LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Full Council

Date: 23/02/2023

Subject: Four Year Capital Programme 2023-27 And Capital Strategy 2023/24

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

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

This report presents the Council’s four-year Capital Programme for the period 2023 to 2027.

The council is investing £506.8m over the next four financial years to develop and enhance its assets (including council housing), to meet its strategic objectives and provide better outcomes for its residents, businesses, and visitors. Key schemes within the programme include:

- Significant investment in the major repairs and health and safety compliance of the council’s 12,000 dwellings
- Investment in housing development schemes to provide additional affordable accommodation across the borough
- Public CCTV equipment purchases and installation
- Financing facility towards Education City development
- School maintenance programme
- Investment in energy efficient lighting and decarbonisation schemes.
- Hammersmith Bridge pre-restoration works
- Civic Campus programme/ refurbishment of Hammersmith Town Hall
- Investment in the council’s public realm including column replacement, footways, and carriageways

The council is required by the CIPFA Prudential Code for Capital Finance (2017) and statutory guidance to prepare certain capital related strategies and policies. The Capital Strategy and Minimum Revenue Provision (MRP) Policy are included as appendices to this report. The Treasury Management Strategy Statement 2023/24 will also be presented under a separate agenda item.

In accordance with the requirements of the Prudential Code for Capital Finance, local authorities are required to maintain a number of prudential indicators. These are set out in the Treasury Management Strategy Statement 2023/24. The indicator used to reflect the underlying need of an authority to borrow for a capital purpose is the Capital Financing Requirement (CFR) which is set out within this report.

RECOMMENDATIONS

1. To approve the four-year General Fund Capital Programme budget at £123.6m for the period 2023/24-2026/27 (presented in Table 2 and Appendix 1).

2. To approve the continuation of rolling programmes for 2023/24 funded from the Council's mainstream resources. For financial modelling purposes, these programmes are assumed to continue at the same level until 2026/27:

	£m
Corporate Planned Maintenance	2.400
Footways and Carriageways	2.030
Column Replacement	0.346
Total	**4.776**

3. To delegate approval of the detailed programmes for use of the rolling programmes, in recommendation 2, to the relevant SLT Director in consultation with the Director of Finance and relevant Lead Cabinet Member.

4. To approve the four-year Housing (HRA) Capital Programme at £383.2m for the period 2023/24-2026/27 as set out in Table 5 and Appendix 1.

5. To delegate authority to the Director of Finance in consultation with the Cabinet Member for Finance and Reform to approve the potential use of up to £4.3m of capital receipts under the Government's Flexible Use of Capital Receipts provisions for funding of Invest to Save schemes in 2023/24 and 2024/25 (as identified in Appendix 4) and potential match-funding opportunities.

6. To approve the Capital Strategy 2023/24, as set out in Appendix 3.

7. To approve the annual Minimum Revenue Provision policy statement for 2023/24, as set out in Appendix 5.

8. To note the existing mainstream funded schemes previously approved, but now reprofiled to 2023/24 and future years as detailed in Table 3.

Wards Affected: All

The Council's Capital Programme contains a number of schemes and projects which are directly linked to the Council's Business Plan 2022-23 and which will deliver the Council's priorities, as set out in the plan. The Capital Strategy set out in Appendix 3 provides more detailed information on how these projects link to the Council's objectives.

Our Values	**Summary of how this report aligns to the H&F Values**
Being ruthlessly financially efficient	All capital investment decisions are required to be underpinned by a robust business case that sets out

	the full costs, funding and risks and any expected financial return alongside the broader outcomes including economic and social benefits. This report provides detailed analysis of the Council's capital programme financial position and highlights potential risks and their impact on the Council's resources.
Building shared prosperity	We need to always confirm that spend fits our council's priorities; challenge how much needs to be spent; and achieve results within agreed budgets. Finance is everyone's business and every penny counts. The council will continue to invest in our ambitious housing development programme and work through the planning system to enable 3,000 new energy-efficient 50% genuinely affordable homes to be built.
Creating a compassionate council	As the council's resources have been reduced we have protected the services on which the most vulnerable residents rely.
Doing things with local residents, not to them	A significant proportion of services are delivered in partnership with local and national companies, and this will continue to promote all business sectors to the benefit of residents. The proposals will implement the Disabled People's Housing Strategy, working in co- production with disabled residents.
Taking pride in H&F	The strategy proposals include significant investment in public realm services, to maintain world-class parks, open spaces and cemeteries, making sure that parks are a safe space for residents. The proposals also are continuing to invest in CCTV so that residents feel secure in their homes and on the streets.
Rising to the challenge of the climate and ecological emergency	The council has approved a Climate and Ecology Strategy and action plan to deliver its target of net zero greenhouse gas emissions in the borough by 2030. It has been shaped by the work of the resident-led Climate and Ecological Emergency Commission, who worked closely with the Council's Climate Unit and was devised by ten cross-departmental officer working groups.

Financial Impact

This report is of a wholly financial nature.

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 2022 inflation rate, as measured by the Consumer Price

Index, is 11.1% with the Bank of England (BoE) forecasting that it will remain at very elevated levels throughout much of 2023, before falling to 2% two years ahead. As part of their policy response to the increase in inflation the BoE have increased the interest base rate to 3.5% 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.

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

Andre Mark, Head of Strategic Planning and Investment, 21 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 which will need comply with the Council's Contract Standing Orders and Financial Regulations.

Jade Monroe, Chief Solicitor, Social Care, 29 December 2022

Background Papers Used in Preparing This Report:

None.

CAPITAL PROGRAMME 2023/24-2026/27 - OVERVIEW

1. This report sets out an updated four-year capital expenditure and resource forecast and a capital programme for 2023/24 to 2026/27, as summarised in Table 1 below. A detailed analysis of specific schemes by service is included in Appendix 1.

Table 1 - Capital Programme 2023/24 to 2026/27

	2023/24 £'000	Indicative Future Years Analysis 2024/25 £'000	2025/26 £'000	2026/27 £'000	Total Budget (All years) £'000
CAPITAL EXPENDITURE					
Children's Services	4,618	3,349	500	-	**8,467**
Social Care	957	-	-	-	**957**
Environment Department	14,143	4,511	3,515	2,376	**24,545**
Finance & Resources Department	3,244	2,080	-	-	**5,324**
General Fund Schemes under the Economy Department	62,388	16,124	3,435	2,400	**84,347**
Sub-total (General Fund)	**85,350**	**26,064**	**7,450**	**4,776**	**123,640**
Economy Department-HRA Programme	117,127	133,718	71,999	60,322	**383,166**
Sub-total Economy Department (HRA)	**117,127**	**133,718**	**71,999**	**60,322**	**383,166**
Total Expenditure	**202,477**	**159,782**	**79,449**	**65,098**	**506,806**
CAPITAL FINANCING					
Specific/External Financing:					
Government/Public Body Grants	6,235	3,349	500	-	**10,084**
Grants and Contributions from Private Developers (includes S106/CIL)	12,617	10,018	4,704	-	**27,339**
Capital Grants/Contributions from Non-departmental public bodies	35	-	-	-	**35**
Capital Grants and Contributions from GLA Bodies	8,775	9,424	4,537	-	**22,736**
Leaseholder Contributions (Housing)	2,833	2,750	2,737	2,724	**11,044**
Sub-total - Specific Financing	**30,495**	**25,541**	**12,478**	**2,724**	**71,238**
Mainstream Financing (Internal):					
Capital Receipts - General Fund	31	-	-	-	**31**
Capital Receipts - HRA	6,786	6,947	27,087	-	**40,820**
Major Repairs Reserve (MRR)	17,386	18,312	18,780	19,351	**73,829**
General Fund Revenue Funding	10	-	-	-	**10**
HRA Revenue Funding	256	235	-	-	**491**
Earmarked Reserves (Revenue)	2,711	1,845	-	-	**4,556**
Sub-total - Mainstream Funding	**27,180**	**27,339**	**45,867**	**19,351**	**119,737**
Borrowing-General Fund	68,367	19,635	6,950	4,776	**99,728**
Borrowing -HRA	76,435	87,267	14,154	38,247	**216,103**
Total Capital Financing	**202,477**	**159,782**	**79,449**	**65,098**	**506,806**

2. The programme for this period totals £506.8m. The gross programme for 2023/24 totals £202.5m. This comprises the General Fund (GF) Programme of £85.4m and the Housing Revenue Account (HRA) Programme of £117.1m.

3. The Building Homes and Communities Strategy included in the current capital programme includes several General Fund and HRA schemes that are at an early stage of development. Their total costs are currently estimated at £448m with assumption that £149m will be funded from borrowing. To date £31m of predevelopment budgets in relation to these schemes have been approved and incorporated in the capital programme. As further phases are brought forward and approved, subject to agreement of the business case and confirmation of viability, significant additional borrowing will be incurred by the Council. The capital programme will be updated as and when further phases and schemes are approved.

