

## London Borough of Hammersmith & Fulham

**Report to:** Cabinet

**Date:** 12/02/2024

**Subject:** Capital Programme Monitor & Budget Variations, 2023/24 (Third Quarter)

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

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

---

### SUMMARY

The Council's overall financial strategy includes significant capital investment in the infrastructure of the Borough and this in turn supports the delivery of the Council's key priorities and strategies e.g. Building Homes & Communities.

All capital programmes are complex and involve considerable local community engagement, procurement, and planning considerations. The forecast capital budget for 2023/24, as at third quarter, is £232.2m and includes:

- £61.3m investment in the existing council homes to ensure compliance and building affordable new homes for residents
- £28.3m investment in provision of new affordable housing
- £19.2m pre-financing of works to ensure the continuing safety of Hammersmith Bridge and progressing the stabilisation works. Much of this will be reclaimed from TfL and the Government.
- £10.5m investment in road maintenance and infrastructure schemes including £4.9m investment in waste collection and disposal equipment and £3m in Clean Air Neighbourhoods scheme as part of our Climate and Ecology Strategy
- £5.4m divestment in local supported housing
- £4.5m investment in civic accommodation including decarbonisation initiatives
- £4.2m investment in maintaining schools including £0.4m investment on window replacement and decarbonisation schemes
- £3.3m investment in social care capital projects including disabled facilities adaptations works
- £2.3m investment in parks, leisure, and community safety

Work is also continuing to complete the Civic Campus development that will re-open the historic town hall to the public and regenerate an important part of the Borough, providing a vibrant entertainment, arts, business, education, and social destination featuring world-class architecture.

The details of the capital programme for the financial year 2023/24 (including the financing of this spend) and the future programme are set out in the report.

---

## RECOMMENDATIONS

1. To note the net increase in forecast capital expenditure of £4.9m for 2023/24.
2. To approve the updated four-year capital programme for 2023-2027 of £706.7m as detailed in Appendix 1.
3. To approve £16.984m additional pre-financing with regards to Hammersmith Bridge stabilisation (£7.927m) and pre-restoration (£9.057m) works, funded from the General Fund borrowing. Much of this will be reclaimed from TfL and Government.
4. To approve £0.5m additional budget with regards to Mund Street refurbishment costs, funded from the General Fund borrowing.
5. To approve £0.54m additional budget for Avonmore predevelopment costs, funded from the General Fund borrowing.
6. To note the potential risks regarding the General Fund Programme, as summarised in paragraphs 25-29.
7. To note the potential risks regarding the Housing Capital Programme, as summarised in paragraphs 30-33.
8. To note prudential indicators presented in Appendix 5, as per Prudential Code requirements.

---

**Wards Affected:** All

---

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

<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
Being ruthlessly financially efficient	<p>All capital investment decisions are required to be underpinned by a robust business case that sets out the full costs, funding and risks and any expected financial return alongside the broader outcomes including economic and social benefits.</p> <p>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.</p>
Building shared prosperity	<p>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</p>

	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 and its contents are wholly of a financial nature.

Andre Mark, Head of Strategic Planning and Investment, 01 February 2024

## 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, 12 December 2023

---

## 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 2023-27 (published February 2023) - [Four Year Capital Programme 2023-27 And Capital Strategy 202324.pdf \(lbhf.gov.uk\)](#)
-

## **ECONOMIC AND STRATEGIC OVERVIEW**

The macro-economic turbulence (including high inflation and interest rates) has had a significant impact on the cost of materials, labour, and funding costs. Inflation has been consistent (at around 10% during the last financial year), reducing down to the current rate of 4.6% (November 2023) and interest rates have increased significantly (currently 5.25% in November 2023 compared to 0.25% in December 2021).

The interest rate regarding long-term borrowing from the Public Works Loans Board (PWLB) now stands at 5.2% compared to 1.5% in December 2021 (so borrowing is now more than 3 times more expensive than December 2021).

The Council's underlying need to borrow (Capital Financing Requirement - CFR) to support the capital programme is forecast to increase by £355.6m over the next 4 years (£90m regarding the headline General Fund CFR, £26m regarding self-financing schemes and £239.6m regarding the Housing Revenue Account).

There is a risk that those schemes expected to be self-financing are subject to economic and demand pressures, and therefore may not yield the required revenues. These details will be reported as part of the regular capital reports during 2023/24 and future years.

For illustrative purposes it is currently estimated that the increase of £90m in the headline General Fund CFR will result in an estimated additional revenue budget requirement of £7.65m<sup>1</sup> per annum by 2026/27.

These potential implications will need to be reflected in the Council's Treasury Management Strategy and the future MTFS.

## **CAPITAL PROGRAMME 2023/24 – Q3 OVERVIEW**

1. The updated Quarter 3 2023/24 capital programme is summarised in Table 1. The programme has increased by £4.9m to £232.2m in comparison to the previous quarter. All the variations are detailed in Appendix 1.

---

<sup>1</sup> Current cost of borrowing rate of 8.5% calculated using the latest discounted certainty PWLB interest rate of 5.2% (including certainty rate discount) and minimum revenue provision (MRP) of 3.3%. MRP on new developments is charged at 2%.

**Table 1 – LBHF Capital Programme 2023/24 with proposed Q3 variations**

	Revised Budget 2023/24 (Q2) £'000	Total Variances £'000	Revised Budget 2023/24 (Q3) £'000	2023/24 Actual spend to date (Q3) £'000	Actual spend to revised budget %
<b>CAPITAL EXPENDITURE</b>					
Children's Services	4,438	(247)	4,191	1,458	35%
Social Care	3,328	-	3,328	479	14%
Environment Department	30,229	1,781	32,010	11,404	36%
Finance and Resources Department	4,072	(1,910)	2,162	-	0%
General Fund Schemes under the Economy Department	86,263	(5,597)	80,666	32,612	40%
<b>Sub-total (General Fund)</b>	<b>128,330</b>	<b>(5,973)</b>	<b>122,357</b>	<b>45,953</b>	<b>38%</b>
Economy Department-HRA Programme	98,937	10,880	109,817	30,927	28%
<b>Sub-total Economy Department (HRA)</b>	<b>98,937</b>	<b>10,880</b>	<b>109,817</b>	<b>30,927</b>	<b>28%</b>
<b>Total Expenditure</b>	<b>227,267</b>	<b>4,907</b>	<b>232,174</b>	<b>76,880</b>	<b>33%</b>
<b>CAPITAL FINANCING</b>					
Use of specific resources (grant/section106/receipts)	77,550	10,461	88,011	39,931	45%
Borrowing-General Fund	50,190	(10,369)	39,821	13,484	34%
Self-financing borrowing -General Fund	43,622	-	43,622	21,395	49%
Borrowing -HRA	55,905	4,815	60,720	2,070	3%
<b>Total Capital Financing</b>	<b>227,267</b>	<b>4,907</b>	<b>232,174</b>	<b>76,880</b>	<b>33%</b>

## GENERAL FUND PROGRAMME OVERVIEW

- General Fund capital expenditure for 2023/24 is forecast at £122.4m, this a net decrease of £6m in comparison to the previous quarter. The Q3 movements are detailed in Appendix 1.
- 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 forecast for 2023/24 is £47m which represents a net decrease of £10.4m in comparison to the previous quarter. The mainstream programme and quarter 3 movements are summarised in Appendix 2.
- The mainstream programme does not include self-financing schemes (where the net General Fund revenue borrowing costs are nil). Whilst these will have an impact on the Council's CFR, it is assumed that all Minimum Revenue Payment (MRP) and interest costs will be fully reimbursed through grant contributions, the charging of a state-aid compliant interest rate, the loan repayment, commercial income, or reduction in revenue costs (e.g. lease rental payments).
- CFR movements related to these schemes are presented under "Self-Financing Schemes and Loans" heading in the Table 2. CFR for these schemes is forecast to increase by £33.5m (£43.6m new expenditure less £10.1m loan

repayments) to £89m in 2023/24 and to £81.4m by the end of 2026/27. Appendix 4 details the self-financing schemes and their movements.

