London Borough of Hammersmith & Fulham

Report to: Full Council

Date: 26/02/2025

Subject: Four Year Capital Programme 2025-29 and Capital Strategy 2025/26

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

Responsible Director: Sukvinder Kalsi, Executive Director, Finance and Corporate Services

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SUMMARY

This report presents the Council's Capital Strategy 2025/26 and four-year Capital Programme for the period 2025 to 2029.

The council is investing £532.3m 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
- School maintenance programme
- Investment in energy efficient lighting and decarbonisation schemes.
- Hammersmith Bridge pre-restoration works, with funding from the Department of Transport and Transport for London
- 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 and statutory guidance to prepare certain capital related strategies and policies. The Capital Strategy and Minimum Revenue Provision (MRP) Policy are included in this report. The Treasury Management Strategy Statement 2025/26 will also be presented to Cabinet and Full Council in February 2025 under a separate agenda item.

In accordance with the requirements of the Prudential Code for Capital Finance, local authorities are required to maintain several prudential indicators. These are set out in the Treasury Management Strategy Statement 2025/26. 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 £103.8m for the period 2025/26-2028/29 (presented in Table 2 and Appendix 1).

2. To approve the continuation of rolling programmes for 2025/26 funded from the Council's mainstream resources. For financial modelling purposes, these programmes are assumed to continue at the same level until 2028/29:

	£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 Executive Director, Finance and Corporate Services and the relevant Lead Cabinet Member.

4. To approve the four-year Housing (HRA) Capital Programme at £428.5m for the period 2025/26-2028/29 as set out in Table 6 and Appendix 1.

5. To approve the Capital Strategy 2025/26, as set out in the report.

6. To approve the annual Minimum Revenue Provision policy statement for 2025/26, as set out in Appendix 2.

7. To note the potential financial impact of a number of development schemes not included in the current programme but being in the various predevelopment stages.

Wards Affected: All

The Council's Capital Programme contains several schemes and projects which are directly linked to the Council's Business Plan, and which will deliver the Council's priorities, as set out in the plan. The Capital Strategy 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.

CAPITAL STRATEGY 2025/26

1. The Prudential Code[1] 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 Corporate Plan 2023-26 sets out the Council's main priorities. These are underpinned by an underlying target date of 2030 for the whole borough to be carbon neutral. From a capital investment perspective, the values include:

   Building shared prosperity

   - In line with the governments announcements in the Autumn Statement to build 1.5m homes and the additional funds made available for the schools rebuilding programme, the Council will be presenting several schemes for approval that would increase the housing supply within the borough and rebuild or refurbish some schools.
   - The Local Plan which was adopted in February 2018 sets ambitious targets for the creation of more dwellings within the Borough. In keeping with this Plan, officers will be presenting schemes for approval that would create an extra 344 dwellings within the borough if approved.
   - The Council will continue to invest in its ambitious housing development programme and work through the planning system to enable 3,000 new energy-efficient 50% genuinely affordable homes to be built or underway by 2026.
   - Implement the Special School Organisation and Capital Plan to invest in provision for children and young people with Special Educational Needs and Disabilities.
   - Continue the implementation of our Family Hubs, co-produced with local families and young people, to make it simpler for families to access a wide range of council services.
   - Deliver the £118m EdCity education campus to align career opportunities in the White City Innovation District to the work of schools, apprenticeships, and reskilling programmes.
   - Support local businesses and start-ups by facilitating access to resources, networking opportunities, affordable workspace and business support services.

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[1] The CIPFA Prudential Code for Capital Finance in Local Authorities (2021) – by regulation local authorities are required to have regard to the Code when carrying out their duties.

- Deliver retrofit strategy to generate renewable energy and improve the energy performance of our housing stock.
- Continue with shared equity affordable home ownership solution for residents and workers in the borough.
- Develop a council owned housing company model to support an increase in council owned intermediate rent homes for key workers.
- Continue leading role in providing housing and much wider support to refugees and asylum seekers.

Doing things with residents, not to them

- Continue to expect all major strategies, projects and service design works to have co-production principles, openness, and transparency at their core.

Taking pride in Hammersmith & Fulham

- Transform the Grade II listed Town Hall to be one of the most environmentally positive and accessible buildings of its type in Britain.
- Introduce segregated cycle lanes, more cycle storage, and green roofs on estates.
- Deliver a vision for high streets as experience destinations and community hubs, including a refreshed plan for Hammersmith Town Centre.
- Improve the public realm to make it a better place for people to shop, eat, drink, relax and enjoy local arts and facilities.
- Ensure major investment programmes, such as in White City, Earls Court, Olympia, and Old Oak Common serve to benefit residents and businesses.
- Deliver a £4.5m CCTV replacement and investment programme.

Creating a compassionate council

- Deliver the Air Quality Action Plan, by tackling the sources of pollution, raising awareness of local emissions, and working with partners to reduce pollution.