4. Should these schemes not fully progress there is a risk that some, or all, of the expenditure will need to be written off to revenue. In line with the arrangements agreed in the Building Homes and Communities Strategy, the Development Board is providing a gateway and governance process for these schemes before commitment of funds.

5. The forecast is based on known funding allocations as at December 2022 and will be updated in accordance with relevant government spending announcements. This will include a review of Children's Services and Disabled Facilities Grant (DFG) allocations. At present schools' funding is not confirmed by Government beyond 2022/23. As additional grants and contributions are confirmed, the General Fund capital programme will increase.

GENERAL FUND CAPITAL PROGRAMME

6. The General Fund programme is summarised in Table 2 below with details for each service at Appendix 1.

7. The capital programme approves a funding envelope for rolling programmes. It does not approve the detail of how such funding is utilised. It is the responsibility of the lead Strategic Leadership Team Directors to agree a planned programme of works in consultation with the Director of Finance and lead Cabinet Member.

Table 2 – General Fund Capital Programme 2023/24 to 2026/27

		Indicative Future Years Analysis			
	2023/24 £'000	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**	**Total Budget (All years) £'000**
CAPITAL EXPENDITURE					
Children's Services	4,618	3,349	500	-	**8,467**
Social Care	957	-	-	-	**957**
Environment Department	14,143	4,511	3,515	2,376	**24,545**
Finance & Resources	3,244	2,080	-	-	**5,324**
General Fund Schemes under the Economy Department	62,388	16,124	3,435	2,400	**84,347**
Total Expenditure	**85,350**	**26,064**	**7,450**	**4,776**	**123,640**
CAPITAL FINANCING					
Specific/External Financing:					
Government/Public Body Grants	6,235	3,349	500	-	**10,084**
Grants and Contributions from Private Developers (includes S106/CIL)	6,835	1,000	-	-	**7,835**
Capital Grants/Contributions from Non-departmental public bodies	35	-	-	-	**35**
Capital Grants and Contributions from GLA Bodies	870	-	-	-	**870**
Sub-total - Specific Financing	**13,975**	**4,349**	**500**	**-**	**18,824**
Mainstream Financing (Internal):					
Capital Receipts - General Fund	31	-	-	-	**31**
General Fund Revenue Funding	10	-	-	-	**10**
HRA Revenue Funding	256	235	-	-	**491**
Earmarked Reserves (Revenue)	2,711	1,845	-	-	**4,556**
Sub-total - Mainstream Funding	**3,008**	**2,080**	**-**	**-**	**5,088**
Borrowing-General Fund	68,367	19,635	6,950	4,776	**99,728**
Total Capital Financing	**85,350**	**26,064**	**7,450**	**4,776**	**123,640**

8. Table 3 below shows the projects funded from mainstream resource (borrowing or capital receipts) and comprises the progression and completion of existing schemes and the continuation of rolling programmes. It incorporates expenditure slippage from the 2022/23 programme as detailed in the 2022/23 quarter 3 capital monitoring report.

Table 3 – General Fund Mainstream Programme 2023/24 to 2026/27

	Indicative Budget 2023/24 £'000	Indicative Budget 2024/25 £'000	Indicative Budget 2025/26 £'000	Indicative Budget 2026/27 £'000	Total Budget (All years) £'000
Approved Expenditure					
Investment in Digital Infrastructure [RES]	914	-	-	-	**914**
Carnwath Road [ECD]	1,870	-	-	-	**1,870**
Hammersmith Bridge Pre Restoration Works [ENV]	1,087	-	-	-	**1,087**
Public CCTV [ENV]	1,370	1,135	1,139	-	**3,644**
Foster carers' extension [CHS]	173	-	-	-	**173**
Leisure Centre Capital Investment [ENV]	90	-	-		**90**
Planned Maintenance/DDA Programme [ECD]	3,400	2,400	2,400	2,400	**10,600**
Footways and Carriageways [ENV]	2,030	2,030	2,030	2,030	**8,120**
Column Replacement [ENV]	346	346	346	346	**1,384**
Hammersmith Town Hall Refurbishment [ECD]	18,808	-	-	-	**18,808**
Community Schools Programme [ECD]	262	-	-	-	**262**
Farm Lane/Mund Street [ECD]	1,105	479	511	-	**2,095**
Investment in Affordable Housing-Lillie Road Site [ECD]	100	-	-	-	**100**
Total Mainstream Programmes	**31,555**	**6,390**	**6,426**	**4,776**	**49,147**
Financing					
Capital Receipts	31	-	-	-	**31**
Increase/(Decrease) in Borrowing	31,524	6,390	6,426	4,776	**49,116**
Total Financing	**31,555**	**6,390**	**6,426**	**4,776**	**49,147**

**Hammersmith Town Hall Refurbishment figure contains only mainstream element of funding, the remaining approved budget is expected to be funded from Community Infrastructure Levy (CIL) which is not included in the mainstream programme.*

9. The mainstream programme presented in Table 3 does not include self-financing schemes (where the net General Fund revenue borrowing costs are nil). Appendix 2 details the self-financing schemes and their borrowing requirement. Such self-financing borrowing is forecast to increase by £43.7m over the next 4 years and mainly relate to the Civic Campus development and the provision of development financing to EdCity Office Ltd. The full financial implications of both schemes have been reported to Full Council with subsequent updates to Cabinet. Detailed programme management and officer and member governance arrangements are in place to ensure that officers and members understand the key financial assumptions and risks associated with the self-financing schemes. These schemes are subject to regular monitoring and scrutiny.

10. The Civic Campus programme is currently under review and there are proposals to seek further capital investment for its refurbishment. These proposals are due to be presented to the Cabinet in February 2023. If the budget is approved, it will be added to the current capital programme. It is expected that the capital costs will need to be funded from General Fund borrowing where other funding sources such as Community Infrastructure Levy or offsetting capital receipts arising from estate rationalisation are not realised and the annual revenue implications if the capital costs are met from borrowing would need to be addressed. General Fund CFR and Minimum Revenue Provision (MRP) figures presented in the current capital programme do not contain this additional borrowing requirement.

11. The Government's Flexible Use of Capital Receipts provisions allow the Council to use available General Fund capital receipts to fund Invest to Save schemes. This comes at an estimated revenue cost of £70,600 per annum per £1m capitalised, as there is a lost opportunity cost of applying these to other capital schemes funded through borrowing.

However, this use enables the Council to maintain reserves which would contribute towards future financial resilience. It is also proposed that such funding be made available to support potential match funding opportunities. In order to bid for external funding for capital schemes, the Council is sometimes required to confirm the availability of match-funding. This pot will provide headroom for such bids to be made and maximise the resources available to the Council. The final decision on the use of this flexibility is delegated to the Director of Finance, in consultation with the Cabinet Member for Finance and Reform. The current programme provides for use of £4.285m of capital receipts for these purposes.

12. General Fund debt is measured by the Capital Finance Requirement (CFR). The Council is required to make an annual provision from revenue, known as the Minimum Revenue Provision (MRP), which set-asides resource to repay debt and in so doing reduces the CFR. The CFR and MRP are explained in more detail in Appendix 2 and the Council's 2023/24 MRP policy is set out in Appendix 5.

13. The forecast for the headline General Fund CFR is shown in Table 4 below. The General Fund headline CFR excludes self-financing schemes detailed in Appendix 2.

Table 4 - Forecast General Fund headline Capital Financing Requirement (CFR)

GENERAL FUND CFR ANALYSIS HEADLINE CFR EXCLUDING SELF FINANCING SCHEMES AND LOANS	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Opening Capital Finance Requirement (CFR)	**128.91**	**151.45**	**181.11**	**184.50**	**187.71**
Revenue Repayment of Debt (MRP)	(1.56)	(1.86)	(3.00)	(3.22)	(3.31)
Mainstream Programme (Surplus)/Shortfall	24.10	31.52	6.39	6.43	4.78
Closing Capital Finance Requirement (CFR)	**151.45**	**181.11**	**184.50**	**187.71**	**189.17**

14. The forecast General Fund Headline CFR at the start of 2023/24 is £151.5m and is expected to increase to £189.2m by the end of 2026/27. The increase of £37.7m over the next four years will add a revenue budget pressure, relating to the borrowing costs (MRP plus external interest), of c£2.7m per annum by the end of 2026/27.

15. Any capital receipts received during the year may be applied to lower the closing CFR. In addition, the Council may opt to apply additional Section 106 or CIL identified during the year to fund eligible elements of the capital programme to reduce the closing CFR. The current General Fund capital receipts forecast contained in this report assumes no new receipts for financial years 2023/24 - 2026/27. Should capital receipts be identified, they will be added to the programme, as an additional funding source, and will reduce the forecast CFR and MRP.

