/ Virements<br>£'000 |                                      |                         |                         |                         |                                   |
| <b>Scheme Expenditure Summary</b>                       |                                      |   |                                  |                    |                                     |                                      |                         |                         |                         |                                   |
| SEN sufficiency   | 721                                  | (471)                                     | -                                | -                  | (471)                               | 250                                  | 946                     | 175                     | -                       | 1,371                             |
| Foster carers' extension                                | 184                                  | (173)                                     | -                                | -                  | (173)                               | 11                                   | 173                     | -                       | -                       | 184                               |
| Caretakers' lodges                                      | 15                                   | (15)                                      | -                                | -                  | (15)                                | -                                    | -                       | -                       | -                       | 0                                 |
| School Maintenance Programme                            | 5,374                                | (4,229)                                   | -                                | -                  | (4,229)                             | 1,145                                | 3,499                   | 3,174                   | 500                     | 8,318                             |
| <b>Total Expenditure</b>                                | <b>6,294</b>                         | <b>(4,888)</b>                            | -                                | -                  | <b>(4,888)</b>                      | <b>1,406</b>                         | <b>4,618</b>            | <b>3,349</b>            | <b>500</b>              | <b>9,873</b>                      |
| <b>Capital Financing Summary</b>                        |                                      |   |                                  |                    |                                     |                                      |                         |                         |                         |                                   |
| <b>Specific/External or Other Financing</b>             |                                      |   |                                  |                    |                                     |                                      |                         |                         |                         |                                   |
| Capital Grants from Central Government                  | 6,110                                | (4,715)                                   | -                                | -                  | (4,715)                             | 1,395                                | 4,445                   | 3,349                   | 500                     | 9,689                             |
| <b>Sub-total - Specific or Other Financing</b>          | <b>6,110</b>                         | <b>(4,715)</b>                            | -                                | -                  | <b>(4,715)</b>                      | <b>1,395</b>                         | <b>4,445</b>            | <b>3,349</b>            | <b>500</b>              | <b>9,689</b>                      |
| <b>Mainstream Financing (Internal Council Resource)</b> |                                      |   |                                  |                    |                                     |                                      |                         |                         |                         |                                   |
| Capital Receipts  | 42                                   | (31)                                      | -                                | -                  | (31)                                | 11                                   | 31                      | -                       | -                       | 42                                |
| <b>Sub-total - Mainstream Funding</b>                   | <b>42</b>                            | <b>(31)</b>                               | -                                | -                  | <b>(31)</b>                         | <b>11</b>                            | <b>31</b>               | -                       | -                       | <b>42</b>                         |
| <b>Borrowing</b>  | 142                                  | (142)                                     | -                                | -                  | (142)                               | -                                    | 142                     | -                       | -                       | 142                               |
| <b>Total Capital Financing</b>                          | <b>6,294</b>                         | <b>(4,888)</b>                            | -                                | -                  | <b>(4,888)</b>                      | <b>1,406</b>                         | <b>4,618</b>            | <b>3,349</b>            | <b>500</b>              | <b>9,873</b>                      |

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

| Social Care Services  | Current Year Programme           |                                  |                         |           |                            | Indicative Future Years Analysis |                |                |                |                          |
|---|----------------------------------|----------------------------------|-------------------------|-----------|----------------------------|----------------------------------|----------------|----------------|----------------|--------------------------|
|   | Analysis of Movements (Q2 to Q3) |                                  |                         |           |                            | Revised Budget 2022/23 (Q3)      | 2023/24 Budget | 2024/25 Budget | 2025/26 Budget | Total Budget (All years) |
|   | Revised Budget 2022/23 (Q2)      | Slippages from/(to) future years | Additions/ (Reductions) | Transfers | Total Transfers/ Virements |                                  |                |                |                |                          |
| £'000   | £'000                            | £'000                            | £'000                   | £'000     | £'000                      | £'000                            | £'000          | £'000          | £'000          |                          |
| <b>Scheme Expenditure Summary</b>                                     |                                  |                                  |                         |           |                            |                                  |                |                |                |                          |
| Extra Care New Build project (Adults' Personal Social Services Grant) | 957                              | (957)                            | -                       | -         | (957)                      | -                                | 957            | -              | -              | 957                      |
| Disabled Facilities Grant   | 1,308                            | -                                | -                       | -         | -                          | 1,308                            | -              | -              | -              | 1,308                    |
| Transforming Care (Winterbourne Grant)                                | 300                              | -                                | -                       | -         | -                          | 300                              | -              | -              | -              | 300                      |
| Social Care Capital Projects  | 890                              | -                                | -                       | -         | -                          | 890                              | -              | -              | -              | 890                      |
| <b>Total Expenditure</b>  | <b>3,455</b>                     | <b>(957)</b>                     | <b>-</b>                | <b>-</b>  | <b>(957)</b>               | <b>2,498</b>                     | <b>957</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                                | 3,026                            | (957)                            | -                       | -         | (957)                      | 2,069                            | 957            | -              | -              | 3,026                    |
| Capital Grants/Contributions from Non-departmental public bodies      | 300                              | -                                | -                       | -         | -                          | 300                              | -              | -              | -              | 300                      |
| <b>Sub-total - Specific or Other Financing</b>                        | <b>3,326</b>                     | <b>(957)</b>                     | <b>-</b>                | <b>-</b>  | <b>(957)</b>               | <b>2,369</b>                     | <b>957</b>     | <b>-</b>       | <b>-</b>       | <b>3,326</b>             |
|   |                                  |                                  |                         |           |                            |                                  |                |                |                |                          |
| <b>Borrowing</b>  | 129                              | -                                | -                       | -         | -                          | 129                              | -              | -              | -              | 129                      |
| <b>Total Capital Financing</b>  | <b>3,455</b>                     | <b>(957)</b>                     | <b>-</b>                | <b>-</b>  | <b>(957)</b>               | <b>2,498</b>                     | <b>957</b>     | <b>-</b>       | <b>-</b>       | <b>3,455</b>             |