Being ruthlessly financially efficient

- Maximise efficiencies to be gained through digital transformation, income generation, corporate accommodation, and agile working practices.
- Continue regular assurance reporting for major projects and programmes through the Corporate Programme Management Office and Strategic Leadership Teams.
- Deliver on the aspirations of Resident Experience and Access Programme to provide a consistent and inclusive approach for resident access across the Council.
- Embed universal standards for policy and strategy development across the council, centred on co-production, high-quality evidence, equity, and climate considerations.
- Enhance commercial culture, financial returns and added value through our refreshed Commercial Strategy.
- Maximise the added value secured through procurement processes.
- Continue to operate effective governance arrangements across the Council, to support assurance, compliance, transparency and collaboration across decisions.
- Deliver and fund significant investment in the council homes where it will make the biggest impact on residents' quality of life, health and wellbeing.
- Fix the Grade II listed iconic Hammersmith Bridge in partnership with Transport for London and the Department for Transport

- Use capital investment to enable the Council to become more efficient, such as through investing in digital transformation and income generation opportunities.
- Invest in schools and more in-borough Special Education Needs provision.
- Reduce the carbon emissions of homes and infrastructure, whilst also investing so physical assets can adapt to the inevitable changes in our climate.
- Regenerate the borough through schemes such as EdCity, Hartopp and Lannoy and White City, making use of joint ventures with the private sector and other funding.
- Consolidate the Council's office accommodation to enable alternative use for income generation and cultural activities.

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 several measures that support the Climate and Ecology Strategy which include:

- Deliver retrofit programmes to upgrade our council homes and non-domestic buildings with energy efficiency and low-carbon heating.
- Build industry leading Passivhaus homes with zero fossil fuels.
- Identify opportunities for new heat networks in our Clean Heat Plan.
- Continue to expand active travel infrastructure and support.
- Host one of the densest electric vehicles charging networks in Britain and transition its own fleet to low-carbon vehicles.
- Undertake a full climate risk assessment of the borough and continue to deliver sustainable drainage that increases our resilience to the changing climate.
- Renew the Air Quality Action Plan in consultation with residents and cut air pollution through field-leading projects and partnerships.
- Implement the 'parks for the future' strategy and invest in improving the appearance, maintenance and facilities of parks and open spaces.
- Retrofit ecology into the Council's building estate, including investigating the significant potential for green roofing.

6. 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, 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 the redevelopment of the failing, existing Hammersmith Town Hall building, creating a new Civic Campus. This involved entering into a joint venture named West King Street Renewal Limited Liability Partnership (the LLP), with A2 Dominion Development Limited, for the delivery of the scheme, and a conditional land sale agreement between the Council and the LLP, plus the approval of 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 completed 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 for use by the neighbourhood as well as the greater community.
   - refurbish and restore 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 five 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 LLP 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 for some of the commercial spaces and a managing agent has been procured for the office space. Investment in these units allows the Council to benefit from the regeneration opportunity that they present.

HRA Asset Management Capital Strategy

11. The Council is the responsible landlord for over 12,000 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 twelve-year Strategy period, subject to annual reviews of the Strategy.

12. 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.

13. 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

14. 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.

15. Our commitment to ensuring the safety of our residents and compliance across all building safety areas continues to be a major priority for the council, investing and meeting the highest standards in safety and compliance. To date our achievements are delivering assurance and results for our residents:

    - We commissioned an external independent audit by Pennington Choices (industry experts) who after an extensive investigation delivered a satisfactory assurance with excellent feedback: ***'Leadership of compliance is strong. Teams are well resourced and technically competent to deliver each service area, keeping residents safe was a clear theme and driving priority across all areas'.***
    - We have diligently followed and adhered to the application of Building Safety and Compliance new regulations, with 49 of our higher risk premises registered ahead of schedule with the new Building Safety Regulator.

- We have rolled out a unique Evacuation System (commended by the fire service) in 9 higher risk buildings, upgraded 4,000+ fire doors to high spec, and installed sprinklers in over 600 properties with more planned, Personal Emergency Evacuation Plans for vulnerable residents.
- A newly established resident group – chaired by resident (FRAG) now have oversight and involvement in the monitoring of Fire Safety and other compliance functions across the council. The group meets monthly and is provided with fire safety data and information, and with opportunities to help shape safety and compliance initiatives that relates to their homes.
- Our compliance assurance is supported by a strong performance management framework that extends to Cabinet, scrutiny, leadership teams and our resident forums.

Building Homes and Communities Strategy

16. 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.

17. Through this strategy, the council established a development programme to directly deliver a substantial number of affordable homes and renew 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.

18. Currently, there are 17 projects in the development programme delivering 1,134 new homes, of which, 732 (65%) are affordable and 402 will be for market sale (35%).

19. Of the 17 development projects, the Springvale infill project is complete and delivered 10 new social rent homes. Education City is under construction, the first phase has already delivered the new primary school, Youth Zone, 24 London Affordable Rent homes and a new office. The remaining 108 affordable homes, nursery and adult education centre will be delivered in phase two, due to be completed in late 2025.

20. Construction of the development on the Hartopp and Lannoy site continues and will deliver 134 new homes of which 112 (84%) will be affordable rents.