HOUSING CAPITAL PROGRAMME

16. The Housing Capital Programme expenditure and resource forecast is summarised in Table 5 and detailed in Appendix 1. On 6 September 2022, Cabinet approved a 12-year HRA Asset Management Capital Strategy (the Strategy). This detailed the spending priorities for the twelve-year period between 2022/23 and 2033/34, priorities that represent £728.6m of expenditure. The aim of the Strategy is to direct capital investment to where

it will make the biggest impact on residents' quality of life, health and wellbeing with the following key spend areas:

- Fire Safety
- Structural Safety
- Asset Replacement
- Disabled Adaptations
- Stock Condition Survey findings
- Climate Emergency
- Estate Improvements
- White City Estate
- Charecroft Estate Phase 2
- West Kensington Estate

17. The works set out in the Strategy are different to the current HRA four-year capital programme due for completion in 2024/25 covering Major Refurbishments, Fire Safety, Lifts, Boilers, Structural Safety, Electrical, Voids and Miscellaneous schemes. The Strategy will be reviewed annually and will inform every subsequent annual revision of the capital programme budget.

Table 5 – Housing Expenditure and Resource Forecast 2023-27

	Indicative 2023/24 Budget £'000	Indicative 2024/25 Budget £'000	Indicative 2025/26 Budget £'000	Indicative 2026/27 Budget £'000
Approved Expenditure				
HRA Asset Management and Compliance Programme	54,162	62,224	59,426	58,860
Building Homes and Communities Strategy	23,516	32,014	4,484	1,462
Other HRA Capital Schemes	39,449	39,480	8,089	-
Total Housing Programme	**117,127**	**133,718**	**71,999**	**60,322**
Available and Approved Resource				
Capital Receipts - Unrestricted	4,000	6,947	27,087	-
Capital Receipts - RTB (141)	2,786	-	-	-
Major Repairs Reserve (MRR)	17,386	18,312	18,780	19,351
Contributions Developers (S106)	5,782	9,018	4,704	-
Contributions from leaseholders	2,833	2,750	2,737	2,724
Capital Grants and Contributions from GLA Bodies	3,006	4,689	3,069	-
RtB GLA Ringfence	4,899	4,735	1,468	-
Borrowing (HRA)	76,435	87,267	14,154	38,247
Total Funding	**117,127**	**133,718**	**71,999**	**60,322**

Under the 1-4-1 scheme, Right to Buy (RTB) receipts can be retained by the Council on the proviso that they are recycled into the provision of a replacement dwelling. Accordingly, these receipts must be ring-fenced until they can be matched to qualifying expenditure.

18. The forecast Housing Capital Finance Requirement (HRA CFR) is shown in Table 6, below.

Table 6 – Housing CFR Forecast 2023-27

HRA CFR Forecast	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Closing Forecast HRA CFR	301.48	378.17	465.67	475.82	510.07

19. The HRA CFR is forecast to be £378.17m by the end of 2023/24 and £510.07m by 2026/27. The significant borrowing costs that arise from the increase in the HRA CFR will impact on future HRA revenue budgets. This impact is regularly assessed as part of the HRA Business Plan and is reflected in the proposed 2023/24 HRA revenue budget.

20. As set out in the HRA business plan the increase in borrowing costs will require significant additional HRA revenue savings to be made. There are also multiple interacting assumptions and risks that need to be regularly stress tested and reviewed to ensure the underlying strength and resilience of the plan. Key risks that need to be closely monitored to ensure the delivery and affordability of the Strategy include:

- Interest rate changes. The current base case uses borrowing rates after consultation with the Council's Treasury Advisor. However, there are growing signs that in reaction to inflation increasing above government targets that interest rates may rise sooner than expected.
- Rent Regulation. There is uncertainty over government policy on social rents after 2025.
- New development. Building additional homes not only provides much needed affordable housing for the boroughs' residents but is also a key factor in the HRA's future viability. If new build developments were to cease completely then it is estimated that additional revenue savings of £800,000 above the base model savings requirement would be required.
- Build and works inflation. A mounting concern is inflation with supply constraints and labour shortages, driven by Covid and Brexit, leading to higher prices and pressure on wages.
- Climate change funding. The Strategy includes climate change investment of £213m and it is assumed that this will be funded by 50% borrowing/recharges and 50% government grant. There is risk that lower grant funding will be identified/awarded and this may further impact on the HRA CFR.

21. Right to Buy (RTB) one-for-one receipts need to be repaid with interest to Central Government where affordable housing schemes do not proceed to programme. These receipts are ringfenced to the provision of affordable housing within three years of receipt and the Council's agreement with the GLA, allows a further three years to use the receipts. At 1 October 2022, the GLA held £23.9m of Hammersmith & Fulham receipts from the last two financial years. This is the equivalent of £79m[1] of capital expenditure delivered by the Council (or Housing Associations if grant funded by Council) over the next two financial years. The existing approved Housing Development schemes and the pipeline of yet to be approved schemes[2] is sufficient to make use of these receipts if delivered on

[1] The latest Department for Levelling Up, Housing & Communities (DLUHC) guidance states that 1-4-1 receipts received in the 2017/18 financial year or later can now fund 40% of the total development expenditure on eligible tenures, with the remaining 60% being funded from a mixture of non-housing receipts, S106 and borrowing. Officers continue to work through the implications of this guidance on the optimal allocation of funding to schemes.

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

time, however there are risks to meeting these deadlines due to further design work after extensive consultation being undertaken on the schools' regeneration schemes. The Council can request for an extension to the three years where an approved programme is in place.

22. The proposed HRA programme relies on £19.5m of S106 receipts for affordable housing, of which £16.1m has been received to date with the remainder dependent on the associated developments proceeding in a timely manner. The impact of Covid-19 on the progress of developments and related developer contributions is being monitored jointly with Finance and Planning and mitigating actions will be considered if necessary, such as substituting other funding in the Housing programme.

EQUALITY IMPLICATIONS

23. 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 increase in capital allocations will not impact directly on any group with protected characteristics, under the terms of the Equality Act 2010.

VAT IMPLICATIONS

24. With regard to all major capital schemes and disposals, the Council will need to give careful consideration to its VAT partial exemption threshold. Ordinarily, entities cannot reclaim VAT incurred in the provision of VAT exempt activities, however special provision for Local Authorities means that Council can reclaim such costs, providing these do not exceed 5% of the Council's total VAT reclaimed in any one year. This threshold is known as the Council's Partial Exemption Limit. If this threshold is breached without HMRC mitigation, then all VAT incurred in support of exempt activities, in that year, can no longer be reclaimed from HM Revenue and Customs (HMRC) and becomes payable by the Council. This would represent a cost of approximately £2m per year of breach.

25. Capital transactions represent a significant portion of the Council's VAT exempt activity and accordingly pose the biggest risk to the partial exemption threshold. The Council monitors the partial exemption position closely, however unanticipated expense or slippages can present challenges to this process. The Cabinet has adopted the following VAT policy to aid the management of the Partial Exemption position:

- In all cases of new or reprofiled projects, the Corporate Accountancy, Systems and Tax team should be consulted in advance.
- Projects should be 'opted-to-tax' where this option is available and is of no financial disadvantage to the Council.

Implications completed by: Christopher Harris, Head of Finance – Corporate Accountancy, Systems and Tax, 3 January 2023

RISK MANAGEMENT

26. The report content presents a balanced and measured profile of the main aspects, risks and issues relating to the Capital Programme and its deliverables. The exposure to property market conditions, consultation requirements, potential delays due to legal challenge, gaining planning consent, protracted negotiations, or exchange of contracts

with potential purchasers are known risks and these are outlined in the report. Furthermore, are the impacts of the Covid-19 pandemic on the economy coupled with Brexit impacting on prices in the short and potentially longer term, along with high levels of inflation, which will affect construction related costs and increases in interest rates which will impact on the cost of borrowing. The report identifies a number of risks at paragraph 20 which could impact on the delivery of the HRA Business Plan and strategy, and the need for robust monitoring to continue in respect of these risks.

27. Risk mitigation is undertaken on a case-by-case basis, and it is the responsibility of departments to capture risks that may affect the successful delivery of capital projects contained in their programme in their departmental registers. A number of significant opportunity risks to regenerate areas of the borough have previously been considered on the Council's risk register which has been reviewed by the Strategic Leadership Team. Exposure to risks such as the potential for Fraud and Bribery in relation to its property and asset dealings are covered through the Council's existing Anti-Fraud and Bribery policies. The service maintains a register of key risks, where there may become significant, they may be escalated to the corporate level.