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

**Table 2 - Forecast General Fund CFR 2023/24-2026/27 (Quarter 3)**

<b>GENERAL FUND CFR ANALYSIS</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>HEADLINE CFR EXCLUDING SELF FINANCING SCHEMES AND LOANS</b>					
<b>Opening Capital Finance Requirement (CFR)</b>	<b>128.91</b>	<b>134.01</b>	<b>170.75</b>	<b>221.22</b>	<b>223.51</b>
Revenue Repayment of Debt (MRP)	(1.60)	(1.60)	(2.61)	(4.60)	(4.65)
Appropriation between HRA & GF	(1.96)	(1.48)	-	-	-
Mainstream Programme (Surplus)/Shortfall	8.65	39.82	53.08	6.89	5.14
<b>Closing Capital Finance Requirement (CFR)</b>	<b>134.01</b>	<b>170.75</b>	<b>221.22</b>	<b>223.51</b>	<b>223.99</b>
<b>SELF FINANCING SCHEMES AND LOANS</b>					
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Opening Capital Finance Requirement</b>	<b>28.66</b>	<b>55.42</b>	<b>88.97</b>	<b>84.87</b>	<b>83.08</b>
Revenue Repayment of Debt (MRP)	-	-	(0.41)	(1.70)	(1.66)
Repayment of loans	-	(10.07)	(33.60)	(0.10)	-
In Year Borrowing	26.76	43.62	29.91	-	-
<b>Closing Capital Finance Requirement</b>	<b>55.42</b>	<b>88.97</b>	<b>84.87</b>	<b>83.08</b>	<b>81.42</b>
Finance leases/PFI/ Deferred costs of disposal	13.53	12.39	11.69	10.99	10.29
<b>Total Closing GF CFR</b>	<b>202.95</b>	<b>272.11</b>	<b>317.78</b>	<b>317.58</b>	<b>315.70</b>

7. The current forecast for the General Fund (GF) Headline CFR is forecast to increase by £36.7m to £170.8m at the end of 2023/24 and £224m by the end of 2026/27. The increase in GF Headline CFR puts additional pressures on revenue budgets.
8. 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.
9. 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 2 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 (3.18% for 2023/24 and 3.28% for 2024/25 and future years).

10. Minimum Revenue Provision (MRP) forecast for 2023/24 is £1.6m, increasing to £6.3m by the end of 2026/27. This increase will need to be reflected in the Medium-Term Financial Strategy (MTFS).
11. The mainstream forecast assumes funding of £10.8m (brought forward from 2022/23) 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.
12. This report is seeking approval for additional £16.984m pre-financing of Hammersmith Bridge works (£7.297m for stabilisation and £9.057m for pre-restoration works). In line with government announcements, central government (Department for Transport (DfT)) and Transport for London (TfL) will fund two-thirds of the total project costs, and this is expected to be formalised in a proposed Memorandum of Understanding (MoU). The Council's one third contribution is expected to be funded from a new road user charging scheme, or a toll. The current programme applies general fund borrowing until the external funding is paid to the Council.
13. This report is seeking an approval for an additional £0.5m budget for the Mund Street refurbishment. The refurbishment of the site is to enable use by Avonmore Primary school whilst its current building is demolished and rebuilt as part of the Community Schools Programme. An initial budget of £862,730 was approved in September 2023 based on initial estimates derived from a condition survey undertaken by external consultants. The project has now progressed to tender stage and actual bid costs are significantly higher than previously budgeted. An increase in the budget of £500,000 is therefore requested to allow the project to proceed and to create a contingency.
14. This report is also seeking an approval for an additional £540,000 budget for Community Schools Programme required to progress redevelopment of Avonmore primary school site. This additional budget is required to provide supplementary RIBA Stage 3+ detail design tender information (required to respond to the soft market testing feedback) and to facilitate RIBA Stage 4 procurement.
15. These additional budgets totalling £1,040,000 will be funded using General Fund borrowing which will have an impact on the Council's finances. £540,000 additional budget has been factored into the updated podplan for Avonmore and does not negatively affect the viability of the scheme. An additional budget of £500,000 for Mund Street refurbishment will also need to be modelled.
16. It should be noted that all capitalised spend for Avonmore to date (currently standing at £2m) and Mund Street (£1m) as well as any future capitalised spend (including the above proposed new additions of £1.04m) would be written off to revenue if the projects were not to proceed. The council will need to ensure that other project costs are monitored carefully to ensure delivery within the current approved budget. An earmarked reserve (£5m) has been put aside to minimise the impact on revenue of potential write off of the capitalised spend to date if the projects get aborted.

## HOUSING CAPITAL PROGRAMME OVERVIEW

17. Housing Capital expenditure for 2023/24 is forecast at £109.8m. The expenditure and funding analysis of the Housing Programme is summarised in Table 2 below.

**Table 2 – Housing Capital Programme 2023/24 with proposed Q3 variations:**

	Current Year Programme			Future Years Budgets		
	Revised Budget 2023/24 (Q2)	Total Variations	Revised Budget 2023/24 (Q3)	Indicative Budget 2024/25	Indicative Budget 2025/26	Indicative Budget 2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Approved Expenditure</b>						
HRA Asset Management and Compliance Programme	66,992	(5,666)	61,326	75,570	49,274	56,860
Building Homes and Communities Strategy	23,131	(2,909)	20,222	69,016	49,046	12,010
Other HRA Capital Schemes	8,814	19,455	28,269	3,522	11,834	12,373
<b>Total Housing Programme</b>	<b>98,937</b>	<b>10,880</b>	<b>109,817</b>	<b>148,108</b>	<b>110,154</b>	<b>81,243</b>
<b>Available and Approved Resource</b>						
Capital Receipts - Unrestricted	2,971	-	2,971	9,574	6,881	42,265
Capital Receipts - RTB (141)	650	-	650	1,909	1,929	-
Capital Receipts - GF	-	-	-	-	-	-
Major Repairs Reserve (MRR)	17,176	-	17,176	17,600	17,800	18,200
Contributions Developers (S106)	2,404	(995)	1,409	2,299	7,803	8,075
Contributions from leaseholders	2,833	317	3,150	3,100	3,000	3,000
Capital Grants from Central Government	174	2,917	3,091	2,593	-	-
Capital Grants and Contributions from GLA Bodies	2,349	6,371	8,720	300	-	-
RtB GLA Ringfence	14,731	(2,545)	12,186	7,168	4,576	4,298
Borrowing (HRA)	55,649	4,815	60,464	103,565	68,165	5,405
<b>Total Funding</b>	<b>98,937</b>	<b>10,880</b>	<b>109,817</b>	<b>148,108</b>	<b>110,154</b>	<b>81,243</b>

18. Within the Housing Capital Programme there has been a budget increase of £10.9m. The net increase is mainly due to budget reprofiling to future years in relation to HRA Asset Management and Compliance Programme (£5.7m) and Hartopp and Lannoy redevelopment (£2.5m) and an additional budget of £19.9m with regards to the New Homes for Refugees scheme, approved via Leader's Urgent Decision in July 2023. The Q3 movements are detailed in Appendix 1.