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

| Environment Department                   | Current Year Programme                             |                                     |                    |   |   | Indicative Future Years Analysis              |                            |                            | Total Budget<br>(All years)<br>£'000 |                            |
|--|--|-------------------------------------|--------------------|---|---|---|----------------------------|----------------------------|--------------------------------------|----------------------------|
|  | Analysis of Movements (Q2 to Q3)                   |                                     |                    |   |   | Revised<br>Budget<br>2022/23<br>(Q2)<br>£'000 | 2023/24<br>Budget<br>£'000 | 2024/25<br>Budget<br>£'000 |                                      | 2025/26<br>Budget<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>(Q3)<br>£'000 |   |                            |                            |                                      |                            |
| Scheme Expenditure Summary               |  |                                     |                    |   |   |   |                            |                            |                                      |                            |
| Footways and Carriageways                | 2,560  | (94)                                | -                  | -   | (94)  | 2,466   | 2,124                      | 2,030                      | 2,030                                | 8,650                      |
| Transport For London Schemes             | 1,426  | (37)                                | -                  | -   | (37)  | 1,389   | 37                         | -                          | -                                    | 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           | 3,632  | (1,357)                             | (36)               | -   | (1,393)                                       | 2,239   | 6,170                      | 1,000                      | -                                    | 9,409                      |
| Hammersmith Bridge Existing Works        | 60   | -                                   | -                  | -   | -   | 60  | -                          | -                          | -                                    | 60                         |
| Hammersmith Bridge Stabilisation Works   | 8,330  | -                                   | 890                | -   | 890   | 9,220   | -                          | -                          | -                                    | 9,220                      |
| Hammersmith Bridge Pre Restoration Works | 3,500  | (2,500)                             | 5,000              | -   | 2,500   | 6,000   | 2,500                      | -                          | -                                    | 8,500                      |
| Waste Collection and Disposal Projects   | 473  | (291)                               | (10)               | -   | (301)   | 172   | 291                        | -                          | -                                    | 463                        |
| Public CCTV                              | 1,410  | -                                   | -                  | -   | -   | 1,410   | 1,370                      | 1,135                      | 1,139                                | 5,054                      |
| Parks Projects                           | 2,090  | (496)                               | (25)               | -   | (521)   | 1,569   | 1,215                      | -                          | -                                    | 2,784                      |
| Leisure Centre Capital Investment        | 358  | -                                   | -                  | -   | -   | 358   | 90                         | -                          | -                                    | 448                        |
| <b>Total Expenditure</b>                 | <b>28,136</b>                                      | <b>(4,775)</b>                      | <b>5,819</b>       | <b>-</b>                                  | <b>1,044</b>                                  | <b>29,180</b>                                 | <b>14,143</b>              | <b>4,511</b>               | <b>3,515</b>                         | <b>51,349</b>              |