Implications completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance, 23 December 2022

LIST OF APPENDICES:

Appendix 1 – Council Capital Programme by Service Area
Appendix 2 – The Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP)
Appendix 3 – Capital Strategy 2023/24
Appendix 4 – Flexible Use of Capital Receipts Guidance and Proposed Application
Appendix 5 – Minimum Revenue Provision (MRP) Statement 2023/24

APPENDIX 1 – Detailed Analysis by Service

Children's Services	2023/24 Budget £'000	Indicative Future Years Analysis 2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary					
SEN sufficiency	946	175	-	-	1,121
Foster carers' extension	173	-	-	-	173
School Maintenance Programme	3,499	3,174	500	-	7,173
Total Expenditure	**4,618**	**3,349**	**500**	**-**	**8,467**
Capital Financing Summary					
Specific/External or Other Financing					
Capital Grants from Central Government	4,445	3,349	500	-	8,294
Sub-total - Specific or Other Financing	**4,445**	**3,349**	**500**	**-**	**8,294**
Mainstream Financing (Internal Council Resource)					
Capital Receipts	31	-	-	-	31
Sub-total - Mainstream Funding	**31**	**-**	**-**	**-**	**31**
Borrowing	142	-	-	-	142
Total Capital Financing	**4,618**	**3,349**	**500**	**-**	**8,467**

Social Care Services	2023/24 Budget £'000	Indicative Future Years Analysis 2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary					
Extra Care New Build project (Adults' Personal Social Services Grant)	957	-	-	-	957
Total Expenditure	**957**	**-**	**-**	**-**	**957**
Capital Financing Summary					
Specific/External or Other Financing					
Capital Grants from Central Government	957	-	-	-	957
Sub-total - Specific or Other Financing	**957**	**-**	**-**	**-**	**957**
Total Capital Financing	**957**	**-**	**-**	**-**	**957**

APPENDIX 1 – Detailed Analysis by Service

Finance & Resources Department	2023/24 Budget £'000	Indicative Future Years Analysis 2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary					
Investment in Digital Infrastructure	914	-	-	-	914
Tech-tonic 2 Device refresh	2,330	2,080	-	-	4,410
Total Expenditure	**3,244**	**2,080**	**-**	**-**	**5,324**
Capital Financing Summary					
Mainstream Financing (Internal Council Resource)					
Use of Reserves	2,074	1,845	-	-	3,919
Sub-total - Mainstream Funding	**2,074**	**1,845**	**-**	**-**	**3,919**
Borrowing(GF)	914	-	-	-	914
Borrowing (HRA)	256	235	-	-	491
Total Capital Financing	**3,244**	**2,080**	**-**	**-**	**5,324**

APPENDIX 1 – Detailed Analysis by Service

Environment Department

Indicative Future Years Analysis

	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary					
Footways and Carriageways	2,124	2,030	2,030	2,030	8,214
Transport For London Schemes	37	-	-	-	37
Column Replacement	346	346	346	346	1,384
Other Highways Capital Schemes	6,170	1,000	-	-	7,170
Hammersmith Bridge Pre Restoration Works	2,500	-	-	-	2,500
Waste Collection and Disposal Projects	291	-	-	-	291
Public CCTV	1,370	1,135	1,139	-	3,644
Parks Projects	1,215	-	-	-	1,215
Leisure Centre Capital Investment	90	-	-	-	90
Total Expenditure	**14,143**	**4,511**	**3,515**	**2,376**	**24,545**
Capital Financing Summary					
Specific/External or Other Financing					
Capital Grants from Central Government	833	-	-	-	833
Grants and Contributions from Private Developers (includes S106/S278)	6,835	1,000	-	-	7,835
Capital Grants/Contributions from Non-departmental public bodies	35	-	-	-	35
Capital Grants and Contributions from GLA	870	-	-	-	870
Sub-total - Specific or Other Financing	**8,573**	**1,000**	**-**	**-**	**9,573**
Mainstream Financing (Internal Council Resource)					
General Fund Revenue Account (revenue	10	-	-	-	10
Use of Reserves	637	-	-	-	637
Sub-total - Mainstream Funding	**647**	**-**	**-**	**-**	**647**
Borrowing	4,923	3,511	3,515	2,376	14,325
Total Capital Financing	**14,143**	**4,511**	**3,515**	**2,376**	**24,545**

APPENDIX 1 – Detailed Analysis by Service

Economy Department General Fund Managed Schemes	Indicative Future Years Analysis				
	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary					
Civic Campus					
Hammersmith Town Hall Refurbishment	18,808	-	-	-	18,808
Acquisition of commercial units	16,751	12,315	-	-	29,066
JV Partnership Loan (Civic Campus)	5,381	-	-	-	5,381
Subtotal Civic Campus	**40,940**	**12,315**	**-**	**-**	**53,255**
Building Homes and Communities Strategy (GF sites)					
Education City Loan	14,711	930	524	-	16,165
Farm Lane	200	-	-	-	200
Mund Street	905	479	511	-	1,895
Community Schools Programme	262	-	-	-	262
Investment in Affordable Housing-Lillie Road Site	100	-	-	-	100
Subtotal Building Homes and Communities Strategy (GF sites)	**16,178**	**1,409**	**1,035**	**-**	**18,622**
Other GF Capital Schemes managed by the Economy					
Planned Maintenance/DDA Programme	3,400	2,400	2,400	2,400	10,600
Carnwath Road	1,870	-	-	-	1,870
Subtotal Other GF Capital Schemes managed by the Economy	**5,270**	**2,400**	**2,400**	**2,400**	**12,470**
Total Expenditure	**62,388**	**16,124**	**3,435**	**2,400**	**84,347**
Capital Financing Summary					
Mainstream Financing (Internal Council Resource)					
GF Borrowing	62,388	16,124	3,435	2,400	84,347
Total Capital Financing	**62,388**	**16,124**	**3,435**	**2,400**	**84,347**

APPENDIX 1 – Detailed Analysis by Service /cont.

Economy Department- HRA Capital Programme	Indicative Future Years Analysis				
	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary					
HRA Asset Management and Compliance Programme					
Pre Agreed Works	4,180	10,014	7,368	11,558	33,120
Fire Safety Compliance Programme	8,691	6,489	3,400	5,450	24,030
Fire Safety Complex Schemes	15,295	16,925	13,781	-	46,001
Lift Schemes	3,962	750	750	800	6,262
Boiler Schemes	4,500	6,140	4,370	4,670	19,680
Safety Works - Electrical	9,128	2,250	2,000	4,360	17,738
Safety Works	7,960	8,950	17,954	19,100	53,964
Void Works	3,173	1,200	1,200	1,200	6,773
Other Capital Improvements	9,273	1,861	1,050	750	12,934
Capitalised salaries	5,611	5,600	5,600	3,300	20,111
Capitalised repairs	4,040	4,070	3,500	3,500	15,110
Climate Emergency and Other future works	15,280	18,835	17,160	22,760	74,035
Allowance for program slippage for financial modeling purposes	(36,931)	(20,860)	(18,707)	(18,588)	(95,086)
Subtotal HRA Asset Management and Compliance Programme	**54,162**	**62,224**	**59,426**	**58,860**	**234,672**
Building Homes and Communities Strategy (HRA sites)					
Homes & Communities Strategy	68	-	-	-	68
White City Estate Regeneration	582	542	542	540	2,206
Becklow Gardens	725	300	230	203	1,458
Barclay Close	456	155	90	90	791
Jepson House	1,575	615	315	366	2,871
The Grange	775	300	225	213	1,513
Old Laundry Yard	400	362	250	50	1,062
Education City- HRA element	18,935	29,740	2,832	-	51,507
Subtotal Building Homes and Communities Strategy (HRA sites)	**23,516**	**32,014**	**4,484**	**1,462**	**61,476**
Other HRA Capital Schemes					
Stanhope Joint Venture	8,788	13,707	7,150	-	29,645
Hartopp & Lannoy	30,661	25,773	939	-	57,373
Subtotal Other HRA Capital Schemes	**39,449**	**39,480**	**8,089**	**-**	**87,018**
Total Expenditure	**117,127**	**133,718**	**71,999**	**60,322**	**383,166**
Capital Financing Summary					
Specific/External or Other Financing					
Contributions from leaseholders	2,833	2,750	2,737	2,724	11,044
Grants and Contributions from Private Developers (includes S106)	5,782	9,018	4,704	-	19,504
Capital Grants and Contributions from GLA Bodies	3,006	4,689	3,069	-	10,764
RtB GLA Ringfence	4,899	4,735	1,468		11,102
Sub-total - Specific or Other Financing	**16,520**	**21,192**	**11,978**	**2,724**	**52,414**
Mainstream Financing (Internal Council Resource)					
Capital Receipts (HRA)	6,786	6,947	27,087	-	40,820
Major Repairs Reserve (MRR) / Major Repairs Allowance	17,386	18,312	18,780	19,351	73,829
Sub-total - Mainstream Funding	**24,172**	**25,259**	**45,867**	**19,351**	**114,649**
Borrowing(HRA)	76,435	87,267	14,154	38,247	216,103
Total Capital Financing	**117,127**	**133,718**	**71,999**	**60,322**	**383,166**

APPENDIX 2 - THE CAPITAL FINANCING REQUIREMENT (CFR) AND MINIMUM REVENUE PROVISION

1. The CFR measures an authority's underlying need to borrow for a capital purpose. It is considered by the Chartered Institute of Public Finance Accountancy (CIPFA) as the best measure of Council debt as it reflects both external and internal borrowing.