19. The HRA CFR movements are shown in Table 3 below:

**Table 3 – HRA CFR at Q3 2023-24 (including future years forecast):**

HRA CFR Forecast	Actual		Forecast		
	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Opening HRA CFR	256.97	300.57	362.77	466.57	534.74
In Year Borrowing	41.65	60.72	103.80	68.17	5.41
Appropriation between HRA & GF	1.96	1.48	-	-	-
<b>Closing HRA CFR</b>	<b>300.57</b>	<b>362.77</b>	<b>466.57</b>	<b>534.74</b>	<b>540.14</b>

20. The Housing Revenue Account 2023/24 CFR is forecast to increase by £62.2m in comparison to 2022/23, to £362.8m. The HRA CFR is forecast to be £540.1m by the end of 2026/27. The increase in HRA CFR has significant implications for HRA revenue budgets



## FINANCING OF CAPITAL EXPENDITURE IN 2023/24

21. The financing of the capital programme across both the General Fund and HRA can be seen in summary at table 1 (above) and in more detail within the appendices. The Capital Financing Requirement (CFR), which demonstrates the council's underlying need to borrow, is forecast to increase in 2023/24 by £131.4m, driven by a combination of spend on elements of the programme that should over the long-term be self-financing (primarily linked to the Civic Campus project), and others elements where the borrowing costs are charged to revenue over time, via the Minimum Revenue Provision (MRP) within the General Fund (as statutorily required) and through the 10 year business plan within the HRA.
22. The additional borrowing forecast for 2023/24 is currently assumed to be internal borrowing, i.e. funded temporarily via our own cash balances, thereby negating the need to borrow externally and the related cost of borrowing. This is particularly advantageous currently given Public Works Loans Board (PWLB) rates are above 5%, which is more than the opportunity cost of the return from investing cash balances. Internal borrowing is however by its nature a finite option and must be considered alongside other strategic priorities for the use of cash balances (such as use of earmarked reserves and the council's investment strategy). This is considered within the overall borrowing strategy, which is constructed across key strands including our capital programme, treasury management strategy and revenue strategy.

## FOUR YEAR CAPITAL PROGRAMME OVERVIEW

23. Budget Council approved a four-year capital programme for 2023/24 to 2026/27 of £506.8m. The programme now stands at £706.7m. The movement (a net increase) of £199.9m is summarised in the below attached table:

<b>Budget Movement Summary for 2023/24-2026/27 capital programme</b>	<b>General Fund</b>	<b>HRA</b>	<b>Total</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
<b>Four-year capital programme budget approved at Full Council in February 2023</b>	<b>123.6</b>	<b>383.2</b>	<b>506.8</b>
Carry forward of unspent budgets from 2022/23 to future years	48.1	2.8	50.9
New budget approved for progression and delivery of LBHF's development for Farm Lane & Lille Road sites	-	40.8	40.8
New budget approved for Homes for Refugees scheme	-	19.5	19.5
Additional budgets required to reflect an increase in capitalisation of staffing costs	-	4.7	4.7
Additional budget for Hammersmith Bridge Strengthening	24.8	-	24.8
New approved budget for Hammersmith Town Hall refurbishment	21.5	-	21.5
New budget approved for CHS schools capital programme	16.2	-	16.2
Additional approved budgets for various other capital schemes	5.7	-	5.7
Civic Campus commercial loan cashflow forecast adjustment	8.8	-	8.8
Acquisition of SBHA properties	5.4	-	5.4
Additional approved budget for Green Investment projects	5.0	-	5
Additional approved budget for Clean Air Neighbourhoods scheme	3.9	-	3.9
Additional approved budget for Waste Collection and Disposal	3.7	-	3.7
Additional budget, as per agreed TfL and s106 funding, for various infrastructure and transport schemes	2.3	-	2.3
Reduction in Education City loan budget to reflect the actual cash flow forecast	(11.7)	-	(11.7)
Budget reprofiling to 2027/28- Edith Summerskill scheme		(1.6)	(1.6)
<b>Revised four -year capital programme as at 2023/24 Q3</b>	<b>257.3</b>	<b>449.4</b>	<b>706.7</b>

24. A summary of four-year capital programme, including proposed Q3 variations, is presented in Appendix 1.

## GENERAL FUND CAPITAL PROGRAMME RISKS

25. The following risks associated with funding of future years' expenditure have been identified within the General Fund Capital programme:
26. **Pre-development costs:** The capital programme includes several regeneration schemes that are at an early stage. These include Mund Street, Farm Lane, Lillie Road and Community Schools Programme budgets totalling £12.6m. 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.
27. **Self-financing:** The current four-year capital programme contains £73.5m of budgets in relation to self-financing schemes. This is in addition to £55.4m already spent on these schemes as at 31 March 2023. 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).
28. £63m of the above self-financing schemes is in relation to acquisition of Civic Campus commercial units. The financing of the borrowing costs for this scheme is highly sensitive to market changes and therefore there is a risk that, in the current economic climate, anticipated rental income targets might be lower than forecast and will not be sufficient to cover the associated borrowing costs.
29. **Capital receipts:** There are currently no forecast capital receipts 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 RISKS

30. The following risks associated with funding of future years' expenditure have been identified within the Housing Capital programme:
31. **Right to Buy funding (retained receipts):** The Council has retained £16.1m 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. £1.6m of these receipts is due to be spent by 31 March 2024. 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.

32. **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 2023/24-2026/27 has already been incorporated into the current Capital Programme. The impact of the proposals has been modelled in the latest HRA 10-year Business Plan and indicates a requirement for additional revenue savings to finance the significant capital servicing costs involved.
33. **Pre-development costs:** The current HRA programme contains £15.9m budget in relation to affordable housing schemes which are still in predevelopment stages. Of this, £4.1m has been spent as of 31 March 2023. 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 a mitigation against this risk, an officer group (chaired by the Strategic Director of The Economy) provides a gateway and governance process for these schemes before any recommendation for commitment of funds. An earmarked revenue reserve of £3.6m is also set aside as further mitigation.

## **REASONS FOR DECISION**

34. This report reports the quarter 1 position to Cabinet and seeks revisions to the Capital Programme which require the approval of Cabinet in accordance with the Council's financial regulations.

## **EQUALITY IMPLICATIONS**

35. 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**

36. 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.

37. 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.
38. The impact to councils of the Grenfell Tower fire is 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.
39. 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.
40. 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 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.
41. 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.
42. Proposals set out in this report seek to comply with the Council's legal duties.
43. 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.
44. Implications verified by: David Hughes, Director of Audit, Fraud, Risk and Insurance, 7 December 2023

## **VAT IMPLICATIONS**

45. 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 £2.5-£3m per year whilst in breach. Finance officers 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 3.

Implications verified by: Joanna Monaghan, Principal Accountant (Taxation), Corporate Finance, 13 December 2023