21. The Farm Lane and Lillie Road projects have both obtained planning permission and have started on site delivering a combined total of 73 homes and a new community hall. The Avonmore School scheme secured planning consent on the 6th of November with construction works planned to start in mid-2025. The planning application for White City Central, the council's largest direct delivery scheme, was submitted in July, following 4

years of co-production with the White City community. The ambitious plans will see 253 new homes as well as a nursery and community hub in the heart of the White City Estate.

22. The development programme also delivers against the Council's climate emergency commitments with the first three development projects (Hartopp and Lannoy, Farm Lane and Lilie Road) being delivered to PassivHaus standards of energy efficiency, to reduce carbon emissions and help alleviate fuel poverty.

23. In addition to the council's direct delivery projects, the development programme includes scheme acquisitions. By the end of the year the council will complete on the purchase of 37 new affordable homes as part of the Quayside Lodge development in Sands End and has purchased 18 family homes to resettle refugee families in the borough.

Hammersmith Bridge

24. As of December 2024, LBHF has incurred £32m towards stabilisation works and the continued safe operation of the Bridge (how much of this is stabilisation cost versus operational cost). A further £16m has been incurred towards pre-restoration works in readiness for the full restoration of the Bridge. The pre-restoration works include the removal and diversion of gas mains from the Bridge, geotechnical works, planning application for an innovative truss option and the development of the contract and procurement process for the bridge restoration works. These preliminary works are to ensure that full restoration works can be undertaken with greater expediency, effectiveness and minimisation of technical and financial risks. The Grade II* Listed 137-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 £32m (to December 2024) to ensure the continued safe operation of the Bridge and work towards stabilisation. In addition to this, the Council has incurred significant spend (again at risk) of almost £16m (to December 2024) for pre-restoration works, in readiness for the full restoration of the Bridge. These works include removal of the two gas mains off the Bridge and diversion on an alternative route, the planning application for the innovative truss option, geotechnical works and further development of the contract and procurement process for the full restoration of the bridge. These pre-restoration works will ensure that the future project to fully restore the Bridge can be undertaken with greater expediency and effectiveness, and with minimisation of technical and financial risks.

25. Under the terms of the funding settlement of 2 June 2021 that the Department for Transport (DfT) made with Transport for London (TfL), it was stated that TfL and DfT would fund two-thirds of the total project costs. It was stated that this would be formalised in a proposed Memorandum of Understanding (MoU). Despite the council's work to draft an MoU, this was never signed. DfT has so far contributed £8.3m and TfL has contributed £2.9m towards the overall spend of almost £48m. The council is therefore due a further total of £20.7m from DfT and TfL and is requesting that the previously agreed contributions are paid up in full.

26. The Council has repeatedly stated that its one third contribution can only be funded from a road user charging scheme or a toll of motorists using the bridge. Despite the relevant government minister expressing support for the council's use of a toll or road user charging scheme to fund its contribution, support has not been forthcoming to date from TfL and/or DfT.

27. Detailed evaluations of engineering options for the stabilisation and full strengthening and restoration of the Bridge have been undertaken. H&F developed its Business Case to fully restore Hammersmith Bridge in line with HM Treasury's Green Book Five Case Model (strategic, economic, commercial, financial and management). It submitted the first parts of its business case to the DfT for advice and comments on 11 December 2022 with the final economic case given to the DfT on 22 December 2022. The Business Case, which included all five parts, was then formally submitted on 31 March 2023. The Business Case was presented to the DfT's Investment Portfolio Delivery Committee (IPDC) on 19 June 2023. They requested further information. It was resubmitted and tabled for the IPDC on 20 November 2023. However, the IPDC dropped the Business Case from its 20 November agenda with the explanation it had to consider "more time-critical decisions". The IPDC then confirmed that the Business Case was on the agenda for its 8 January 2024 meeting. That was pulled with the explanation that DfT officials had not met "conditions" at their end. The council is still awaiting consideration of the Business Case.

Schools Renewal Programme

28. 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:
    - re-provide modern, fit for purpose schools to support the borough's ambition to give children the best start in life.
    - support the funding of education in Hammersmith & Fulham including the future repair and planned maintenance requirements across the school community.
    - fund school development through the creation of badly needed affordable housing which will help maintain the borough's vibrant social mix.
    - provide significant investment in the condition of the schools' estate through the first three-year schools' capital strategy agreed in 2021.

The school renewal programme is well underway with the delivery of the 2021-2024 three-year programme completed and the implementation of the ambitious 2023-2028 five-year programme now underway.

Other Housing projects

29. In addition to the Building Homes and Communities Strategy the Council is progressing several partnership projects in relation to the provision of affordable housing. These include the redevelopment of the Edith Summerskill House site is being taken forward in conjunction with Peabody Housing Trust. It is expected to deliver 133 Social Rent 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.

30. Planning permission was secured in September 2024 to invest in Shepherds Bush Market, alongside a commercial development which will include affordable workspace and STEM incubator space. The scheme delivered in partnership with Yoo Capital will include build 40 affordable homes for the council.

Becoming Carbon Neutral

31. 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.

32. 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.

33. Assets owned by the Council accounts for 75% of the organisation's direct operational CO2 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 and corporate assets under H&F operational control 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 and other corporate assets 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.