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

| Environment Department  | Current Year Programme                    |                                 |                    |                                    |                                      | Indicative Future Years Analysis |                         |                         | Total Budget (All years)<br>£'000 |               |
|---|---|---------------------------------|--------------------|------------------------------------|--------------------------------------|----------------------------------|-------------------------|-------------------------|-----------------------------------|---------------|
| Analysis of Movements (Q2 to Q3)                                      |   |                                 |                    |                                    | Revised Budget 2022/23 (Q3)<br>£'000 | 2023/24 Budget<br>£'000          | 2024/25 Budget<br>£'000 | 2025/26 Budget<br>£'000 |                                   |               |
| Revised Budget 2022/23 (Q2)<br>£'000                                  | Slippages from/(to) future years<br>£'000 | Additions/(Reductions)<br>£'000 | Transfers<br>£'000 | Total Transfers/Virements<br>£'000 |                                      |                                  |                         |                         |                                   |               |
| <b>Capital Financing Summary</b>                                      |   |                                 |                    |                                    |                                      |                                  |                         |                         |                                   |               |
| <b>Specific/External or Other Financing</b>                           |   |                                 |                    |                                    |                                      |                                  |                         |                         |                                   |               |
| Capital Grants from Central Government                                | 7,548                                     | (833)                           | 1,666              | -                                  | 833                                  | 8,381                            | 833                     | -                       | -                                 | 9,214         |
| Grants and Contributions from Private Developers (includes S106/S278) | 4,511                                     | (1,303)                         | 27                 | (3)                                | (1,279)                              | 3,232                            | 6,835                   | 1,000                   | -                                 | 11,067        |
| Capital Grants/Contributions from Non-departmental public bodies      | 1,175                                     | (35)                            | (50)               | -                                  | (85)                                 | 1,090                            | 35                      | -                       | -                                 | 1,125         |
| Capital Grants and Contributions from GLA                             | 5,560                                     | (870)                           | 1,666              | -                                  | 796                                  | 6,356                            | 870                     | -                       | -                                 | 7,226         |
| <b>Sub-total - Specific or Other Financing</b>                        | <b>18,794</b>                             | <b>(3,041)</b>                  | <b>3,309</b>       | <b>(3)</b>                         | <b>265</b>                           | <b>19,059</b>                    | <b>8,573</b>            | <b>1,000</b>            | <b>-</b>                          | <b>28,632</b> |
| <b>Mainstream Financing (Internal Council Resource)</b>               |   |                                 |                    |                                    |                                      |                                  |                         |                         |                                   |               |
| Capital Receipts  | 844                                       | -                               | -                  | -                                  | -                                    | 844                              | -                       | -                       | -                                 | 844           |
| General Fund Revenue Account (revenue funding)                        | 10  | (10)                            | -                  | -                                  | (10)                                 | -                                | 10                      | -                       | -                                 | 10            |
| Use of Reserves   | 934                                       | (637)                           | (45)               | 3                                  | (679)                                | 255                              | 637                     | -                       | -                                 | 892           |
| <b>Sub-total - Mainstream Funding</b>                                 | <b>1,788</b>                              | <b>(647)</b>                    | <b>(45)</b>        | <b>3</b>                           | <b>(689)</b>                         | <b>1,099</b>                     | <b>647</b>              | <b>-</b>                | <b>-</b>                          | <b>1,746</b>  |
| <b>Borrowing</b>  | <b>7,554</b>                              | <b>(1,087)</b>                  | <b>2,555</b>       | <b>-</b>                           | <b>1,468</b>                         | <b>9,022</b>                     | <b>4,923</b>            | <b>3,511</b>            | <b>3,515</b>                      | <b>20,971</b> |
| <b>Total Capital Financing</b>  | <b>28,136</b>                             | <b>(4,775)</b>                  | <b>5,819</b>       | <b>-</b>                           | <b>1,044</b>                         | <b>29,180</b>                    | <b>14,143</b>           | <b>4,511</b>            | <b>3,515</b>                      | <b>51,349</b> |

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

| Finance and Resources Department                        | Current Year Programme           |                                  |                         |           |                            | Indicative Future Years Analysis |                |                |                |                          |
|---|----------------------------------|----------------------------------|-------------------------|-----------|----------------------------|----------------------------------|----------------|----------------|----------------|--------------------------|
|   | Analysis of Movements (Q2 to Q3) |                                  |                         |           |                            | Revised Budget 2022/23 (Q3)      | 2023/24 Budget | 2024/25 Budget | 2025/26 Budget | Total Budget (All years) |
|   | Revised Budget 2022/23 (Q2)      | Slippages from/(to) future years | Additions/ (Reductions) | Transfers | Total Transfers/ Virements |                                  |                |                |                |                          |
| £'000   | £'000                            | £'000                            | £'000                   | £'000     | £'000                      | £'000                            | £'000          | £'000          | £'000          |                          |
| <b>Scheme Expenditure Summary</b>                       |                                  |                                  |                         |           |                            |                                  |                |                |                |                          |
| Invest to Save - Flexible Use of Capital Receipts       | 5,114                            | -                                | -                       | -         | -                          | 5,114                            | -              | -              | -              | 5,114                    |
| Investment in Digital Infrastructure                    | 914                              | (914)                            | -                       | -         | (914)                      | -                                | 914            | -              | -              | 914                      |
| Tech- tonic 2 Device refresh                            | -                                | (4,410)                          | 4,410                   | -         | -                          | -                                | 2,330          | 2,080          | -              | 4,410                    |
| Business Intelligence Infrastructure                    | 160                              | -                                | -                       | -         | -                          | 160                              | -              | -              | -              | 160                      |
| <b>Total Expenditure</b>                                | <b>6,188</b>                     | <b>(5,324)</b>                   | <b>4,410</b>            | <b>-</b>  | <b>(914)</b>               | <b>5,274</b>                     | <b>3,244</b>   | <b>2,080</b>   | <b>-</b>       | <b>10,598</b>            |
| <b>Capital Financing Summary</b>                        |                                  |                                  |                         |           |                            |                                  |                |                |                |                          |
| <b>Mainstream Financing (Internal Council Resource)</b> |                                  |                                  |                         |           |                            |                                  |                |                |                |                          |
| Capital Receipts  | 5,274                            | -                                | -                       | -         | -                          | 5,274                            | -              | -              | -              | 5,274                    |
| Use of Reserves   | -                                | (3,919)                          | 3,919                   | -         | -                          | -                                | 2,074          | 1,845          | -              | 3,919                    |
| <b>Sub-total - Mainstream Funding</b>                   | <b>5,274</b>                     | <b>(3,919)</b>                   | <b>3,919</b>            | <b>-</b>  | <b>-</b>                   | <b>5,274</b>                     | <b>2,074</b>   | <b>1,845</b>   | <b>-</b>       | <b>9,193</b>             |
| <b>Borrowing (GF)</b>                                   | <b>914</b>                       | <b>(914)</b>                     | <b>-</b>                | <b>-</b>  | <b>(914)</b>               | <b>-</b>                         | <b>914</b>     | <b>-</b>       | <b>-</b>       | <b>914</b>               |
| <b>Borrowing (HRA)</b>                                  | <b>-</b>                         | <b>(491)</b>                     | <b>491</b>              | <b>-</b>  | <b>-</b>                   | <b>-</b>                         | <b>256</b>     | <b>235</b>     | <b>-</b>       | <b>491</b>               |
| <b>Total Capital Financing</b>                          | <b>6,188</b>                     | <b>(5,324)</b>                   | <b>4,410</b>            | <b>-</b>  | <b>(914)</b>               | <b>5,274</b>                     | <b>3,244</b>   | <b>2,080</b>   | <b>-</b>       | <b>10,598</b>            |