**LIST OF APPENDICES:**

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

Appendix 2 – GF Mainstream Capital Programme 2023-27

Appendix 3 – VAT partial exemption

Appendix 4 – Self-financing schemes

Appendix 5 – Summary of Prudential Indicators

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

### SUMMARY CAPITAL PROGRAMME 2023/24-2026/27

	Revised Budget 2023/24 (Q2)	Slippages from/(to) future years	Additions/(Reductions)	Transfers	Total Transfers/Virements	Revised Budget 2023/24 (Q3)	2023/24 Actual spend to date	2024/25	2025/26	2026/27	Total Budget (All years)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>CAPITAL EXPENDITURE</b>											
Children's Services	4,438	(600)	353	-	(247)	4,191	1,458	7,915	1,937	4,314	18,357
Social Care	3,328	-	-	-	-	3,328	479	-	-	-	3,328
Environment Department	30,229	(20,358)	22,139	-	1,781	32,010	11,404	29,877	3,698	2,376	67,961
Finance and Resources Department	4,072	(1,910)	-	-	(1,910)	2,162	-	7,587	-	-	9,749
General Fund Schemes under the Economy Department	86,263	(6,637)	1,040	-	(5,597)	80,666	32,612	70,172	3,873	3,260	157,971
<b>Sub-total (General Fund)</b>	<b>128,330</b>	<b>(29,505)</b>	<b>23,532</b>	<b>-</b>	<b>(5,973)</b>	<b>122,357</b>	<b>45,953</b>	<b>115,551</b>	<b>9,508</b>	<b>9,950</b>	<b>257,366</b>
Economy Department-HRA Programme	98,937	(8,575)	19,455	-	10,880	109,817	30,927	148,108	110,154	81,243	449,322
<b>Sub-total Economy Department (HRA)</b>	<b>98,937</b>	<b>(8,575)</b>	<b>19,455</b>	<b>-</b>	<b>10,880</b>	<b>109,817</b>	<b>30,927</b>	<b>148,108</b>	<b>110,154</b>	<b>81,243</b>	<b>449,322</b>
<b>Total Expenditure</b>	<b>227,267</b>	<b>(38,080)</b>	<b>42,987</b>	<b>-</b>	<b>4,907</b>	<b>232,174</b>	<b>76,880</b>	<b>263,659</b>	<b>119,662</b>	<b>91,193</b>	<b>706,688</b>
<b>CAPITAL FINANCING</b>											
<b>Specific/External Financing:</b>											
Government/Public Body Grants	7,504	(600)	1,062	1,855	2,317	9,821	1,959	10,508	1,937	4,314	26,580
Grants and Contributions from Private Developers (includes S106/CIL)	13,916	(1,305)	108	9,178	7,981	21,897	6,400	16,210	8,486	8,575	55,168
Capital Grants/Contributions from Non-departmental public bodies	790	(320)	4	-	(316)	474	2	320	-	-	794
Capital Grants and Contributions from GLA Bodies	19,500	(2,669)	8,400	(2,029)	3,702	23,202	8,889	7,612	4,576	4,298	39,688
Leaseholder Contributions	2,833	-	317	-	317	3,150	2,799	3,100	3,000	3,000	12,250
<b>Sub-total - Specific Financing</b>	<b>44,543</b>	<b>(4,894)</b>	<b>9,891</b>	<b>9,004</b>	<b>14,001</b>	<b>58,544</b>	<b>20,049</b>	<b>37,750</b>	<b>17,999</b>	<b>20,187</b>	<b>134,480</b>
<b>Mainstream Financing (Internal):</b>											
Capital Receipts - General Fund	7,229	-	-	-	-	7,229	2,318	3,597	-	-	10,826
Capital Receipts - HRA	3,621	-	-	-	-	3,621	359	11,483	8,810	42,265	66,179
Major Repairs Reserve (MRR)	17,176	-	-	-	-	17,176	17,176	17,600	17,800	18,200	70,776
Earmarked Reserves (Revenue)	4,981	(4,071)	531	-	(3,540)	1,441	29	6,434	-	-	7,875
<b>Sub-total - Mainstream Funding</b>	<b>33,007</b>	<b>(4,071)</b>	<b>531</b>	<b>-</b>	<b>(3,540)</b>	<b>29,467</b>	<b>19,882</b>	<b>39,114</b>	<b>26,610</b>	<b>60,465</b>	<b>155,656</b>
Borrowing-General Fund	93,812	(23,085)	22,889	(10,173)	(10,369)	83,443	34,879	82,995	6,888	5,136	178,462
Borrowing -HRA	55,905	(6,030)	9,676	1,169	4,815	60,720	2,070	103,800	68,165	5,405	238,090
<b>Total Capital Financing</b>	<b>227,267</b>	<b>(38,080)</b>	<b>42,987</b>	<b>-</b>	<b>4,907</b>	<b>232,174</b>	<b>76,880</b>	<b>263,659</b>	<b>119,662</b>	<b>91,193</b>	<b>706,688</b>

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

Children's Services	Current Year Programme						Future Years Budgets				
	Analysis of Movements (Q2 to Q3)						Revised Budget 2023/24 (Q3)	2024/25 Budget	2025/26 Budget	2026/27 Budget	Total Budget (All years)
	Revised Budget 2023/24 (Q2)	2023/24 Actual spend to date	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements					
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Scheme Expenditure Summary</b>											
SEN sufficiency	605	-	-	-	-	-	605	2,500	600	2,500	6,205
Foster carers' extension	167	2	-	353	-	353	520	-	-	-	520
Basic Need Placement Sufficiency	846	-	-	-	-	-	846	291	69	521	1,727
Windows & decarbonisation	1,000	33	(600)	-	-	(600)	400	3,201	-	-	3,601
School Maintenance Programme	1,820	1,423	-	-	-	-	1,820	1,923	1,268	1,293	6,304
<b>Total Expenditure</b>	<b>4,438</b>	<b>1,458</b>	<b>(600)</b>	<b>353</b>	<b>-</b>	<b>(247)</b>	<b>4,191</b>	<b>7,915</b>	<b>1,937</b>	<b>4,314</b>	<b>18,357</b>
<b>Capital Financing Summary</b>											
<b>Specific/External or Other Financing</b>											
Capital Grants from Central Government	4,271	1,456	(600)	-	-	(600)	3,671	7,915	1,937	4,314	17,837
<b>Sub-total - Specific or Other Financing</b>	<b>4,271</b>	<b>1,456</b>	<b>(600)</b>	<b>-</b>	<b>-</b>	<b>(600)</b>	<b>3,671</b>	<b>7,915</b>	<b>1,937</b>	<b>4,314</b>	<b>17,837</b>
<b>Mainstream Financing (Internal Council Resource)</b>											
Capital Receipts	25	2	-	-	-	-	25	-	-	-	25
Use of Reserves	-	-	-	495	-	495	495	-	-	-	495
<b>Sub-total - Mainstream Funding</b>	<b>25</b>	<b>2</b>	<b>-</b>	<b>495</b>	<b>-</b>	<b>495</b>	<b>520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>520</b>
<b>Borrowing</b>	<b>142</b>	<b>-</b>	<b>-</b>	<b>(142)</b>	<b>-</b>	<b>(142)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Financing</b>	<b>4,438</b>	<b>1,458</b>	<b>(600)</b>	<b>353</b>	<b>-</b>	<b>(247)</b>	<b>4,191</b>	<b>7,915</b>	<b>1,937</b>	<b>4,314</b>	<b>18,357</b>

The projected spend in 2023/24 includes £401k on accessibility works included in school planned programmes and enhancing the provision for SEN learners with EHCPs, based on recommendations from the SEN Sufficiency Review. The spend will be funded from the High Needs Provision Capital Allocation and Special Provision Capital grants. There is projected spend of £400k in 2023/24 and £3.2m in 2024/25 on the windows and decarbonisation programme in schools including Fulham Bilingual, Melcombe, Langford Primary and William Morris Sixth Form, in line with the climate and ecological Council priorities. In addition, £1.4m is expected to be drawn down from School Condition Allocation grant funds in 2023/24 towards planned and unplanned works in maintaining the condition of all LA maintained schools and carrying out condition surveys of all LA maintained schools. £420k is expected to be spent on project management and contingency in 2023/24. The remaining budget of £17.5m will be carried forward to fund Capital spend in future years in line with the approved 2023-28 Capital programme. The School Maintenance Programme actuals for 2023/24 include £227k of direct payments to schools for their Capital works. A decision report was approved on 15th November 2023 for a revised budget of £520k to be spent on the foster carers' extension project to enable permanency for a family. Of the total foster carers' extension projected spend, £495k will be met from earmarked reserve funds and £25k will be funded from capital receipts. The profiled spend for the project will be reviewed with service colleagues and updated accordingly.