2. The CFR is the difference between capital expenditure incurred and the resources set aside to pay for this expenditure. Put simply it can be thought of as capital expenditure incurred but not yet paid for in full and serves as a measure of an authority's indebtedness.

3. An important caveat is that the CFR does not necessarily equal the outstanding loans of the authority. An authority may be 'cash rich' and pay for a new asset in full without entering into new loans. However, unless it simultaneously funds these from grants, capital receipts or sets aside reserves (either through recognising a revenue cost or transferring existing reserves from 'usable' to 'unusable' in the bottom half of the balance sheet) the CFR will increase it has effectively borrowed internally. The CFR should therefore be thought of as the total of internal and external borrowing.

4. Table 1 below shows the Council's forecast total General Fund CFR for the period 2023/24-2026/27:

Table 1- Forecast General Fund CFR 2023/24-2026/27

GENERAL FUND CFR ANALYSIS HEADLINE CFR EXCLUDING SELF FINANCING SCHEMES AND LOANS	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Opening Capital Finance Requirement (CFR)	**128.91**	**151.45**	**181.11**	**184.50**	**187.71**
Revenue Repayment of Debt (MRP)	(1.56)	(1.86)	(3.00)	(3.22)	(3.31)
Mainstream Programme (Surplus)/Shortfall	24.10	31.52	6.39	6.43	4.78
Closing Capital Finance Requirement (CFR)	**151.45**	**181.11**	**184.50**	**187.71**	**189.17**
SELF FINANCING SCHEMES AND LOANS	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**
Opening Capital Finance Requirement	**28.66**	**81.27**	**118.11**	**129.62**	**127.55**
Revenue Repayment of Debt (MRP)	-	-	(1.73)	(2.59)	(2.55)
In Year Borrowing	52.61	36.84	13.25	0.52	-
Closing Capital Finance Requirement	**81.27**	**118.11**	**129.62**	**127.55**	**125.00**
Finance leases/PFI/ Deferred costs of disposal	7.09	6.39	5.69	4.99	4.29
Total Closing GF CFR	**239.81**	**305.61**	**319.81**	**320.25**	**318.47**

5. The current forecast for the General Fund Headline CFR (excluding self-financing schemes and loans) is £181.1m at the end of 2023/24 and £189.2m by the end of 2026/27. The increase in General Fund Headline CFR puts additional pressures on revenue budgets.

6. The headline CFR figures exclude:

- £25m equity loan to the Civic Campus programme
- £10m development financing to WKSR 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 impact on the Council's CFR, it is assumed that all Minimum Revenue Payment (MRP) and interest costs will be fully reimbursed through the charging of a state-aid compliant interest rate, loan repayment and commercial income.

7. 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 from £81.3m to £118.1m (net movement £36.8m) in 2023/24 and to £125m (net increase of £43.7m, gross financing requirement of £50.6m less estimated MRP of £6.9m) estimated by the end of 2026/27. Table 2 details the CFR movements regarding these schemes.

Table 2 - Self -financing schemes and loans CFR movements 2023/24-2026/27

	Indicative Budget 2023/24 £'000	Indicative Budget 2024/25 £'000	Indicative Budget 2025/26 £'000	Indicative Budget 2026/27 £'000	Total Budget (All years) £'000
Approved Expenditure					
Ad Hoc Schemes:					
Education City -ARK loan	14,711	930	524	-	**16,165**
Acquisition of commercial units (Civic Campus)	16,751	12,315	-	-	**29,066**
JV Partnership Loan (Civic Campus)	5,381	-	-	-	**5,381**
Total Mainstream Programmes	**36,843**	**13,245**	**524**	**-**	**50,612**
Financing					
Increase/(Decrease) in Borrrowing	36,843	13,245	524	-	**50,612**
Total Financing	**36,843**	**13,245**	**524**	**-**	**50,612**

8. A number of affordable housing schemes (already approved or subject to future approvals) contain use of General Fund land for their development and further appropriations of the General Fund land to HRA will be required. The timing of the actual appropriations is to be confirmed but is expected to be prior to build completion and will be reported through the Council's quarterly capital budget monitoring process. Such an appropriation would trigger a transfer of debt from the General Fund to the HRA equal to an appropriate valuation of the site. The legal and financial details of this will be set out in a future decision. For monitoring purposes, current capital programme assumes the split between General Fund and HRA, as per the Cabinet recommendation. However, should the scheme be cancelled before the completion of HRA affordable homes, there is a risk that costs associated with the termination could impact General Fund revenue budgets.

9. 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.

10. The statutory guidance issued by the Secretary of State (Ministry for Housing, Communities and Local Government) details the ways how MRP should be charged on various items of capital expenditure. MRP charges presented in the Table 1 follow this guidance and assume the following:

    - MRP charges are deferred for development projects until year after their completion. The rate charged is based on the estimated life of an asset (50 years for new developments).
    - MRP on rolling capital programmes and smaller scale ad hoc schemes is charged year after the expenditure incurs. The rate used is based on weighted average life of an assets.

APPENDIX 3 – CAPITAL STRATEGY 2023/24

1. The Prudential Code[3] obliges local authorities to approve a capital strategy.

2. The Hammersmith & Fulham capital strategy sets out the long-term context in which capital investment decisions are made and the governance for those decisions. It supports the development of a capital programme that is affordable, prudent, and sustainable whilst giving due consideration to risk and reward and delivery of the Council's business plan.

3. The Council's priorities include being ruthlessly financial efficient. The capital strategy sets out the way capital projects are managed to improve delivery and achieve greater efficiency.

4. A key focus of the capital strategy is future finance resilience. Capital investment can enable the delivery of invest to save projects and grow future income and resources and provide regeneration opportunities within the borough.

Strategic Context

5. The Council's Business Plan 2022-23 sets out the Council's main priorities. These are underpinned by an underlying target date of 2030 for the whole of the borough of Hammersmith & Fulham to be carbon neutral. From a capital investment perspective, the values include:

Building shared prosperity

- The Council will continue to invest in our ambitious housing development programme and work through the planning system to enable 3,000 new energy-efficient 50% genuinely affordable homes to be built.
- Introduce an H&F shared-equity, affordable home ownership solution for residents in the borough to part-own a new home without the need to pay rent on the unsold equity.
- The Council will work with residents to redesign central Hammersmith, with new genuinely affordable homes, affordable office space and a more attractive town centre.
- Encouraging entrepreneurship in the borough by aiming for 20% of all new office space to be affordable and flexible and made available as start-up and scale-up space for local businesses.
- Ensuring the community schools' programmes at Avonmore and Flora Gardens primary schools are green projects that create high quality learning spaces for children.

Doing things with residents, not to them

- The Council will implement Disabled People's Housing Strategy, working in co-production with disabled residents.

Taking pride in Hammersmith & Fulham

- The Council will maintain world-class parks, open spaces and cemeteries, making sure that parks are a safe space for residents.

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[3] The CIPFA Prudential Code for Capital Finance in Local Authorities (2017) – by regulation local authorities are required to have regard to the Code when carrying out their duties.

- Continuing to invest in CCTV so that residents feel secure in their homes and on the streets.
- The Council has plans for the new Civic Campus to be a modern community, work, entertainment, recreational and retail space to help rejuvenate Hammersmith while retaining the historic listed elements of the Town Hall. The development will meet the highest possible environmental standards.
- Improving the public realm to make H&F a better place for people to shop, eat, drink, relax and enjoy local arts and facilities.
- The Council will continue to review safe walking routes to schools, making sure every school has safe crossings to its main entrance.
- Fixing iconic Hammersmith Bridge.

Creating a compassionate council

- The Council will explore the feasibility of the potential re-design of the H&F special school estate and of creating an inclusive campus.

Being ruthlessly financially efficient

- Hammersmith & Fulham will continue to be the best value council in the country.
- The flexible use of capital receipts allows investment in schemes that will deliver service transformation and savings to the Council.
- Capital investment is an enabler of more efficient working and can enhance future financial resilience through growing income and other resources.

Rising to the challenge of the climate and ecological emergency

The Council has approved a Climate and Ecology Strategy and action plan to deliver its target of net zero greenhouse gas emissions in the borough by 2030. It has been shaped by the work of the resident-led Climate and Ecological Emergency Commission, who worked closely with the Council's Climate Unit and was devised by ten cross-departmental officer working groups. The capital strategy incorporates a number of measures that support the Climate and Ecology Strategy which include:

- Use of the corporate planned maintenance programme to deliver energy efficient lighting and decarbonisation
- Investment as part of the 12-year HRA Asset Management Capital Strategy of £213m to decarbonise our housing stock; this includes costs of 50% at £106.5m with a view to bidding for government funding and achieving cost and programme synergies of carrying these works out in conjunction with the other works identified.
- Use of cutting-edge green technology including a ground-breaking heat pump as part of the Civic Campus development.
- The Council will develop plans to implement further sustainable drainage systems and flood reduction and mitigation schemes.
- The Council will build on the status as a leader in electric vehicle charging with at least one charging point in every street.
- The Council will build on successes to reduce its carbon footprint by maximising smart working as part of the 'Hello Hybrid Future' programme.