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

| Economy Department General Fund Managed Schemes                    | Current Year Programme           |                                  |                         |           |                            |                             | Indicative Future Years Analysis |                |                |                          |
|--|----------------------------------|----------------------------------|-------------------------|-----------|----------------------------|-----------------------------|----------------------------------|----------------|----------------|--------------------------|
|  | Analysis of Movements (Q2 to Q3) |                                  |                         |           |                            |                             | 2023/24 Budget                   | 2024/25 Budget | 2025/26 Budget | Total Budget (All years) |
|  | Revised Budget 2022/23 (Q2)      | Slippages from/(to) future years | Additions/ (Reductions) | Transfers | Total Transfers/ Virements | Revised Budget 2022/23 (Q3) |                                  |                |                |                          |
| £'000  | £'000                            | £'000                            | £'000                   | £'000     | £'000                      | £'000                       | £'000                            | £'000          | £'000          |                          |
| <b>Scheme Expenditure Summary</b>                                  |                                  |                                  |                         |           |                            |                             |                                  |                |                |                          |
| <b>Civic Campus</b>  |                                  |                                  |                         |           |                            |                             |                                  |                |                |                          |
| Hammersmith Town Hall Refurbishment                                | 16,414                           | -                                | -                       | -         | -                          | 16,414                      | 18,808                           | -              | -              | 35,222                   |
| Acquisition of commercial units                                    | 8,631                            | 12,131                           | -                       | -         | 12,131                     | 20,762                      | 16,751                           | 12,315         | -              | 49,828                   |
| Commercial Units- Cinema Fit Out                                   | 1,750                            | -                                | -                       | -         | -                          | 1,750                       | -                                | -              | -              | 1,750                    |
| Equity Loan (Civic Campus)   | 16,469                           | -                                | -                       | (6,826)   | (6,826)                    | 9,643                       | -                                | -              | -              | 9,643                    |
| JV Partnership Loan (Civic Campus)                                 | -                                | (5,381)                          | 3,174                   | 6,826     | 4,619                      | 4,619                       | 5,381                            | -              | -              | 10,000                   |
| <b>Subtotal Civic Campus</b>                                       | <b>43,264</b>                    | <b>6,750</b>                     | <b>3,174</b>            | <b>-</b>  | <b>9,924</b>               | <b>53,188</b>               | <b>40,940</b>                    | <b>12,315</b>  | <b>-</b>       | <b>106,443</b>           |
| <b>Building Homes and Communities Strategy (GF sites)</b>          |                                  |                                  |                         |           |                            |                             |                                  |                |                |                          |
| Education City Loan  | 22,835                           | -                                | (7,000)                 | -         | (7,000)                    | 15,835                      | 14,711                           | 930            | 524            | 32,000                   |
| Education City -Youth Facility                                     | 5,250                            | -                                | -                       | -         | -                          | 5,250                       | -                                | -              | -              | 5,250                    |
| Farm Lane  | 691                              | -                                | -                       | -         | -                          | 691                         | 200                              | -              | -              | 891                      |
| Mund Street  | 1,040                            | -                                | -                       | -         | -                          | 1,040                       | 905                              | 479            | 511            | 2,935                    |
| Community Schools Programme  | 921                              | -                                | -                       | -         | -                          | 921                         | 262                              | -              | -              | 1,183                    |
| Investment in Affordable Housing-Lillie Road Site                  | 1,184                            | -                                | -                       | -         | -                          | 1,184                       | 100                              | -              | -              | 1,284                    |
| <b>Subtotal Building Homes and Communities Strategy (GF sites)</b> | <b>31,921</b>                    | <b>-</b>                         | <b>(7,000)</b>          | <b>-</b>  | <b>(7,000)</b>             | <b>24,921</b>               | <b>16,178</b>                    | <b>1,409</b>   | <b>1,035</b>   | <b>43,543</b>            |
| <b>Other GF Capital Schemes managed by the Economy</b>             |                                  |                                  |                         |           |                            |                             |                                  |                |                |                          |
| 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                    |
| <b>Subtotal Other GF Capital Schemes managed by the Economy</b>    | <b>11,151</b>                    | <b>-</b>                         | <b>-</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>86,336</b>                    | <b>6,750</b>                     | <b>(3,826)</b>          | <b>-</b>  | <b>2,924</b>               | <b>89,260</b>               | <b>62,388</b>                    | <b>16,124</b>  | <b>3,435</b>   | <b>171,207</b>           |