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

Social Care Services	Current Year Programme						Future Years Budgets				
	Analysis of Movements (Q2 to Q3)						Revised Budget 2023/24 (Q3)	2024/25 Budget	2025/26 Budget	2026/27 Budget	Total Budget (All years)
	Revised Budget 2023/24 (Q2)	2023/24 Actual spend to date	Slippages from/(to) future years	Additions/(Reductions)	Transfers	Total Transfers/Virements					
<b>Scheme Expenditure Summary</b>											
Extra Care New Build project (Adults' Personal Social Services Grant)	957	-	-	-	-	-	957	-	-	-	957
Disabled Facilities Grant	1,215	260	-	-	-	-	1,215	-	-	-	1,215
Transforming Care (Winterbourne Grant)	300	-	-	-	-	-	300	-	-	-	300
Social Care Capital Projects	856	219	-	-	-	-	856	-	-	-	856
<b>Total Expenditure</b>	<b>3,328</b>	<b>479</b>	-	-	-	-	<b>3,328</b>	-	-	-	<b>3,328</b>
<b>Capital Financing Summary</b>											
<b>Specific/External or Other Financing</b>											
Capital Grants from Central Government	2,899	479	-	-	-	-	2,899	-	-	-	2,899
Capital Grants/Contributions from Non-departmental public bodies	300	-	-	-	-	-	300	-	-	-	300
<b>Sub-total - Specific or Other Financing</b>	<b>3,199</b>	<b>479</b>	-	-	-	-	<b>3,199</b>	-	-	-	<b>3,199</b>
<b>Borrowing</b>	<b>129</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>129</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>129</b>
<b>Total Capital Financing</b>	<b>3,328</b>	<b>479</b>	-	-	-	-	<b>3,328</b>	-	-	-	<b>3,328</b>

The Adults' Personal Social Services Grant of £0.957m can be utilised to increase in borough LD and MH care provision (placements, respite & supported living). The project team are liaising with the Economy department to identify potential properties for purchase / conversion. A business case and Urgent Leaders report are being prepared detailing the properties, proposals, capital costs and revenue implications with the proposal to use this grant as a contribution to Emlyn Gardens purchase.



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

### Environment Department

### Current Year Programme

### Future Years Budgets

#### Analysis of Movements (Q2 to Q3)

Revised Budget 2023/24 (Q2) £'000	2023/24 Actual spend to date £'000	Analysis of Movements (Q2 to Q3)			Revised Budget 2023/24 (Q3) £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	Total Budget (All years) £'000		
		Slippages from/(to) future years £'000	Additions/(Reductions) £'000	Transfers £'000						Total Transfers/Virements £'000	
<b>Scheme Expenditure Summary</b>											
Footways and Carriageways	2,555	1,549	-	-	-	2,555	2,030	2,030	2,030	8,645	
Transport For London Schemes	1,340	358	-	-	-	1,340	-	-	-	1,340	
Column Replacement	382	144	(60)	-	(60)	322	406	346	346	1,420	
Other Highways Capital Schemes	2,250	538	(14)	89	75	2,325	4,126	183	-	6,634	
Clean Air Neighbourhoods	4,567	12	(2,547)	-	(45)	1,975	2,847	-	-	4,822	
Hammersmith Bridge Stabilisation Works	4,900	3,764	(4,688)	7,927	3,239	8,139	4,688	-	-	12,827	
Hammersmith Bridge Pre Restoration Works	6,149	2,588	(4,121)	9,057	4,936	11,085	4,121	-	-	15,206	
Waste Collection and Disposal Projects	4,863	1,261	(2,859)	-	(2,859)	2,004	3,381	-	-	5,385	
Green Investment Projects	-	-	(5,000)	5,000	-	-	5,000	-	-	5,000	
Public CCTV	1,097	883	-	-	-	1,097	1,102	1,139	-	3,338	
Kings Coronation Youth Fund	632	-	(597)	-	(597)	35	597	-	-	632	
Parks Projects	1,274	307	(252)	66	45	1,133	1,359	-	-	2,492	
Leisure Centre Capital Investment	220	-	(220)	-	(220)	-	220	-	-	220	
<b>Total Expenditure</b>	<b>30,229</b>	<b>11,404</b>	<b>(20,358)</b>	<b>22,139</b>	<b>-</b>	<b>1,781</b>	<b>32,010</b>	<b>29,877</b>	<b>3,698</b>	<b>2,376</b>	<b>67,961</b>
<b>Capital Financing Summary</b>											
<b>Specific/External or Other Financing</b>											
Capital Grants from Central Government	160	24	-	-	-	160	-	-	-	160	
Grants and Contributions from Private Developers (includes S106/S278)	4,447	808	(805)	108	(697)	3,750	5,675	183	-	9,608	
Capital Grants/Contributions from Non-departmental public bodies	463	2	(320)	4	(316)	147	320	-	-	467	
Capital Grants and Contributions from GLA Bodies	2,057	355	(124)	-	(124)	1,933	124	-	-	2,057	
<b>Sub-total - Specific or Other Financing</b>	<b>7,127</b>	<b>1,189</b>	<b>(1,249)</b>	<b>112</b>	<b>(1,137)</b>	<b>5,990</b>	<b>6,119</b>	<b>183</b>	<b>-</b>	<b>12,292</b>	
<b>Mainstream Financing (Internal Council Resource)</b>											
Capital Receipts	-	1,967	-	-	1,967	1,967	-	-	-	1,967	
Use of Reserves	2,907	29	(2,161)	36	(2,125)	782	2,679	-	-	3,461	
<b>Sub-total - Mainstream Funding</b>	<b>2,907</b>	<b>1,996</b>	<b>(2,161)</b>	<b>36</b>	<b>1,967</b>	<b>2,749</b>	<b>2,679</b>	<b>-</b>	<b>-</b>	<b>5,428</b>	
<b>Borrowing</b>	<b>20,195</b>	<b>8,219</b>	<b>(16,948)</b>	<b>21,991</b>	<b>(1,967)</b>	<b>3,076</b>	<b>23,271</b>	<b>21,079</b>	<b>3,515</b>	<b>2,376</b>	<b>50,241</b>
<b>Total Capital Financing</b>	<b>30,229</b>	<b>11,404</b>	<b>(20,358)</b>	<b>22,139</b>	<b>-</b>	<b>1,781</b>	<b>32,010</b>	<b>29,877</b>	<b>3,698</b>	<b>2,376</b>	<b>67,961</b>

The slippage this quarter mostly relates to a temporary pause on the Clean Air Neighbourhoods programme. A meeting planned for the end of November will set the future direction of this scheme. Refurbishment of the running track at Linford Christie (Kings Coronation Youth Fund project) will take place in 2024/25 to allow time for plans and preparatory work to be undertaken. The final stages of the leisure centre investment scheme will be concluded in 2024/25. There is a small amount of slippage on parks projects, mostly due to a reprofiling of Hammersmith Park outdoor gym works.

The major additions this quarter relate to continuing Hammersmith Bridge works and new climate and ecological schemes, to be funded from the Council's new green community investment scheme that launched in November 2023. The scheme overall is targeting new investment of £5m, with the schemes expected to be deployed in 2024/25 financial year. Hammersmith Bridge works continue at risk, pending confirmation of funding contributions from the Department for Transport and Transport for London. The Council's business case is due to be reviewed by DfT in November, after which it is expected to have more certainty around funding arrangements. Other smaller additions this quarter relate to new developer funded Highways works and new grant funded parks projects. All other capital schemes are progressing as planned.