6. The Covid-19 pandemic has resulted in unprecedented risk and uncertainty the wider economy. A recent economic downturn has affected the expected costs, market and viability of schemes whilst funding from partners, such as Transport for London, has been under pressure. As part of the capital strategy the impact of increasing inflation and interest rate will be kept under review and mitigating actions taken as necessary.

7. Learning the lessons from working from home during the pandemic, and in preparation for the workforce's return to the new Civic Campus in 2024, a review of Council accommodation is being undertaken. This might result in consolidation of office accommodation, the identification of assets for alternative use/ redevelopment or disposal and review of the rolling planned maintenance programme. Any plans will be incorporated into the capital programme as the relevant business cases are prepared and will be the subject of separate decision reports.

8. The capital programme will continue to be developed in line with the Council's priorities and new schemes will be added as and when they are identified and approved. A brief overview of the current and planned major schemes is provided in the Major Projects section of the report. Where budgets have been approved for these schemes, these are included in the Capital Programme.

MAJOR PROJECTS

Civic Campus Programme

9. In January 2019, Full Council approved plans for major regeneration of the King Street area which included redevelopment of Hammersmith Town Hall, creating a Civic Campus. This involves entering into a joint venture (JV) with not-for-profit housing provider, A2 Dominion, for the delivery of the scheme, conditional land sale agreement from the Council to the JV, and the associated funding for the Civic Campus. The budget for the scheme is included in the Council's Capital Programme and the project is in the construction phase. The development will:
   - create a new civic and community campus, including new fit-for-purpose, inclusively designed office accommodation for the Council and act as a catalyst for change, with the inclusion of open public realm and shared spaces within the Town Hall used by the neighbourhood as well as the greater community.
   - provide urgent intervention in the failing existing Town Hall office buildings, refurbishing and restoring the heritage elements of the Town Hall, whilst creating an opportunity for improved ways of working in order to be ruthlessly financially efficient and address the financial challenges faced by the Council.
   - contribute to the borough's housing ambitions by increasing the supply of good quality, genuinely affordable housing for local residents to meet local housing need.
   - create pride in H&F by transforming King Street into a new civic and cultural destination, improving the public realm and Grade II listed Town Hall, providing new local amenities for residents, including a new four screen cinema, café/restaurant, retail and public event spaces.
   - promote economic growth in line with the H&F Industrial Strategy, Economic Growth for Everyone, through the creation of new retail and commercial space, including affordable space for start-up businesses to combat High Street decline; and
   - contribute to meeting the climate change emergency by the use of cutting-edge green technology.

10. A capital budget of £64m has also been approved for the acquisition of commercial units that will be constructed by the JV as part of the Civic Campus Programme. For each of the buildings, the Council will then secure lessees paying rent to the Council, covering the cost of the acquisition over 45 years. Negotiations have already begun with potential occupiers of the commercial space and a managing agent is being procured for the office

space. Investment in these units can allow the Council to benefit from the regeneration opportunity that they present.

Education City

11. In the absence of a national programme for capital investment in existing schools, the Council and Absolute Return for Kids (ARK) have successfully collaborated to develop a mixed-use project comprising of housing and other amenities on the former Ark Swift Primary Academy to be known as Ed City, that will create a new education hub on the site and will provide the following:
    - A high-quality primary school
    - New and expanded nursery for 75 children
    - New adult education facilities for up to 120 places
    - New youth facilities
    - An office for educational charities
    - 132 new homes, 100% of which will be affordable housing

12. The funding for the school will be provided by ARK. The Council will fund the residential, the nursery and adult education facilities and will provide a capital grant for the provision of the youth facility. The Council budgets for the scheme were updated by Cabinet on 2 November 2020 and have been included in the Capital Programme.

13. On 5 July 2021, Cabinet approved an investment loan of up to £39m to enable ARK to facilitate the construction of their office block. On 19 November 2021, the Council and Ark formally entered into a Master Development Agreement to enable the construction works to be carried out on each party's behalf through a Special Purpose Vehicle (SPV) known as Education City Development Ltd (ECDL). The contractors Bowmer & Kirkland have since begun works on site with practical completion of Phase 1 due in 2023. When Phase 2 starts and completes, this will deliver the majority of the Council's new homes, nursery and adult education centre.

HRA Asset Management Capital Strategy

14. The Council is the responsible landlord for over 17,000 homes across Hammersmith & Fulham. The HRA Asset Management Capital Strategy (the Strategy) details the spending priorities for the twelve-year period between 2022/23 and 2033/34, priorities that represent £728.6m of capital spend. The purpose of the Strategy is to inform the four-year Capital Programme budget that is submitted annually for Full Council approval. The Strategy will inform every subsequent annual revision of the Capital Programme budget for the duration of the 12- year Strategy period, subject to annual reviews of the Strategy.

15. The aim of the Strategy is to direct capital investment to where it will make the biggest impact on residents' quality of life, health and wellbeing. The programme of capital investment will deliver housing assets that residents can be proud of and that will serve as a foundation for healthy, happy lives. We know that poor quality housing has a huge impact on physical and mental health and can impede people from reaching their full potential. Addressing structural damp and mould issues is a key theme of this Strategy. The programme will deliver 21st century assets that are fit for the future. Many of the projects detailed in the Strategy involve new windows, kitchens and bathrooms, things that will make a big difference to residents' quality of life.

16. The main headings of the Strategy are:
    - Fire Safety
    - Structural Safety
    - Asset Replacement
    - Disabled Adaptations
    - Stock Condition Survey findings
    - Climate Emergency
    - Estate Improvements
    - White City Estate
    - Charecroft Estate Phase 2
    - West Kensington Estate

17. The number one priority of the Strategy is health and safety and compliance. While safety and compliance come first, every capital project covered in this programme will be designed to maximise the impact on reducing carbon emissions. Wherever possible works will use methods and materials that improve energy efficiency and will be increasingly delivered as part of comprehensive whole-home retrofit schemes. The programme features more than £100m specifically earmarked for decarbonisation projects, to be supplemented by other financial mechanisms as they become available and government funding bids.

Building Homes and Communities Strategy

18. The Building Homes and Communities Strategy sets out a self-funding programme of investment in homes and community assets, where the council utilises its land and property assets to meet its key priorities of delivering affordable housing and supporting the council's financial challenge. The strategy aims to:
    - build new, genuinely affordable housing which will help maintain the borough's vibrant social mix
    - support the Council's Business Plan priority of 'Building Shared Prosperity'
    - renew key community assets, including schools and leisure centres
    - generate income to reinvest in frontline services and the Housing Revenue Account.

19. Through this strategy, the council established a development programme to directly deliver a substantial number of much-needed affordable homes and renew key community assets. The development programme will directly benefit the council by generating revenue from the sale of market homes, alongside the long-term rental income from the affordable homes. It will also mean the council accrues the long-term assets it builds.

20. Currently, there are 17 projects in the development programme delivering 1,119 new homes, of which, 725 (65%) are affordable and 394 will be for market sale (35%).

Of the 17 development projects, the Springvale infill project has been completed and delivered 10 new social rent homes. Education City is under construction. Farm Lane has been submitted for Planning, with the White City Central and Lillie Road projects to follow, in the next two months. The development programme also delivers against the Council's climate emergency commitments with at least four sites being delivered to PassivHaus standards of energy efficiency, to reduce carbon emissions and help alleviate fuel poverty.

Hammersmith Bridge

21. The Grade II* Listed 134-year-old Hammersmith Bridge (the Bridge) was closed to motor vehicles in April 2019 and to all users in August 2020 on public safety grounds. Following an 11-month closure and extensive investigations by Hammersmith & Fulham engineers and the introduction of a pioneering temperature control scheme, it re-opened to pedestrians, cyclists and river traffic on 17 July 2021. The re-opening, with strict conditions, was recommended by the Board for the Continued Case for the Safe Operation (CCSO). One condition was that for the Bridge to remain open, it must be properly and permanently stabilised as soon as possible. The Council has incurred significant spend (at risk) of almost £13.5m (estimated to the end of 2022/23) to ensure the continued safe operation of the Bridge. These costs will be included in the overall project and the Council will expect these to be funded equally with DfT/TfL.

22. Following detailed cost-analysis the Council has approved a stabilisation construction project for the Bridge at an estimated value of £8.9m (including indirect costs, preliminaries, and contingencies). This work is to be completed expeditiously so that users can continue to use the Bridge safely.