34. £345.5m has been identified as required to decarbonise the Council-owned housing stock. The12-year Housing Asset Management Capital Strategy earmarked £106.5m for net zero works, with a further £91m earmarked for other works that will support this agenda, with a view to bidding for government funding to make up the shortfall as well as achieving cost and programme synergies by carrying out these works out in conjunction with other planned maintenance needs.

Digital Inclusion Strategy

35. The Council has recently approved the Digital Inclusion Strategy which aims to address barriers arising from digital advancements impacting residents' lives and service delivery. It has been coproduced with residents, the Voluntary and Community Sector (VCS), and stakeholders to ensure that the needs of residents and the various service areas are effectively captured. Within the approved capital programme £4m has been identified to refresh the Council's existing devices. As part of the Council's commitment to being a digitally inclusive borough, the Council is supporting those in need to access and will repurpose existing devices as part of H&F charity technology equality projects or as part of its reuse and sustainability agenda.

Health and Safety

36. 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

37. 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.

38. 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.

39. 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

40. 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 Executive Director of Finance and Corporate Services. 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).
- 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.

41. 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.

42. 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

43. 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.

44. 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 Executive Director, Finance and Corporate Services in consultation with the Chief Executive and Cabinet Member for Finance and Commercial Services.
    - 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.

45. 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.

46. Detailed monitoring is also undertaken of significant projects and reported to Finance SLT and the Cabinet Member for Finance and Commercial Services.

Finance Strategy

47. 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.

48. 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.

49. 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.

CAPITAL PROGRAMME 2025/26-2028/29

Financial Impact

This report is of a wholly financial nature.

Economic shocks in prior years have led to labour and supply constraints, plus cost pressures for works and materials and pressure on wages. These shocks have had a material negative impact on the delivery and cost estimate of capital works resulting in slippage as well as a need for additional funding to complete projects. The latest 2024 inflation rate (November), as measured by the Consumer Price Index (CPI), was 2.6% with the Bank of England (BoE) forecasting that it will likely remain above the targeted 2% throughout 2025. The headline Bank of England interest rate remains high (currently 4.75% compared to 0.25% in December 2021) however it has reduced by 0.25% in recent months and there are indications that further reductions may be forthcoming as the inflationary pressures subside.

For the council, as it borrows primarily from the Public Works Loans Board (PWLB), this interest rate regarding long-term borrowing now stands at 5.2% compared to 1.5% in December 2021.

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 for both General Fund and HRA services. 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, have been utilised over the previous periods and will continue to be monitored with the Council's Treasury Management Team. However, these are only short term measures, and a longer term strategy will need to be considered for future capital investment. 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, 03 January 2025

Legal Implications

The Executive Director of Finance and Corporate Services is responsible for ensuring that a four-year rolling capital programme and capital strategy is prepared jointly with SLT directors. This must be submitted on an annual basis for consideration by Cabinet before being approved by Full Council (Financial Regulation 3.12). 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.

Verified by Glen Egan, Assistant Director Legal, 7 January 2025

Background Papers Used in Preparing This Report:

None

CAPITAL PROGRAMME 2025/26-2028/29 - OVERVIEW

1. This report sets out an updated four-year capital expenditure and resource forecast and a capital programme for 2025/26 to 2028/29, as summarised in Table 1 below. A detailed analysis of specific schemes by service is included in Appendix 1.

Table 1 - Capital Programme 2025/26 to 2028/29

	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total Budget (All years) £'000
CAPITAL EXPENDITURE					
People	8,099	5,040	4,314	-	**17,453**
Place	67,985	5,636	6,270	4,776	**84,667**
Finance & Corporate	1,662	-	-	-	**1,662**
Total Expenditure GF	77,746	**10,676**	**10,584**	**4,776**	**103,782**
Housing Revenue Account	135,842	115,955	88,786	87,931	**428,514**
Total Expenditure HRA	**135,842**	**115,955**	**88,786**	**87,931**	**428,514**
Total Expenditure	**213,588**	**126,631**	**99,370**	**92,707**	**532,296**
CAPITAL FINANCING - General Fund					
Specific/External Financing:					
Government/Public Body Grants	8,799	5,040	4,314	-	**18,153**
Grants and Contributions from Private Developers (includes S106/CIL)	6,100	500	1,494	-	**8,094**
Capital Grants/Contributions from Non-departmental public bodies	915	-	-	-	**915**
Capital Grants and Contributions from GLA Bodies	408	-	-	-	**408**
Sub-total - Specific Financing	**16,222**	**5,540**	**5,808**	**-**	**27,570**
Mainstream Financing (Internal):					
Capital Receipts (GF)	1,417	-	-	-	**1,417**
Earmarked Reserves (Revenue)	1,060	-	-	-	**1,060**
Sub-total - Mainstream Funding	**2,477**	**-**	**-**	**-**	**2,477**
Borrowing-General Fund	58,802	5,136	4,776	4,776	**73,490**
Borrowing -HRA	245				**245**
Total GF Capital Financing	**77,746**	**10,676**	**10,584**	**4,776**	**103,782**
CAPITAL FINANCING - HRA					
Specific/External Financing:					
Government/Public Body Grants	755				**755**
Grants and Contributions from Private Developers (includes S106/CIL)	631	6,000	6,000	6,000	**18,631**
Capital Grants and Contributions from GLA Bodies	545	3,388	3,388	3,388	**10,709**
Leaseholder Contributions	2,700	2,700	2,700	2,700	**10,800**
Sub-total - Specific Financing	**4,631**	**12,088**	**12,088**	**12,088**	**40,895**
Mainstream Financing (Internal):					
1-4-1 receipts	2,674	267	-	-	**2,941**
Capital Receipts - HRA	8,042	48,478	3,000	3,000	**62,520**
Major Repairs Reserve (MRR)	16,534	17,128	17,929	18,777	**70,368**
Sub-total - Mainstream Funding	**29,727**	**66,945**	**21,800**	**21,777**	**135,829**
Borrowing -HRA	103,961	37,994	55,769	54,066	**251,790**
Total HRA Capital Financing	**135,842**	**115,955**	**88,786**	**87,931**	**428,514**
Grand Total Financing	**213,588**	**126,631**	**99,370**	**92,707**	**532,296**