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

### Finance and Resources Department

### Current Year Programme

### Future Years Budgets

	Analysis of Movements (Q2 to Q3)						Revised Budget 2023/24 (Q3) £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	Total Budget (All years) £'000
	Revised Budget 2023/24 (Q2) £'000	2023/24 Actual spend to date £'000	Slippages from/(to) future years £'000	Additions/(Reductions) £'000	Transfers £'000	Total Transfers/Virements £'000					
<b>Scheme Expenditure Summary</b>											
Invest to Save - Flexible Use of Capital Receipts	739	-	-	-	-	-	739	3,597	-	-	4,336
Investment in Digital Infrastructure	827	-	-	-	-	-	827	-	-	-	827
Tech-ionic 2 Device refresh	2,330	-	(1,910)	-	-	(1,910)	420	3,990	-	-	4,410
Business Intelligence Infrastructure	176	-	-	-	-	-	176	-	-	-	176
<b>Total Expenditure</b>	<b>4,072</b>	<b>-</b>	<b>(1,910)</b>	<b>-</b>	<b>-</b>	<b>(1,910)</b>	<b>2,162</b>	<b>7,587</b>	<b>-</b>	<b>-</b>	<b>9,749</b>
<b>Capital Financing Summary</b>											
<b>Mainstream Financing (Internal Council Resource)</b>											
Capital Receipts	739	-	-	-	-	-	739	3,597	-	-	4,336
Use of Reserves	2,074	-	(1,910)	-	-	(1,910)	164	3,755	-	-	3,919
<b>Sub-total - Mainstream Funding</b>	<b>2,813</b>	<b>-</b>	<b>(1,910)</b>	<b>-</b>	<b>-</b>	<b>(1,910)</b>	<b>903</b>	<b>7,352</b>	<b>-</b>	<b>-</b>	<b>8,255</b>
<b>Borrowing (GF)</b>	<b>1,003</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,003</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,003</b>
<b>Borrowing (HRA)</b>	<b>256</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>256</b>	<b>235</b>	<b>-</b>	<b>-</b>	<b>491</b>
<b>Total Capital Financing</b>	<b>4,072</b>	<b>-</b>	<b>(1,910)</b>	<b>-</b>	<b>-</b>	<b>(1,910)</b>	<b>2,162</b>	<b>7,587</b>	<b>-</b>	<b>-</b>	<b>9,749</b>

£1.9m slippage in relation to roll out of new laptops and IT equipment.

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

Economy Department General Fund Managed Schemes	Current Year Programme							Future Years Budgets			
	Analysis of Movements (Q2 to Q3)							2024/25 Budget	2025/26 Budget	2026/27 Budget	Total Budget (All years)
	Revised Budget 2023/24 (Q2)	2023/24 Actual spend to date	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements	Revised Budget 2023/24 (Q3)				
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Scheme Expenditure Summary</b>											
<b>Civic Campus</b>											
Hammersmith Town Hall Refurbishment	20,140	5,356	-	-	-	-	20,140	27,202	-	-	47,342
Acquisition of commercial units	11,339	5,950	-	-	-	-	11,339	29,264	-	-	40,603
Commercial Units- Cinema Fit Out	1,750	-	-	-	-	-	1,750	-	-	-	1,750
JV Partnership Loan (Civic Campus)	10,333	5,107	-	-	-	-	10,333	650	-	-	10,983
<b>Subtotal Civic Campus</b>	<b>43,562</b>	<b>16,413</b>	-	-	-	-	<b>43,562</b>	<b>57,116</b>	-	-	<b>100,678</b>
<b>Building Homes and Communities Strategy (GF sites)</b>											
Education City Loan	20,200	10,338	-	-	-	-	20,200	-	-	-	20,200
Education City -Youth Facility	3,655	-	-	-	-	-	3,655	-	-	-	3,655
Mund Street	1,000	226	(750)	250	-	(500)	500	1,645	973	360	3,478
Community Schools Programme	1,030	371	(350)	790	-	440	1,470	350	-	-	1,820
<b>Subtotal Building Homes and Communities Strategy (GF sites)</b>	<b>25,885</b>	<b>10,935</b>	<b>(1,100)</b>	<b>1,040</b>	-	<b>(60)</b>	<b>25,825</b>	<b>1,995</b>	<b>973</b>	<b>360</b>	<b>29,153</b>
<b>Other GF Capital Schemes managed by the Economy</b>											
Sands End Community Centre	27	-	-	-	-	-	27	-	-	-	27
Planned Maintenance/DDA Programme	8,178	349	(3,680)	-	-	(3,680)	4,498	6,580	2,400	2,400	15,878
Carnwath Road	-	-	-	-	-	-	-	1,870	-	-	1,870
North End Road - Good Growth Fund	824	18	-	-	-	-	824	244	-	-	1,068
West Kensington & Gibbs Green Public Realm	490	5	-	-	-	-	490	510	500	500	2,000
WMC JV Exit Costs	1,857	-	(1,857)	-	-	(1,857)	-	1,857	-	-	1,857
Divestment in local supported housing	5,440	4,892	-	-	-	-	5,440	-	-	-	5,440
<b>Subtotal Other GF Capital Schemes managed by the Economy</b>	<b>16,816</b>	<b>5,264</b>	<b>(5,537)</b>	-	-	<b>(5,537)</b>	<b>11,279</b>	<b>11,061</b>	<b>2,900</b>	<b>2,900</b>	<b>28,140</b>
<b>Total Expenditure</b>	<b>86,263</b>	<b>32,612</b>	<b>(6,637)</b>	<b>1,040</b>	-	<b>(5,597)</b>	<b>80,666</b>	<b>70,172</b>	<b>3,873</b>	<b>3,260</b>	<b>157,971</b>

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

Economy Department General Fund Managed Schemes		Current Year Programme						Future Years Budgets			
		Analysis of Movements (Q2 to Q3)									
Revised Budget 2023/24 (Q2)	2023/24 Actual spend to date	Slippages from/(to) future years	Additions/(Reductions)	Transfers	Total Transfers/Virements	Revised Budget 2023/24 (Q3)	2024/25 Budget	2025/26 Budget	2026/27 Budget	Total Budget (All years)	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Capital Financing Summary</b>											
<b>Specific/External or Other Financing</b>											
Grants and Contributions from Private Developers (includes S106)	1,645	231	(500)	-	-	(500)	1,145	1,036	500	500	3,181
Community Infrastructure Levy (CIL)	5,420	5,356	-	-	10,173	10,173	15,593	7,200	-	-	22,793
Capital Grants/Contributions from Non-departmental public bodies	27	-	-	-	-	-	27	-	-	-	27
Capital Grants and Contributions from GLA Bodies	363	16	-	-	-	-	363	20	-	-	383
<b>Sub-total - Specific or Other Financing</b>	<b>7,455</b>	<b>5,603</b>	<b>(500)</b>	<b>-</b>	<b>10,173</b>	<b>9,673</b>	<b>17,128</b>	<b>8,256</b>	<b>500</b>	<b>500</b>	<b>26,384</b>
<b>Mainstream Financing (Internal Council Resource)</b>											
Capital Receipts (GF)	6,465	349	-	-	(1,967)	(1,967)	4,498	-	-	-	4,498
<b>Sub-total - Mainstream Funding</b>	<b>6,465</b>	<b>349</b>	<b>-</b>	<b>-</b>	<b>(1,967)</b>	<b>(1,967)</b>	<b>4,498</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,498</b>
GF Borrowing	72,343	26,660	(6,137)	1,040	(8,206)	(13,303)	59,040	61,916	3,373	2,760	127,089
<b>Total Borrowing</b>	<b>72,343</b>	<b>26,660</b>	<b>(6,137)</b>	<b>1,040</b>	<b>(8,206)</b>	<b>(13,303)</b>	<b>59,040</b>	<b>61,916</b>	<b>3,373</b>	<b>2,760</b>	<b>127,089</b>
<b>Total Capital Financing</b>	<b>86,263</b>	<b>32,612</b>	<b>(6,637)</b>	<b>1,040</b>	<b>-</b>	<b>(5,597)</b>	<b>80,666</b>	<b>70,172</b>	<b>3,873</b>	<b>3,260</b>	<b>157,971</b>

£1.04m budget for Mund Street and Community Schools Programme was added in Q3 and reprofiled to future years. £3.68m of Corporate Planned Maintenance budget has been reprofiled to 2024/25 mainly in relation to various decarbonisation projects awaiting confirmation of external match funding.