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

| Economy Department General Fund Managed Schemes                  | Current Year Programme           |                                  |                         |           |                            |                             | Indicative Future Years Analysis |                |                |                          |
|--|----------------------------------|----------------------------------|-------------------------|-----------|----------------------------|-----------------------------|----------------------------------|----------------|----------------|--------------------------|
|  | Analysis of Movements (Q2 to Q3) |                                  |                         |           |                            |                             | 2023/24 Budget                   | 2024/25 Budget | 2025/26 Budget | Total Budget (All years) |
|  | Revised Budget 2022/23 (Q2)      | Slippages from/(to) future years | Additions/ (Reductions) | Transfers | Total Transfers/ Virements | Revised Budget 2022/23 (Q3) |                                  |                |                |                          |
| £'000  | £'000                            | £'000                            | £'000                   | £'000     | £'000                      | £'000                       | £'000                            | £'000          | £'000          |                          |
| <b>Capital Financing Summary</b>                                 |                                  |                                  |                         |           |                            |                             |                                  |                |                |                          |
| <b>Specific/External or Other Financing</b>                      |                                  |                                  |                         |           |                            |                             |                                  |                |                |                          |
| Grants and Contributions from Private Developers (includes S106) | 3,272                            | -                                | -                       | -         | -                          | 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                      |
| <b>Sub-total - Specific or Other Financing</b>                   | <b>14,720</b>                    | -                                | -                       | -         | -                          | <b>14,720</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   | 64,530                           | 6,750                            | (3,826)                 | -         | 2,924                      | 67,454                      | 62,388                           | 16,124         | 3,435          | 149,401                  |
| <b>Total Borrowing</b>   | <b>64,530</b>                    | <b>6,750</b>                     | <b>(3,826)</b>          | -         | <b>2,924</b>               | <b>67,454</b>               | <b>62,388</b>                    | <b>16,124</b>  | <b>3,435</b>   | <b>149,401</b>           |
| <b>Total Capital Financing</b>                                   | <b>86,336</b>                    | <b>6,750</b>                     | <b>(3,826)</b>          | -         | <b>2,924</b>               | <b>89,260</b>               | <b>62,388</b>                    | <b>16,124</b>  | <b>3,435</b>   | <b>171,207</b>           |