2. The programme for this period totals £532.3m. The gross programme for 2025/26 totals £213.6m. This comprises the General Fund (GF) Programme of £77.7m and the Housing Revenue Account (HRA) Programme of £135.8m.

3. The Regeneration and Development Strategy in the current capital programme includes several General Fund and HRA schemes that are at an early stage of development and the total budget envelope required to complete these schemes have not yet been formally approved or included 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 incurred to date 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.

GENERAL FUND CAPITAL PROGRAMME

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

Table 2 – General Fund Capital Programme 2025/26 to 2028/29

CAPITAL EXPENDITURE					
People	8,099	5,040	4,314	-	**17,453**
Place	67,985	5,636	6,270	4,776	**84,667**
Finance & Corporate	1,662	-	-	-	**1,662**
Total Expenditure GF	**77,746**	**10,676**	**10,584**	**4,776**	**103,782**
CAPITAL FINANCING					
Specific/External Financing:					
Use of specific resources (grant/section106/receipts)	18,699	5,540	5,808	-	**30,047**
Borrowing - General Fund	58,802	5,136	4,776	4,776	**73,490**
Borrowing - HRA*	245				**245**
Total Capital Financing	**77,746**	**10,676**	**10,584**	**4,776**	**103,782**

***0.245m borrowing from the HRA is in respect of the Tectonic 2 Device Refresh project

6. 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 2024/25 programme as detailed in the 2024/25 quarter 3 capital monitoring report.

Table 3 – General Fund Mainstream Programme 2025/26 to 2028/29

	Indicative Budget 2025/26 £'000	Indicative Budget 2026/27 £'000	Indicative Budget 2027/28 £'000	Indicative Budget 2028/29 £'000	Total Budget (All years) £'000
Approved Expenditure					
Ad Hoc Schemes:					
Business Intelligence Infrastructure [F&C]	52	-	-	-	**52**
Tech-tonic 2 Device refresh [F&C]	1,365	-	-	-	**1,365**
WMC JV Exit Costs [Place]	1,857	-	-	-	**1,857**
Carnwath Road [Place]	1,870	-	-	-	**1,870**
Hammersmith Bridge Pre Restoration Works [Place]	2,680	-	-	-	**2,680**
Green Investment Projects [Place]	3,245	-	-	-	**3,245**
North End Road - Good Growth Fund [Place]	350	-	-	-	**350**
Leisure Centre Capital Investment [Place]	150	-	-	-	**150**
Corporate Planned Maintenance Programme [Place]	6,517	2,400	2,400	2,400	**13,717**
Waste Collection and Disposal Projects [Place]	5,404	-	-	-	**5,404**
Footways and Carriageways [Place]	2,034	2,030	2,030	2,030	**8,124**
Column Replacement [Place]	346	346	346	346	**1,384**
Hammersmith Town Hall Refurbishment [Place]	15,319	-	-	-	**15,319**
Mund Street [Place]	973	360	-	-	**1,333**
Total Mainstream Programmes	**42,273**	**5,136**	**4,776**	**4,776**	**56,961**
Financing					
Capital Receipts	1,417	-	-		**1,417**
Increase/(Decrease) in Borrowing	40,856	5,136	4,776	4,776	**55,544**
Total Financing	**42,273**	**5,136**	**4,776**	**4,776**	**56,961**

7. The mainstream programme contains £28.6m of rolling programmes budgets for the corporate planned maintenance (£13.7m including slippages from previous years), footways and carriageways (£8.1m) and street lighting and column replacement (£1.4m). 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 responsible Executive Director to agree a planned programme of works in consultation with the Executive Director, Finance and Corporate Services and the lead Cabinet Member.

8. The mainstream programme presented in Table 3 does not include self-financing schemes (where the net General Fund revenue borrowing costs are nil). Whilst the schemes will impact 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.

9. Such self-financing borrowing is forecast to decrease by £11m over the next 4 years and relates to the Civic Campus development. 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. Table 4 summarises forecast spend on these schemes.