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

Economy Department- HRA Capital Programme	Current Year Programme						Future Years Budgets			Total Budget (All years) £'000	
	Revised Budget 2023/24 (Q2) £'000	2023/24 Actual spend to date £'000	Analysis of Movements (Q2 to Q3)			Revised Budget 2023/24 (Q3) £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000		
			Slippages from/(to) future years £'000	Additions/(Reductions) £'000	Transfers £'000						Total Transfers/Virements £'000
<b>Scheme Expenditure Summary</b>											
<b>HRA Asset Management and Compliance Programme</b>											
Pre Agreed Works	10,894	4,820	-	-	-	-	10,894	7,773	7,041	13,112	38,820
Fire Safety Compliance Programme	5,996	3,271	2,530	-	-	2,530	8,526	5,064	1,400	3,450	18,440
Fire Safety Complex Schemes	8,150	4,074	(485)	-	-	(485)	7,665	15,185	13,781	-	36,631
Lift Schemes	4,001	-	(3,442)	-	-	(3,442)	559	4,192	750	800	6,301
Boiler Schemes	2,979	310	(782)	-	-	(782)	2,197	6,922	4,370	4,670	18,159
Safety Works - Electrical	6,397	624	(3,133)	-	-	(3,133)	3,264	5,382	2,000	4,360	15,006
Safety Works	6,778	1,191	-	-	-	-	6,778	7,924	8,052	17,546	40,300
Void Works	4,381	4,151	-	-	-	-	4,381	3,200	1,200	1,200	9,981
Other Capital Improvements	7,518	820	(354)	-	-	(354)	7,164	2,265	1,580	770	11,779
Capitalised salaries	6,040	-	-	-	-	-	6,040	11,000	5,600	3,300	25,940
Capitalised repairs	3,858	495	-	-	-	-	3,858	4,070	3,500	3,500	14,928
Climate Emergency and Other future works	-	219	-	-	-	-	-	2,593	-	4,152	6,745
<b>Subtotal HRA Asset Management and Compliance Programme</b>	<b>66,992</b>	<b>19,975</b>	<b>(5,666)</b>	-	-	<b>(5,666)</b>	<b>61,326</b>	<b>75,570</b>	<b>49,274</b>	<b>56,860</b>	<b>243,030</b>
<b>Building Homes and Communities Strategy (HRA sites)</b>											
Homes & Communities Strategy	-	-	-	-	-	-	-	1,378	-	-	1,378
White City Estate Regeneration	722	444	-	-	-	-	722	958	215	-	1,895
Becklow Gardens	41	4	-	-	-	-	41	295	720	603	1,659
Barclay Close	54	4	-	-	-	-	54	205	573	50	882
Jepson House	55	4	-	-	-	-	55	525	895	1,704	3,179
The Grange	50	4	-	-	-	-	50	475	860	325	1,710
Old Laundry Yard	150	75	-	-	-	-	150	415	536	-	1,101
Education City- HRA element	21,032	7,889	(364)	-	-	(364)	20,668	29,729	1,071	385	51,853
Hartopp & Lannoy	8,045	2,148	(2,545)	-	-	(2,545)	5,500	20,512	22,746	4,719	53,477
Farm Lane	435	119	-	-	-	-	435	4,960	8,808	3,226	17,429
Investment in Affordable Housing-Lillie Road Site	592	249	-	-	-	-	592	9,564	12,622	998	23,776
<b>Subtotal Building Homes and Communities Strategy (HRA sites)</b>	<b>23,131</b>	<b>10,940</b>	<b>(2,909)</b>	-	-	<b>(2,909)</b>	<b>28,267</b>	<b>69,016</b>	<b>49,046</b>	<b>12,010</b>	<b>158,339</b>
<b>Other HRA Capital Schemes</b>											
Housing Development Project	95	3	-	-	-	-	95	-	-	-	95
Stanhope Joint Venture	432	9	-	-	-	-	432	3,522	11,603	12,373	27,930
Property Acquisition for Affordable Housing	242	-	-	-	-	-	242	-	-	-	242
New Homes for Refugees	-	-	-	19,455	-	19,455	19,455	-	-	-	19,455
Nourish Project (Good Growth Fund)	-	-	-	-	-	-	-	-	231	-	231
<b>Subtotal Other HRA Capital Schemes</b>	<b>8,814</b>	<b>12</b>	-	<b>19,455</b>	-	<b>19,455</b>	<b>20,224</b>	<b>3,522</b>	<b>11,834</b>	<b>12,373</b>	<b>47,953</b>
<b>Total Expenditure</b>	<b>98,937</b>	<b>30,927</b>	<b>(8,575)</b>	<b>19,455</b>	-	<b>10,880</b>	<b>109,817</b>	<b>148,108</b>	<b>110,154</b>	<b>81,243</b>	<b>449,322</b>

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

Economy Department- HRA Capital Programme	Current Year Programme							Future Years Budgets			Total Budget (All years) £'000
	Revised Budget 2023/24 (Q2) £'000	2023/24 Actual spend to date £'000	Analysis of Movements (Q2 to Q3)				Revised Budget 2023/24 (Q3) £'000	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000	
			Slippages from/(to) future years £'000	Additions/(Reductions) £'000	Transfers £'000	Total Transfers/Virements £'000					
<b>Capital Financing Summary</b>											
<b>Specific/External or Other Financing</b>											
Capital Grants from Central Government	174	-	-	1,062	1,855	2,917	3,091	2,593	-	-	5,684
Contributions from leaseholders	2,833	2,799	-	317	-	317	3,150	3,100	3,000	3,000	12,250
Grants and Contributions from Private Developers (includes S106)	2,404	5	-	-	(995)	(995)	1,409	2,299	7,803	8,075	19,586
Capital Grants and Contributions from GLA Bodies	2,349	-	-	8,400	(2,029)	6,371	8,720	300	-	-	9,020
RtB GLA Ringfence and Affordable Housing Grants	14,731	8,518	(2,545)	-	-	(2,545)	12,186	7,168	4,576	4,298	28,228
<b>Sub-total - Specific or Other Financing</b>	<b>22,491</b>	<b>11,322</b>	<b>(2,545)</b>	<b>9,779</b>	<b>(1,169)</b>	<b>6,065</b>	<b>28,556</b>	<b>15,460</b>	<b>15,379</b>	<b>15,373</b>	<b>74,768</b>
<b>Mainstream Financing (Internal Council Resource)</b>											
Capital Receipts (HRA)	2,971	3	-	-	-	-	2,971	9,574	6,881	42,265	61,691
1-4-1 capital receipts	650	356	-	-	-	-	650	1,909	1,929	-	4,488
Major Repairs Reserve (MRR) / Major Repairs Allowance	17,176	17,176	-	-	-	-	17,176	17,600	17,800	18,200	70,776
Capital Receipts (GF)	-	-	-	-	-	-	-	-	-	-	-
<b>Sub-total - Mainstream Funding</b>	<b>20,797</b>	<b>17,535</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,797</b>	<b>29,083</b>	<b>26,610</b>	<b>60,465</b>	<b>136,955</b>
Borrowing(HRA)	55,649	2,070	(6,030)	9,676	1,169	4,815	60,464	103,565	68,165	5,405	237,599
<b>Total Capital Financing</b>	<b>98,937</b>	<b>30,927</b>	<b>(8,575)</b>	<b>19,455</b>	<b>-</b>	<b>10,880</b>	<b>109,817</b>	<b>148,108</b>	<b>110,154</b>	<b>81,243</b>	<b>449,322</b>

The HRA capital programme is complex and requires significant engagement with tenants, detailed assessment of the stock condition, major procurement of contractors and strategic planning considerations. The programme has been re-aligned at Quarter 3 (including adjusting the overprogramming) to optimise delivery and will continue to be monitored during the rest of the financial year and future years to ensure that our overall objectives of building new homes and completing essential investment are delivered for tenants. All of HRA development schemes are still on schedule. £2.5m Hartop and Lannoy budget has been reprofiled to future years to reflect the latest project cash flow forecast. £19.5m budget with regards to New Homes for Refugees scheme funded from £9.5m GLA and DLUHC grants and £10m borrowing approved via LUD in July 2023.