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

### Economy Department- HRA Capital Programme

### Current Year Programme

### Indicative Future Years Analysis

| Scheme Expenditure Summary  | Analysis of Movements (Q2 to Q3) |                                  |                         |           |                            | Revised Budget 2022/23 (Q3) | 2023/24 Budget | 2024/25 Budget | 2025/26 Budget | 2026/27 Budget | Total Budget (All years) |
|---|----------------------------------|----------------------------------|-------------------------|-----------|----------------------------|-----------------------------|----------------|----------------|----------------|----------------|--------------------------|
|   | Revised Budget 2022/23 (Q2)      | Slippages from/(to) future years | Additions/ (Reductions) | Transfers | Total Transfers/ Virements |                             |                |                |                |                |                          |
|   | £'000                            | £'000                            | £'000                   | £'000     | £'000                      |                             |                |                |                |                |                          |
| <b>HRA Asset Management and Compliance Programme</b>                |                                  |                                  |                         |           |                            |                             |                |                |                |                |                          |
| Pre Agreed Works  | 9,979                            | (1,262)                          | -                       | -         | (1,262)                    | 8,717                       | 4,180          | 10,014         | 7,368          | 11,558         | 30,279                   |
| Fire Safety Compliance Programme                                    | 6,265                            | 228                              | -                       | -         | 228                        | 6,493                       | 8,691          | 6,489          | 3,400          | 5,450          | 25,073                   |
| Fire Safety Complex Schemes   | 3,941                            | 13                               | -                       | -         | 13                         | 3,954                       | 15,295         | 16,925         | 13,781         | -              | 49,955                   |
| Lift Schemes  | 1,205                            | -                                | -                       | -         | -                          | 1,205                       | 3,962          | 750            | 750            | 800            | 6,667                    |
| Boiler Schemes  | 2,960                            | 470                              | -                       | -         | 470                        | 3,430                       | 4,500          | 6,140          | 4,370          | 4,670          | 18,440                   |
| Safety Works - Electrical   | 7,207                            | -                                | -                       | -         | -                          | 7,207                       | 9,128          | 2,250          | 2,000          | 4,360          | 20,585                   |
| Safety Works  | 4,159                            | 162                              | -                       | -         | 162                        | 4,321                       | 7,960          | 8,950          | 17,954         | 19,100         | 39,185                   |
| Void Works  | 2,494                            | 297                              | -                       | -         | 297                        | 2,791                       | 3,173          | 1,200          | 1,200          | 1,200          | 8,364                    |
| Other Capital Improvements  | 6,037                            | (2,116)                          | -                       | -         | (2,116)                    | 3,921                       | 9,273          | 1,861          | 1,050          | 750            | 16,105                   |
| Capitalised salaries  | 4,957                            | -                                | -                       | -         | -                          | 4,957                       | 5,611          | 5,600          | 5,600          | 3,300          | 21,768                   |
| Capitalised repairs   | 7,752                            | -                                | -                       | -         | -                          | 7,752                       | 4,040          | 4,070          | 3,500          | 3,500          | 19,362                   |
| Climate Emergency and Other future works                            | 2,718                            | -                                | -                       | -         | -                          | 2,718                       | 15,280         | 18,835         | 17,160         | 22,760         | 53,993                   |
| Allowance for program slippage for financial modelling purposes     | (1,992)                          | -                                | -                       | -         | -                          | (1,992)                     | (36,931)       | (20,860)       | (18,707)       | (18,588)       | (78,490)                 |
| <b>Subtotal HRA Asset Management and Compliance Programme</b>       | <b>57,682</b>                    | <b>(2,208)</b>                   | -                       | -         | <b>(2,208)</b>             | <b>55,474</b>               | <b>54,162</b>  | <b>62,224</b>  | <b>59,426</b>  | <b>58,860</b>  | <b>231,286</b>           |
| <b>Building Homes and Communities Strategy (HRA sites)</b>          |                                  |                                  |                         |           |                            |                             |                |                |                |                |                          |
| Homes & Communities Strategy  | 1,320                            | -                                | -                       | -         | -                          | 1,320                       | 68             | -              | -              | -              | 1,388                    |
| White City Estate Regeneration                                      | 1,171                            | -                                | -                       | -         | -                          | 1,171                       | 582            | 542            | 542            | 540            | 2,837                    |
| Becklow Gardens   | 220                              | -                                | -                       | -         | -                          | 220                         | 725            | 300            | 230            | 203            | 1,475                    |
| Barclay Close   | 110                              | -                                | -                       | -         | -                          | 110                         | 456            | 155            | 90             | 90             | 811                      |
| Jepson House  | 330                              | -                                | -                       | -         | -                          | 330                         | 1,575          | 615            | 315            | 366            | 2,835                    |
| The Grange  | 220                              | -                                | -                       | -         | -                          | 220                         | 775            | 300            | 225            | 213            | 1,520                    |
| Old Laundry Yard  | 71                               | -                                | -                       | -         | -                          | 71                          | 400            | 362            | 250            | 50             | 1,083                    |
| Education City- HRA element   | 10,013                           | -                                | -                       | -         | -                          | 10,013                      | 18,935         | 29,740         | 2,832          | -              | 61,520                   |
| <b>Subtotal Building Homes and Communities Strategy (HRA sites)</b> | <b>13,455</b>                    | -                                | -                       | -         | -                          | <b>13,455</b>               | <b>23,516</b>  | <b>32,014</b>  | <b>4,484</b>   | <b>1,462</b>   | <b>73,469</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  | 2,095                            | -                                | -                       | -         | -                          | 2,095                       | 30,661         | 25,773         | 939            | -              | 59,468                   |
| Nourish Project (Good Growth Fund)                                  | 346                              | -                                | -                       | -         | -                          | 346                         | -              | -              | -              | -              | 346                      |
| <b>Subtotal Other HRA Capital Schemes</b>                           | <b>3,223</b>                     | -                                | -                       | -         | -                          | <b>3,223</b>                | <b>39,449</b>  | <b>39,480</b>  | <b>8,089</b>   | -              | <b>90,241</b>            |
| <b>Total Expenditure</b>  | <b>74,360</b>                    | <b>(2,208)</b>                   | -                       | -         | <b>(2,208)</b>             | <b>72,152</b>               | <b>117,127</b> | <b>133,718</b> | <b>71,999</b>  | <b>60,322</b>  | <b>394,996</b>           |