Table 4 - Self -financing schemes and loans CFR movements 2025/26-2028/29

	Indicative Budget 2025/26 £'000	Indicative Budget 2026/27 £'000	Indicative Budget 2027/28 £'000	Indicative Budget 2028/29 £'000	Total Budget (All years) £'000
Approved Expenditure					
Ad Hoc Schemes:					
Acquisition of commercial units (Civic Campus) [Place]	16,196	-	-	-	**16,196**
Commercial Units- Cinema Fit Out [Place]	1,750	-	-	-	**1,750**
Total Mainstream Programmes	17,946	-	-	-	**17,196**
Financing					
Increase/(Decrease) in Borrowing	17,946	-	-	-	17,946
Total Financing	**17,946**	**-**	**-**	**-**	17,946

10. General Fund debt is measured by the Capital Finance Requirement (CFR). 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. The forecast for the General Fund CFR is shown in Table 5 below.

Table 5 - Forecast General Fund headline Capital Financing Requirement (CFR)

GENERAL FUND CFR ANALYSIS **HEADLINE CFR EXCLUDING SELF FINANCING SCHEMES AND LOANS**	**2024/25** **£m**	**2025/26** **£m**	**2026/27** **£m**	**2027/28** **£m**	**2028/29** **£m**
Opening Capital Finance Requirement (CFR)	**163.09**	**187.30**	**225.64**	**226.83**	**227.64**
Revenue Repayment of Debt (MRP)	(2.72)	(2.51)	(3.94)	(3.97)	(4.00)
Mainstream Programme (Surplus)/Shortfall	26.93	40.86	5.14	4.78	4.78
Closing Capital Finance Requirement (CFR)	**187.30**	**225.64**	**226.83**	**227.64**	**228.42**
SELF FINANCING SCHEMES AND LOANS	**£m**	**£m**	**£m**	**£m**	**£m**
Opening Capital Finance Requirement (CFR)	**88.23**	**71.89**	**64.72**	**63.43**	**62.16**
Revenue Repayment of Debt (MRP)	-	(0.11)	(1.29)	(1.27)	(1.24)
Repayment of loans	(32.06)	(25.00)	-	-	-
In Year Borrowing	15.71	17.95	-	-	-
Closing Capital Finance Requirement (CFR)	**89.83**	**64.72**	**63.43**	**62.16**	**60.92**
Finance leases/PFI/ Deferred costs of disposal	11.69	10.99	10.29	9.59	8.89

Total Closing GF CFR	**270.87**	**301.35**	**300.55**	**299.39**	**298.22**

11. The forecast General Fund Headline CFR (excluding self-financing schemes) at the start of 2025/26 is £187.3m and is expected to increase to £228.42m by the end of 2028/29. The net increase of £41.1m over the next four years will add a revenue budget pressure, relating to the borrowing costs (MRP plus external interest), of c£3.3m [2]per annum by the end of 2028/29.

12. 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 2025/26 - 2028/29. 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.

13. 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 Council's 2025/26 MRP policy is set out in Appendix 3.

14. The MRP payments (including self-financing schemes) are forecast to be £2.63m for 2025/26, raising to £5.24m in 2028/29.

15. Several 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.

16. The current capital programme forecast is based on known funding allocations as at December 2024 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 2024/25. As additional grants and contributions are confirmed, the General Fund capital programme will increase.

HOUSING REVENUE ACCOUNT (HRA) CAPITAL PROGRAMME

17. The HRA Capital Programme expenditure and resource forecast is summarised in Table 6 and detailed in Appendix 1.

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[2] Cost of borrowing calculated using current PWLB rate of 5.3% and MRP rate of 2.65%.

Housing Expenditure and Resource Forecast 2025-29

CAPITAL EXPENDITURE					
Place (HRA)	65,683	34,764	11,368	9,388	**121,203**
Housing (HRA)	70,159	81,191	77,418	78,543	**307,311**
Total Expenditure HRA	**135,842**	**115,955**	**88,786**	**87,931**	**428,514**

CAPITAL FINANCING					
Specific/External Financing:					
Use of specific resources (grant/section106/receipts)	31,881	77,961	33,017	33,865	**176,724**
Borrowing	103,961	37,994	55,769	54,066	**251,790**
Total Capital Financing	**135,842**	**115,955**	**88,786**	**87,931**	**428,514**

18. The forecast Housing Capital Finance Requirement (HRA CFR) is shown in Table 7, below.

Table 7– Housing CFR Forecast 2025-29

HRA CFR Forecast	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Opening HRA CFR	348.34	451.19	555.40	593.39	649.16
In Year Borrowing	102.85	104.21	37.99	55.77	54.07
Closing HRA CFR	**451.19**	**555.40**	**593.39**	**649.16**	**703.23**

19. The HRA CFR is forecast to be £555.4 by the end of 2025/26 and £703.2m by the end of 2028/29. 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 2024/25 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 is a risk that inflation and interest rates may not fall at the same rate as the business plan anticipates or that inflation and / or interest rates rise further above the long term assumptions within the business plan.
- Rent Regulation. Amongst other policy announcements, the Government is currently consulting on an updated rent policy which will limit rental income increases for social and affordable rents to CPI + 1%, and this would be in place

for the next 5 years from the 1st of April 2026. Whilst this is welcomed for medium term planning and decision making, there is a risk that labour and material inflation may outstrip this for future years.