## Appendix 2 –General Fund Mainstream Capital Programme 2023-27 with proposed 2023/24 Q3 variations

	Revised Budget 2023/24 (Q2) £'000	Total Variations £'000	Revised Budget 2023/24 (Q3) £'000	Indicative Budget 2024/25 £'000	Indicative Budget 2025/26 £'000	Indicative Budget 2026/27 £'000	Total Budget (All years) £'000
<b>Approved Expenditure</b>							
<b>Ad Hoc Schemes:</b>							
Social Care Capital projects [ASC]	129	-	129	-	-	-	129
Invest to Save-Flexible Use of Capital Receipts [FIN]	739	-	739	3,597	-	-	4,336
Business Intelligence Infrastructure	176	-	176	-	-	-	176
Investment in Digital Infrastructure [RES]	827	-	827	-	-	-	827
WMC JV Exit Costs [ECD]	1,857	(1,857)	-	1,857	-	-	1,857
Carwath Road [ECD]	-	-	-	1,870	-	-	1,870
Hammersmith Bridge Strengthening [ENV]	4,900	3,239	8,139	4,688	-	-	12,827
Hammersmith Bridge Pre Restoration Works [ENV]	6,149	4,936	11,085	4,121	-	-	15,206
Green Investment Projects	-	-	-	5,000	-	-	5,000
Public CCTV [ENV]	1,097	-	1,097	1,102	1,139	-	3,338
Other Highways Capital Schemes [ENV]	(131)	-	(131)	131	-	-	-
North End Road - Good Growth Fund [ECD]	460	-	460	224	-	-	684
Foster carers' extension [CHS]	167	(142)	25	-	-	-	25
Leisure Centre Capital Investment [ENV]	220	(220)	-	220	-	-	220
Asset Purchase - SBHG Sheltered Housing [ECD]	5,440	-	5,440	-	-	-	5,440
Planned Maintenance/DDA Programme [ECD]	8,178	(3,680)	4,498	6,580	2,400	2,400	15,878
Waste Collection and Disposal Projects	4,854	(2,859)	1,995	3,381	-	-	5,376
Footways and Carriageways [ENV]	2,555	-	2,555	2,030	2,030	2,030	8,645
Column Replacement [ENV]	382	(60)	322	406	346	346	1,420
Parks Programme & Libraries [ENV]	169	7	176	-	-	-	176
Hammersmith Town Hall Refurbishment [ECD]	14,720	(10,173)	4,547	20,002	-	-	24,549
Community Schools Programme [ECD]	1,030	440	1,470	350	-	-	1,820
Education City Youth Zone [ECD]	3,500	-	3,500	-	-	-	3,500
Farm Lane/Mund Street [ECD]	-	-	-	1,119	973	360	2,452
<b>Total Mainstream Programmes</b>	<b>57,418</b>	<b>(10,369)</b>	<b>47,049</b>	<b>56,678</b>	<b>6,888</b>	<b>5,136</b>	<b>115,751</b>
<b>Financing</b>							
Capital Receipts	7,229	-	7,229	3,597	-	-	10,826
Increase/(Decrease) in Borrowing	50,189	(10,369)	39,820	53,081	6,888	5,136	104,925
<b>Total Financing</b>	<b>57,418</b>	<b>(10,369)</b>	<b>47,049</b>	<b>56,678</b>	<b>6,888</b>	<b>5,136</b>	<b>115,751</b>

## **Appendix 3 – 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 can recover VAT incurred in relation to VAT exempt activities, for example property transactions, if 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 £2.5-£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 at £3.3m (the impact on the threshold being the VAT incurred on this amount, i.e. £0.664m). Exempt input tax relating to capital activities is more volatile and each project must be considered and judged individually. The Council has several 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 4 – Self-financing schemes

**Table 2 - Self-financing schemes and loans CFR movements 2023/24-2026/27 (Quarter 3 forecast)**

	Revised Budget 2023/24 (Q2) £'000	Total Variations £'000	Revised Budget 2023/24 (Q3) £'000	Indicative Budget 2024/25 £'000	Indicative Budget 2025/26 £'000	Indicative Budget 2026/27 £'000	Total Budget (All years) £'000
<b>Approved Expenditure</b>							
<b>Ad Hoc Schemes:</b>							
Education City -ARK loan	20,200	-	20,200	-	-	-	20,200
Acquisition of commercial units (Civic Campus)	11,339	-	11,339	29,264	-	-	40,603
Commercial Units- Cinema Fit Out [ECD]	1,750	-	1,750	-	-	-	1,750
JV Partnership Loan (Civic Campus)	10,333	-	10,333	650	-	-	10,983
<b>Total Mainstream Programmes</b>	<b>43,622</b>	<b>-</b>	<b>43,622</b>	<b>29,914</b>	<b>-</b>	<b>-</b>	<b>73,536</b>
<b>Financing</b>							
Increase/(Decrease) in Borrowing	43,622	-	43,622	29,914	-	-	73,536
<b>Total Financing</b>	<b>43,622</b>	<b>-</b>	<b>43,622</b>	<b>29,914</b>	<b>-</b>	<b>-</b>	<b>73,536</b>

The current self-financing schemes include:

- £25m equity loan to the Civic Campus programme
- £10m development financing to WKSR LLP
- £63m investment in acquisition of Civic Campus commercial units
- £20.2m development financing to EdCity Office Ltd
- £1.75m Civic Campus Cinema Fit Out

## Appendix 5 – Summary of Prudential Indicators

The Prudential Code requires local authorities to set up and monitor several prudential indicators to ensure that all their capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so the local authorities will consider their arrangements for the repayment of debt (including through MRP or loans fund repayments) and consideration of risk and the impact, and potential impact, on the authority's overall fiscal sustainability. Indicators for prudence are required to be set over a minimum three-year rolling period. They should also be set in line with a capital strategy and asset management plan that is sustainable over the longer term. Where statutorily ringfenced resources such as the HRA or police fund exist, the indicators of prudence should be set separately for these areas.

As the Council's S151 officer, the Director of Finance has responsibility to ensure that appropriate prudential indicators are set and monitored and that any breaches are reported to members. The Strategic Director of Finance has confirmed that the PIs set out below are all expected to be complied with in 2023/24 and it is not envisaged at this stage that there will be any difficulty in achieving compliance with the suggested indicators for 2024/25.

Prudential Indicator	2022/23 Actual			2023/24 Forecast			2024/25 Forecast			2025/26 Forecast		
	GF	HRA	Total	GF	HRA	Total	GF	HRA	Total	GF	HRA	Total
Capital Expenditure	£74.3m	£65.8m	£140.1m	£122.4m	£109.8m	£232.2m	£115.6m	£148.1m	£263.7m	£9.5m	£110.2m	£119.7m
Capital Financing Requirement (CFR)	£202.9m	£300.6m	£503.5m	£272.1m	£362.8m	£634.9m	£317.8m	£466.6m	784.4m	£317.6m	£534.7m	£852.3m
Ratio of Financing Costs to Net Revenue Streams	3.02%	31.20%		2.96%	31.55%		2.82%	35.42%		2.80%	38.44%	
Ratio of Commercial/Service Investment Income to Net Revenue Stream	2.11%	3.60%		1.88%	3.48%		1.80%	0.07%		1.79%	3.34%	
Net Debt vs CFR			£236m underborrowed			£95m underborrowed			£95m underborrowed			£95m underborrowed
Authorised Limit for External Debt			£700m			£820m			£890m			£890m
Operational Debt Boundary			£640m			£760m			£830m			£830m
Limit on surplus funds invested for more than 364 days (non-specified investments)			£0m			£120m			£120m			£120m
Maturity structure of borrowing			Upper limit under 12 months:15% Lower limited 10 years and above:100%			Upper limit under 12 months:15% Lower limited 10 years and above:100%			Upper limit under 12 months:15% Lower limited 10 years and above:100%			Upper limit under 12 months:15% Lower limited 10 years and above:100%