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

| Economy Department- HRA Capital Programme                        | Current Year Programme           |                                  |                         |              |                            | Indicative Future Years Analysis |                |                |                |                          |
|--|----------------------------------|----------------------------------|-------------------------|--------------|----------------------------|----------------------------------|----------------|----------------|----------------|--------------------------|
|  | Analysis of Movements (Q2 to Q3) |                                  |                         |              |                            | Revised Budget 2022/23 (Q3)      | 2023/24 Budget | 2024/25 Budget | 2025/26 Budget | Total Budget (All years) |
|  | Revised Budget 2022/23 (Q2)      | Slippages from/(to) future years | Additions/ (Reductions) | Transfers    | Total Transfers/ Virements |                                  |                |                |                |                          |
| £'000  | £'000                            | £'000                            | £'000                   | £'000        | £'000                      | £'000                            | £'000          | £'000          | £'000          |                          |
| <b>Capital Financing Summary</b>                                 |                                  |                                  |                         |              |                            |                                  |                |                |                |                          |
| <b>Specific/External or Other Financing</b>                      |                                  |                                  |                         |              |                            |                                  |                |                |                |                          |
| Capital Grants from Central Government                           | 239                              | -                                | -                       | -            | -                          | 239                              | -              | -              | -              | 239                      |
| Contributions from leaseholders                                  | 1,598                            | -                                | -                       | 1,104        | 1,104                      | 2,702                            | 2,833          | 2,750          | 2,737          | 11,022                   |
| Grants and Contributions from Private Developers (includes S106) | 456                              | -                                | -                       | -            | -                          | 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  | 2,702                            | -                                | -                       | -            | -                          | 2,702                            | 4,899          | 4,735          | 1,468          | 13,804                   |
| <b>Sub-total - Specific or Other Financing</b>                   | <b>5,044</b>                     | <b>-</b>                         | <b>-</b>                | <b>1,104</b> | <b>1,104</b>               | <b>6,148</b>                     | <b>16,520</b>  | <b>21,192</b>  | <b>11,978</b>  | <b>55,838</b>            |
| <b>Mainstream Financing (Internal Council Resource)</b>          |                                  |                                  |                         |              |                            |                                  |                |                |                |                          |
| Capital Receipts (HRA)   | 2,647                            | -                                | -                       | -            | -                          | 2,647                            | 6,786          | 6,947          | 31,087         | 47,467                   |
| Major Repairs Reserve (MRR) / Major Repairs Allowance            | 17,305                           | -                                | -                       | -            | -                          | 17,305                           | 17,386         | 18,312         | 18,780         | 71,783                   |
| Capital Receipts (GF)  | 1,432                            | -                                | -                       | -            | -                          | 1,432                            | -              | -              | -              | 1,432                    |
| <b>Sub-total - Mainstream Funding</b>                            | <b>21,384</b>                    | <b>-</b>                         | <b>-</b>                | <b>-</b>     | <b>-</b>                   | <b>21,384</b>                    | <b>24,172</b>  | <b>25,259</b>  | <b>49,867</b>  | <b>120,682</b>           |
| Borrowing(HRA)   | 47,824                           | (2,208)                          | -                       | (1,104)      | (3,312)                    | 44,512                           | 76,435         | 87,267         | 10,154         | 218,368                  |
| Borrowing (GF)   | 108                              | -                                | -                       | -            | -                          | 108                              | -              | -              | -              | 108                      |
| <b>Total Capital Financing</b>                                   | <b>74,360</b>                    | <b>(2,208)</b>                   | <b>-</b>                | <b>-</b>     | <b>(2,208)</b>             | <b>72,152</b>                    | <b>117,127</b> | <b>133,718</b> | <b>71,999</b>  | <b>394,996</b>           |

## Appendix 2 – Analysis of budget variations

| Variation by department  | Amount<br>£000 |
|--|----------------|
| <b>Environment Department</b>  |                |
| Transport for London (TfL) Schemes – budget reprofiled to future years due to project delays   | (37)           |
| Other Highways Capital Schemes – budget adjustment to reflect actual external funding received and further budget reprofiling to future years  | (1,393)        |
| Footways and Carriageways - budget reprofiled to future years due to project delays  | (94)           |
| Parks Capital Projects – budget adjustment to reflect actual external funding received and further budget reprofiling to future years  | (521)          |
| Hammersmith Bridge Pre-Restoration Works - £5m additional budget approved by Cabinet in October 2022, £2.5m reprofiled to 2023/24  | 2,500          |
| Waste Collection and Disposal Projects - budget reduction (£0.01m) and profiling to future years (£0.291m)   | (301)          |
| Hammersmith Bridge Stabilisation Works - additional budget request due in part to rising costs of materials.   | 890            |
| <b>Total Environment Department variations</b>   | <b>1,044</b>   |
| <b>Children's Services Department</b>  |                |
| Budget reprofiling to future years with regards to the following schemes, mainly due to the further project delays: <ul style="list-style-type: none"> <li>• SEN sufficiency (£0.471m)</li> <li>• Foster carers' extension (£0.173m)</li> <li>• Caretakers' lodges (remaining budget of £0.015m no longer required and transferred to School Maintenance Programme)</li> <li>• School Maintenance Programme (£4.229m)</li> </ul> | (4,888)        |
| <b>Total Children's Services Department variations</b>   | <b>(4,888)</b> |
| <b>General Fund schemes under Economy Department</b>   |                |
| Acquisition of Commercial Units - budget reprofiled from future years to reflect the revised cash flow forecast  | 12,131         |
| Civic Campus Equity Loan - budget transfer to JV Partnership Loan (Civic Campus)   | (6,826)        |
| JV Partnership Loan (Civic Campus) - net movement to reflect budget transfer from Civic Campus Equity Loan (£6.826m) reprofiled to future years (£5.381m) and adjusted to reflect latest cashflow forecast (£3.174m)   | 4,619          |
| Education City Loan - reduction in budget to reflect the latest cashflow forecast  | (7,000)        |
| <b>Total General Fund schemes under Economy Department variations</b>  | <b>2,924</b>   |
| <b>Social Care Department</b>  |                |
| Extra Care New Build project (Adults' Personal Social Services Grant) - budget reprofiled to future years as the current project plans are under review  | (957)          |
| <b>Total Social Care Department variations</b>   | <b>(957)</b>   |
| <b>Finance and Resources Department</b>  |                |
| Investment in Digital Infrastructure- budget reprofiled to 2023/24   | (914)          |
| Tech-tonic 2 Device refresh - £4.41m budget approved by the Cabinet in November 2022 and reprofiled to future years  | -              |
| <b>Total Finance and Resources Department variations</b>   | <b>(914)</b>   |
| <b>Economy Department (HRA) Schemes</b>  |                |
| Asset Management and Compliance Programme – additional budget request to fund pre agreed and void works  | (2,208)        |
| <b>Total Economy Department (HRA) variations</b>   | <b>(2,208)</b> |
| <b>Total 2022/23 Q3 variations</b>   | <b>(4,999)</b> |

### Appendix 3 – General Fund Capital Receipts Forecast

| <b>Financial Year</b>                  | <b>Q3<br/>2022/23</b> |
|--|-----------------------|
| <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.