- New developments. 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 £0.8m 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. These receipts are ringfenced to the provision of affordable housing within five years of receipt. The existing approved Housing Development schemes and the pipeline of yet to be approved schemes[3] are sufficient to make use of these receipts if delivered on time, however there are risks to meeting these deadlines.

EQUALITY IMPLICATIONS

22. There are no direct equalities implications in relation to this report. This paper is concerned entirely with financial management issues and, as such, the recommendations relating to increase in capital allocations will not impact directly on any group with protected characteristics, under the terms of the Equality Act 2010.

VAT IMPLICATIONS

23. 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.

24. 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:

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

- 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.

RISK MANAGEMENT

25. 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 identified in the report 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.

26. 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, 28 November 2024

LIST OF APPENDICES:

Appendix 1 – Council Capital Programme by Service Area
Appendix 2 – Minimum Revenue Provision (MRP) Statement 2025/26

APPENDIX 1 – Detailed Analysis by Service

	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total Budget (All years) £'000
CAPITAL EXPENDITURE					
People	8,099	5,040	4,314	-	**17,453**
Place (General Fund)	67,985	5,636	6,270	4,776	**84,667**
Finance & Corporate	1,662	-	-	-	**1,662**
Sub-total (General Fund)	**77,746**	**10,676**	**10,584**	**4,776**	**103,782**
Place (HRA)	65,683	34,764	11,368	9,388	**121,203**
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Sub-total (HRA)	**135,842**	**115,955**	**88,786**	**87,931**	**428,514**
Total Expenditure	**213,588**	**126,631**	**99,370**	**92,707**	**532,296**

CAPITAL FINANCING					
Specific/External Financing:					
Government/Public Body Grants	9,554	5,040	4,314	-	**18,908**
Grants and Contributions from Private Developers (includes S106/CIL)	6,731	6,500	7,494	6,000	**26,725**
Capital Grants/Contributions from Non-departmental public bodies	915	-	-	-	**915**
Capital Grants and Contributions from GLA Bodies	953	3,388	3,388	3,388	**11,117**
Leaseholder Contributions	2,700	2,700	2,700	2,700	**10,800**
Sub-total - Specific Financing	**20,853**	**17,628**	**17,896**	**12,088**	**68,465**
Mainstream Financing (Internal):					
Capital Receipts (GF)	1,417	-	-	-	**1,417**
1-4-1 receipts	2,674	267	-	-	**2,941**
Capital Receipts - HRA	8,042	48,478	3,000	3,000	**62,520**
Major Repairs Reserve (MRR)	16,534	17,128	17,929	18,777	**70,368**
Earmarked Reserves (Revenue)	1,060	-	-	-	**1,060**
Sub-total - Mainstream Funding	**29,727**	**65,873**	**20,929**	**21,777**	**138,306**
Borrowing-General Fund	58,802	5,136	4,776	4,776	**73,490**
Borrowing -HRA	104,206	37,994	55,769	54,066	**252,035**
Total Capital Financing	**213,588**	**126,631**	**99,370**	**92,707**	**532,296**

APPENDIX 1 – Detailed Analysis by Service

Place - HRA schemes	Future Years Budgets				
	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000	2028/29 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary					
Development Programme					
White City Estate Regeneration	365	-	-	-	365
Becklow Gardens	806	203	-	-	1,009
Barclay Close	285	50	-	-	335
Jepson House	1,200	1,178	-	-	2,378
The Grange	960	99	-	-	1,059
Hartopp & Lannoy	23,900	3,995	1,000	-	28,895
Farm Lane	10,000	3,737	400	-	14,137
Lillie Road	8,500	12,100	580	-	21,180
Subtotal Development Programme	**46,016**	**21,362**	**1,980**	**-**	**69,358**
Regeneration Capital Schemes					
Stanhope Joint Venture	400	9,388	9,388	9,388	28,564
Old Laundry Yard	903	653	-	-	1,556
Education City	18,000	3,361	-	-	21,361
Property Acquisition for Affordable Housing	133	-	-	-	133
Subtotal Regeneration Capital Schemes	**19,436**	**13,402**	**9,388**	**9,388**	**51,614**
Planning and Corporate Property					
Nourish Project (Good Growth Fund)	231	-	-	-	231
Subtotal Planning and Corporate Property	**231**	**-**	**-**	**-**	**231**
Total Place -HRA Schemes	**65,683**	**34,764**	**11,368**	**9,388**	**121,203**

APPENDIX 1 – Detailed Analysis by Service

	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000	2028/29 Budget £'000	Total Budget (All years) £'000
Capital Financing Summary					
Specific/External or Other Financing					
Grants and Contributions from Private Developers (includes S106)	631	6,000	6,000	6,000	18,631
RtB GLA Ringfence and Affordable Housing Grants	545	3,388	3,388	3,388	10,709
Sub-total - Specific or Other Financing	**1,176**	**9,388**	**9,388**	**9,388**	**29,340**
Mainstream Financing (Internal Council Resource)					
Capital Receipts (HRA)	5,842	46,278	-	-	52,120
1-4-1 capital receipts	2,674	267	-	-	2,941
Sub-total - Mainstream Funding	**8,516**	**46,545**	**-**	**-**	**55,061**
HRA Borrowing	**55,991**	**(21,169)**	**1,980**	**-**	**36,802**
Total Capital Financing	**65,683**	**34,764**	**11,368**	**9,388**	**121,203**