23. Further £8.5m budget has been approved with regards to pre-restoration works. Further work towards the Phase 2 full strengthening and restoration of the Bridge and its re-opening to motor vehicles is now required in line with the Strategic Transport aspirations of the DfT, TfL and the Council. These essential works required to move to the next stage are: the removal of the two gas mains off the Bridge and diversion on an alternative route, the planning application for the innovative truss option, and further development of the contract and procurement of the full restoration so it is ready to progress once the stabilisation work is completed. This will ensure that the future project to strengthen the Bridge can be undertaken with greater expediency, effectiveness, and minimisation of technical risks.

24. In line with government announcements, central government (Department for Transport (DfT)) and Transport for London (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).

25. Evaluation of engineering options for the stabilisation and strengthening of the Bridge are well advanced. The Council is continuing to develop an outline business case for a full strengthening and restoration programme which will see the Bridge re-opened to motor vehicles and to secure funding from the DfT and TfL.

26. Covid-19 has had a significant impact on the current and future funding of various transport schemes which are mainly financed by TfL grants. There is uncertainty over the level and timing of future funding and as a result of this, the Council's transport schemes have been scaled down. Schemes will be added to the programme when the funding is confirmed.

Schools Renewal Programme

27. Included within the Building Homes and Communities Strategy is the Council's commitment to a Schools Renewal programme, agreed by Cabinet in March 2019. The programme is intended to:

- to re-provide modern, fit for purpose schools to support the borough's ambition to give children the best start in life
- to support the funding of education in Hammersmith & Fulham including the future repair and planned maintenance requirements across the school community
- to fund school development through the creation of badly needed affordable housing which will help maintain the borough's vibrant social mix.
- In 2021 a three-year schools' capital strategy, including a planned maintenance programme was agreed, leading to significant investment in the condition of the schools' estate

28. The work is currently underway to assess viability, produce a detailed business case and proceed to planning application stage as appropriate.

Other Housing projects

29. In addition to the Housing Asset Management Compliance Strategy and Building Homes and Communities Strategy the Council is progressing a number of housing projects in relation to the provision of affordable housing these include the following schemes:

    - The redevelopment of land on Aintree Estate, previously occupied by Hartopp Point and Lannoy Point blocks, for the delivery of new homes including replacement of lost affordable housing.

    - The redevelopment of the Edith Summerskill House site is being taken forward in conjunction with Peabody Housing Trust. It is expected to deliver 133 affordable homes. Demolition is complete and Peabody Housing Trust will develop the new scheme with the Council transferring the land and providing a grant towards construction costs. The planning decision is currently subject to call in by the Secretary of State.

Community Infrastructure Levy (CIL)

30. The Council has adopted its own CIL, which took effect on 1 September 2015. This is a levy that local authorities can choose to charge on new developments in their area and in part replaces the use of Section 106 agreements to support the provision of infrastructure.

31. At 31 March 2022 the Council holds £16.6m of Borough CIL, of which £10.7m is currently committed towards financing of Civic Campus. Due to the current economic circumstances, it is harder to predict the future CIL receipts, however, based on current performance, it is considered prudent to assume that increasing sums will be received in following years.

32. Council CIL can be used for the delivery, operation, maintenance and repair of infrastructure to support development in the borough. There are obligations to spend 15% on projects agreed with the community (or 25% where there is a neighbourhood plan in place). There is no legislative framework to define how this is done. To achieve this agreement, the Council has implemented a CIL page on Spacehive to enable community groups to put forward projects and the members of the public to contribute to, as a mechanism of achieving agreement.

33. In August 2020 the Government launched Planning for the Future consultation on reforms to modernise and speed up the current planning system. Amongst the proposals is an introduction of new simpler national levy to replace the current system of developer contributions. Section 106 agreements and the Community Infrastructure Levy will be replaced with a new Infrastructure Levy that will be a fixed proportion of the value of the development, above a set threshold. The implications of this change, should it be taken forward, will need to be allowed for within the future capital strategy.

Becoming Carbon Neutral

34. The Council's Climate and Ecology Strategy and action plan set out the Council's approach to delivering its target of net zero greenhouse gas emissions in the borough by 2030.

35. This will require the development of a sustainable financial model that secures the necessary investment in the services the Council provides or commissions. The Council must also influence, convince, incentivise and support government and private sector investment across local businesses and households to tackle emissions from transport and buildings outside our direct control

36. The Council's housing accounts for 35% of its total emissions and is a priority area that the Council can directly influence through retrofit programmes. Three quarters of CO2 emissions from homes come from heating and hot water, mostly powered by gas. To achieve net zero, the majority of homes must be retrofitted with energy efficiency measures, and gas boilers replaced with low carbon heating such as air-source heat pumps, by 2030. The Council can influence this through:
    - Investment in retrofitting Council homes which will reduce the borough's emissions and grow the market for retrofit, driving down cost.
    - Energy planning and investment to bring about district heating networks.
    - Information and incentives to homeowners and landlords encourage retrofit.
    - Enforcement of Minimum Energy Efficiency Standards for landlords.

37. £213m has been identified as required to decarbonise our housing stock and this is included within the 12-year Housing Asset Management Capital Strategy. This Strategy assumes costs of 50% at £106.5m with a view to bidding for government funding and in achieving cost and programme synergies of carrying these works out in conjunction with the other works identified.

Invest to Save Projects

38. The Council has a number of Invest to Save projects, both in train and planned, which will deliver future revenue savings. This expenditure can be funded from available General Fund capital receipts under Flexible Use of Capital Receipts dispensation. This enables the Council to preserve its reserves and free them up to meet expenditure pressures or to invest in priorities. More detailed guidance on Flexible Use of Capital Receipts as well as a summary of the current Invest to Save projects to be capitalised under this dispensation in 2022/23 and 2023/24 can be found in Appendix 4 of this report.

Health and Safety

39. Health and Safety works have been included within the Housing Asset Management Compliance Strategy and Capital Programme, which gives priority to fire and other health and safety works in the Council's housing stock. The Council's is committed to the safety and welfare of all residents and other capital projects and budgets including the School's Maintenance and Corporate Planned Maintenance Programme include Health and Safety related works.

Other schemes

40. The Council's Capital Programme contains a number of schemes which are necessary investments in the Council's assets to ensure their sustainability, to address health and safety and legislative requirements and to provide future revenue savings. Examples of such schemes are:
    - Schools Maintenance Programme
    - Schemes funded from ring-fenced resources within the Housing Revenue Account (HRA) such as major refurbishments, heating works, lift works, garage improvements, electrical installations, estate roads, disabled adaptations, etc.
    - Required investment from Council resources, including capital receipts, to support strategic priorities such as investment in the highways' infrastructure, ICT, asset management and parks.

41. The Council set out its strategic ambition around specialist housing (short and long-term care and accommodation for groups such as care leavers, rough sleepers etc) through a report to Cabinet in December 2018. This provided an anchor for future investment decisions and strategic commissioning around these key preventative services. There are issues with supply of this type of housing, and the suitability of the borough's current stock to meet changing needs, much of which is owned and operated by housing associations. The Council continues work on understanding the type of capital investment required and the levers for renewing this portfolio of assets which can help to reduce current and future pressures on the Council's revenue budget. This work will help define future calls on the Council's capital programme.

42. All capital investment decisions will be underpinned by a robust business plan that set out any expected financial return alongside the broader outcomes including economic and social benefits.

Governance

43. As part of being ruthlessly financially efficient, the Council has arrangements in place to ensure capital and other major projects are managed to achieve greater efficiency and improve delivery, improving the management of capital projects and introducing new reporting systems to tighten up oversight. The reforms include:
    - A monthly Finance Strategic Leadership Team (SLT) is chaired by the Director of Finance. In addition to revenue budgets, S106, commercial income and audit issues, its remit includes major programmes, including large capital schemes such as the affordable housing development programme. Programme highlight reports and gateway reviews, capital and monitoring are routinely discussed.
    - Capital project management – SLT directors must involve finance at the inception of significant capital projects to consider business cases (including affordability, best value, funding and ongoing revenue costs and savings).

- Departments with significant capital spend have their own Capital Boards, attended by Finance.
- Specific decision making, governance and oversight arrangements are in place for significant projects such as the Civic Campus (Executive and Member Oversight Boards) and the Development Board for the Building Homes and Communities Strategy.

44. Through the gateway and highlight/ exception report process for major programmes, Finance SLT (or a board reporting to Finance SLT) will:
    - consider the funding and feasibility of large new schemes
    - review business cases, approvals, and variations, signing off draft
    - reports to Cabinet
    - monitor process in the procurement and delivery of capital works to programme
    - monitor actual spend and forecast against budgets.

45. The Programme Management Office (PMO) has been set up to help people who deliver programme and projects across the Council. It will also provide the SLT with improved oversight and confidence around our major projects and programmes. The main objectives of PMO are to ensure the strategic alignment of projects and programmes, provide expert advice and support to directorates and bring all projects and programmes under one umbrella.