## **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 3)**

| <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>HEADLINE CFR EXCLUDING SELF FINANCING SCHEMES AND LOANS</b> | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      |
| <b>Opening Capital Finance Requirement (CFR)</b>               | <b>122.16</b>  | <b>128.91</b>  | <b>151.45</b>  | <b>181.11</b>  | <b>184.50</b>  |
| Revenue Repayment of Debt (MRP)                                | (1.36)         | (1.56)         | (1.86)         | (3.00)         | (3.22)         |
| Mainstream Programme (Surplus)/Shortfall                       | 8.11           | 24.10          | 31.52          | 6.39           | 6.43           |
| <b>Closing Capital Finance Requirement (CFR)</b>               | <b>128.91</b>  | <b>151.45</b>  | <b>181.11</b>  | <b>184.50</b>  | <b>187.71</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>81.27</b>   | <b>118.11</b>  | <b>129.62</b>  |
| Revenue Repayment of Debt (MRP)                                | (4.42)         | -              | -              | (1.73)         | (2.59)         |
| In Year Borrowing  | 11.57          | 52.61          | 36.84          | 13.25          | 0.52           |
| <b>Closing Capital Finance Requirement</b>                     | <b>28.66</b>   | <b>81.27</b>   | <b>118.11</b>  | <b>129.62</b>  | <b>127.55</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>239.81</b>  | <b>305.61</b>  | <b>319.81</b>  | <b>320.25</b>  |

2. The current forecast for the General Fund (GF) Headline CFR is £151.5m at the end of 2022/23 and £187.7m by the end of 2025/26. The increase in GF Headline CFR puts additional pressures on revenue budgets.
3. The Headline CFR figures exclude:
  - £25m equity loan to the Civic Campus programme
  - £10m development financing to WKSRL LLP
  - £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 £52.7m to £81.3m in 2022/23 and to £127.6m 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<br>2022/23<br>(Q2) | Variations<br>(Q3) | Revised Budget<br>2022/23<br>(Q3) | Indicative<br>Budget<br>2023/24 | Indicative<br>Budget<br>2024/25 | Indicative<br>Budget<br>2025/26 | Total<br>Budget (All<br>years) |
|--|-----------------------------------|--------------------|-----------------------------------|---------------------------------|---------------------------------|---------------------------------|--------------------------------|
|  | £'000                             | £'000              | £'000                             | £'000                           | £'000                           | £'000                           | £'000                          |
| <b>Approved Expenditure</b>                          |                                   |                    |                                   |                                 |                                 |                                 |                                |
| <b>Ad Hoc Schemes:</b>                               |                                   |                    |                                   |                                 |                                 |                                 |                                |
| Education City -ARK loan                             | 22,835                            | (7,000)            | 15,835                            | 14,711                          | 930                             | 524                             | <b>32,000</b>                  |
| Acquisition of commercial units (Civic Campus) [ECD] | 8,631                             | 12,131             | 20,762                            | 16,751                          | 12,315                          | -                               | <b>49,828</b>                  |
| Commercial Units- Cinema Fit Out [ECD]               | 1,750                             |                    | 1,750                             | -                               | -                               | -                               | <b>1,750</b>                   |
| Equity Loan (Civic Campus) [ECD]                     | 16,469                            | (6,826)            | 9,643                             | -                               | -                               | -                               | <b>9,643</b>                   |
| JV Partnership Loan (Civic Campus)                   | -                                 | 4,619              | 4,619                             | 5,381                           | -                               | -                               | <b>10,000</b>                  |
| <b>Total Mainstream Programmes</b>                   | <b>49,685</b>                     | <b>2,924</b>       | <b>52,609</b>                     | <b>36,843</b>                   | <b>13,245</b>                   | <b>524</b>                      | <b>103,221</b>                 |
| <b>Financing</b>                                     |                                   |                    |                                   |                                 |                                 |                                 |                                |
| Increase/(Decrease) in Borrowing                     | 49,685                            | 2,924              | 52,609                            | 36,843                          | 13,245                          | 524                             | <b>103,221</b>                 |
| <b>Total Financing</b>                               | <b>49,685</b>                     | <b>2,924</b>       | <b>52,609</b>                     | <b>36,843</b>                   | <b>13,245</b>                   | <b>524</b>                      | <b>103,221</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 a year after their completion. The rate charged is based on the estimated life of an asset (50 years for new developments).
  - MRP on rolling capital programmes and smaller scale ad hoc schemes is charged the year after the expenditure incurs. The rate used is based on the weighted average life of an asset (2022/23 rate 3.28%).