Decision making

46. Council capital investments should be made in line with the Capital Strategy priorities which are set out in this document. Capital expenditure is spent on the purchase or improvement of assets that have a long-term value to the Council, such as land and buildings. It is the Council's policy to capitalise any expenditure, over a total value of £10,000, which fulfils this criterion.

47. The capital expenditure and investment decision making process is the governance framework used by the Council when making decisions relating to the capital programme. All expenditure must be formally authorised, to ensure funding is in place and clearly understood before any spending decisions are taken. Financial regulations and the scheme of delegation must be adhered to. Other relevant financial controls are:
    - Any call on reserves will need to be authorised by the Director of Finance in consultation with the Chief Executive and Cabinet Member for Finance and Reform.
    - All decisions reports will only be progressed if they are fully funded before any spend is incurred
    - All Cabinet Member Decisions, Cabinet, and Policy and Accountability Committee (PAC) reports must include full and transparent financial impact section prepared by finance officers (with final sign off by Director of Finance)
    - Leader's Urgency reports will only be used in exceptional circumstances and these must be cleared in advance by the Chief Executive. The Director of Finance must fully consider the financial impact. A Cabinet Urgency Committee has also been established to ensure decisions can be made quickly where these are urgent.
    - Committee services will ensure that the correct review and sign off requirements have been followed before any papers are dispatched.

48. The Council's annual Capital Programme is approved by the Cabinet and Full Council. The SLT and Cabinet receive quarterly updates on the programme detailing financial forecasts, risks, and expected outcomes. Variances to the Capital Programme are approved quarterly by Cabinet.

49. Detailed monitoring is also undertaken of significant projects and reported to Finance SLT and the Cabinet Member for Finance and Reform.

Finance Strategy

50. The Capital Strategy is an integral part of the Council's wider finance strategy. As well as informing the capital programme it links directly to the Treasury Management Strategy, Medium Term Financial Strategy and annual revenue budget. The revenue consequences of the programme are also allowed for within the revenue budget.

51. The Business Plan has a strong emphasis on growth and affordable housing and the use of capital to generate revenue. The Council's Building Homes and Communities Strategy, above, sets out a self-funding programme of investment in homes and community assets where the Council will utilise its land and property assets to meet key priorities to deliver affordable housing and support the Council's financial challenge. The Council is considering its approach to development, risk and reward to capture some of the potential benefits, including income from private sale and market rent to support its revenue position and subsidise the creation of new affordable housing. A Development Board is in place to oversee the progress of projects or schemes within the Building Homes and Communities Strategy and manage risk.

52. Alongside the Building Homes and Communities Strategy, work has also begun to develop a more strategic approach to its role as a Corporate Landlord and Corporate Accommodation. This will consider the Council's long-term accommodation requirements, greater corporate oversight of operational asset management, and investment in our data to ensure we are getting value from our property and land holdings. The Council is also developing options to support the Council's investment in the borough to enable the borough's economic recovery from Covid-19 which will be self-financing. Options, governance and appraisal arrangements will be developed over the next financial year. As initiatives are brought forward, they will inform, and be considered as part of, the overall Capital Strategy.

APPENDIX 4 - FLEXIBLE USE OF CAPITAL RECEIPTS GUIDANCE AND PROPOSED APPLICATION (2023/24)

The Secretary of State for Communities and Local Government issued guidance in March 2016, giving local authorities a greater freedom with how capital receipts can be used to finance expenditure. This Direction allows for the following expenditure to be treated as capital:

“Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide if a project qualifies for the flexibility.”

There is a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Funding the cost-of-service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others).

Expenditure is only eligible if it has been incurred in the period between 01 April 2016 to 31 March 2025 and it can be funded from capital receipts generated only during this period.

In order to comply with this Direction, the Council must consider the Statutory Guidance issued by the Secretary of State. This requires authorities to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy with the initial strategy being effective from 1st April 2016 with future Strategies included within future Annual Budget documents.

There is no prescribed format for the Strategy, the underlying principle is to support local authorities to deliver more efficient and sustainable services by extending the use of capital receipts to support the revenue costs of reform projects.

The Statutory Guidance for the Flexible Use of Capital Receipts states that the Strategy should include a list of each project which plans to make use of the capital receipts flexibility, together with the expected savings that the project will realise. The Strategy should also include the impact of this flexibility on the affordability of borrowing by including updated Prudential Indicators.

The Council has reviewed the Flexible Use of Capital Receipts guidance and identified the following schemes as meeting the eligibility criteria laid out in the guidance document, in that they are forecast to generate on-going revenue savings through reducing costs of service delivery:

- Resident Experience and Access Programme (REAP) - expenditure up to £4m (as approved by Cabinet in October 2020) - expected to deliver an estimated cumulative saving of £0.900m by the end of 2025/26 for the first tranche. Additional savings are being scoped and validated as the programme progresses and is expected to deliver further revenue savings in time.

The capital programme is reviewed annually and approved by Full Council in the budget setting cycle in February each year. Any new eligible schemes will be included in this report, with clear indication that they will be fully or part-funded by the flexible use of eligible capital receipts.

Any changes to this programme during the year will be presented back to Cabinet as per the requirements of the guidance.

APPENDIX 5 - MINIMUM REVENUE PROVISION (MRP) STATEMENT 2023/24

1. This statement covers the minimum revenue provision (MRP) that Hammersmith & Fulham Council will set-aside from revenue to reduce borrowing and credit liabilities arising from capital expenditure.

2. Regulations 27 and 28 in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI3146, as amended] require local authorities to make a prudent amount of minimum revenue provision (MRP). The Secretary of State (Ministry for Housing, Communities and Local Government) issued statutory guidance on determining the "prudent" level of MRP, to which this Council is required to have regard, in 2018. This guidance applies for accounting periods starting on or after 1 April 2019. The MRP will, over time, reduce the CFR.

3. The statutory guidance lists a number of options for calculating MRP. In addition to MRP, authorities can make voluntary provisions to reduce the CFR. These provisions can be made from capital or revenue resources. Voluntary reduction of the CFR delivers a benefit to revenue in the subsequent year as it reduces the mandatory MRP charge.

4. No MRP is required in respect of the Housing Revenue Account (HRA).

Annual MRP Statement – frequency of update and approval

5. The Secretary of State recommends that before the start of each financial year, Hammersmith & Fulham prepares a statement of its policy on making MRP in respect of that financial year and submits it to the Full Council. The statement should indicate how it is proposed to discharge the duty to make prudent MRP in the financial year. If it is ever proposed to vary the terms of the original statement during the year, a revised statement should be put to the Council at that time.

Meaning of "Prudent Provision"

6. The broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

Supported Capital Expenditure or Capital Expenditure incurred before 1 April 2008:

7. MRP is calculated using Option 1 - Regulatory Method. The MRP formula contains a 'floor' - known as 'Adjustment A' - which has been individually fixed for all authorities. When the CFR drops below this level, MRP is no longer payable. For Hammersmith & Fulham, the floor has been set at £43.2m. In short, there is no revenue incentive to reduce the CFR below this level. For the expenditure above Adjustment A, the MRP rate will be calculated based on useful asset lives.

Capital Expenditure incurred after 1 April 2008 (unsupported borrowing):

8. The guidance states for all capitalised expenditure incurred on or after 1 April 2008, which is (a) financed by borrowing or credit arrangements; and (b) treated as capital expenditure by virtue of either a direction under section 16(2)(b) of the 2003 Act or regulation 25(1) of the 2003 Regulations, the authority should make MRP in accordance with Option 3 Asset Life Method. This method spreads the cost over the estimated life of an asset.

9. The determination as to which scheme is funded from borrowing and which from other sources shall be made by the Director of Finance. Where an asset is only temporarily funded from borrowing in any one financial year and it is intended that its funding be replaced with other sources by the following year, no MRP shall apply.

10. MRP commencement: When borrowing to provide an asset, the authority may treat the asset life as commencing in the year in which the asset first becomes operational. The Council's policy is to postpone beginning to make MRP until the financial year following the one in which the asset becomes operational. "Operational" here has its standard accounting definition. Investment properties should be regarded as becoming operational when they begin to generate revenues.

11. Loans and grants towards capital expenditure by third parties: MRP should be charged using useful economic life of the assets for in relation to which the third-party expenditure is incurred and similarly will be charged once assets are operational.

12. Finance leases and PFI: In the case of finance leases and on-balance sheet PFI contracts, the MRP requirement would be regarded as met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability. Where a lease (or part of a lease) or PFI contract is brought onto the balance sheet, having previously been accounted for off-balance sheet, the MRP requirement would be regarded as having been met by the inclusion in the charge, for the year in which the restatement occurs, of an amount equal to the write-down for that year plus retrospective writing down of the balance sheet liability that arises from the restatement.

13. The Director of Finance is responsible for implementing the Minimum Revenue Provision Statement and has managerial, operational and financial discretion necessary to ensure that MRP is calculated in accordance with this Statement and with regulatory and financial requirements and resolve any practical interpretation issues.