APPENDIX 1 – Detailed Analysis by Service

Place- General Fund Schemes	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000	2028/29 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary					
Civic Campus					
Hammersmith Town Hall Refurbishment	15,319	-	-	-	15,319
Acquisition of commercial units	16,196	-	-	-	16,196
Commercial Units- Cinema Fit Out	1,750	-	-	-	1,750
Sub-total -Civic Campus	**33,265**	**-**	**-**	**-**	**33,265**
Development Programme					
Mund Street	973	360	-	-	1,333
Sub-total -Development Programme	**973**	**360**	**-**	**-**	**1,333**
Regeneration Capital Schemes					
West Kensington & Gibbs Green Public Realm	1,400	500	500	-	2,400
WMC JV Exit Costs	1,857	-	-	-	1,857
Sub-total- Regeneration Capital Schemes	**3,257**	**500**	**500**	**-**	**4,257**
Planning and Corporate Property					
Planned Maintenance/DDA Programme	6,517	2,400	2,400	2,400	13,717
Carnwath Road	1,870	-	-	-	1,870
North End Road - Good Growth Fund	350	-	-	-	350
Sub-total -Planning and Corporate Property	**8,737**	**2,400**	**2,400**	**2,400**	**15,937**
Total Expenditure	**46,232**	**3,260**	**2,900**	**2,400**	**54,792**

APPENDIX 1 – Detailed Analysis by Service

Place- General Fund Schemes	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000	2028/29 Budget £'000	Total Budget (All years) £'000
Capital Financing Summary					
Specific/External or Other Financing					
Grants and Contributions from Private Developers (includes S106)	1,400	500	500	-	2,400
Sub-total - Specific or Other Financing	**1,400**	**500**	**500**	**-**	**2,400**
GF Borrowing	44,832	2,760	2,400	2,400	52,392
Total Borrowing	**44,832**	**2,760**	**2,400**	**2,400**	**52,392**
Total Capital Financing	**46,232**	**3,260**	**2,900**	**2,400**	**54,792**

APPENDIX 1 – Detailed Analysis by Service

Place- General Fund Schemes	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000	2028/29 Budget £'000	Total Budget (All years) £'000
Climate Change and Transport					
Footways and Carriageways	150	150	150	150	600
Transport For London Schemes	408	-	-	-	408
Other Highways Capital Schemes	4,511	-	994	-	5,505
Green Investment Projects	3,245	-	-	-	3,245
Sub-total- Climate Change and Transport	**8,314**	**150**	**1,144**	**150**	**9,758**
Hammersmith Bridge					
Hammersmith Bridge Stabilisation Works	700	-	-	-	700
Hammersmith Bridge Pre Restoration Works	2,680	-	-	-	2,680
Sub-total- Hammersmith Bridge	**3,380**	**-**	**-**	**-**	**3,380**
Public Realm					
Footways and Carriageways	1,884	1,880	1,880	1,880	7,524
Column Replacement	346	346	346	346	1,384
Other Highways Capital Schemes	700	-	-	-	700
Waste Collection and Disposal Projects	5,404	-	-	-	5,404
Kings Coronation Youth Fund	462	-	-	-	462
Parks Projects	485	-	-	-	485
Leisure Centre Capital Investment	150	-	-	-	150
Sub-total- Public Realm	**9,431**	**2,226**	**2,226**	**2,226**	**16,109**
Public Protection					
Public CCTV	628	-	-	-	628
Sub-total- Public Protection	**628**	**-**	**-**	**-**	**628**
Total Expenditure	**21,753**	**2,376**	**3,370**	**2,376**	**29,875**
Capital Financing Summary					
Specific/External or Other Financing					
Capital Grants from Central Government	700	-	-	-	700
Grants and Contributions from Private Developers (includes S106/S278)	4,700	-	994	-	5,694
Capital Grants/Contributions from Non-departmental public bodies	915	-	-	-	915
Capital Grants and Contributions from GLA Bodies	408	-	-	-	408
Sub-total - Specific or Other Financing	**6,723**	**-**	**994**	**-**	**7,717**
Use of Reserves	1,060	-	-	-	1,060
Sub-total - Mainstream Funding	**1,060**	**-**	**-**	**-**	**1,060**
Borrowing	13,970	2,376	2,376	2,376	21,098
Total Capital Financing	**21,753**	**2,376**	**3,370**	**2,376**	**29,875**

APPENDIX 1 – Detailed Analysis by Service

People	Future Years Budgets				
	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000	2028/29 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary					
Children's Services					
SEN sufficiency	3,011	3,334	2,807	-	9,152
Basic Need Placement Sufficiency	88	221	-	-	309
Windows & decarbonisation	2,848	-	-	-	2,848
School Maintenance Programme	2,152	1,485	1,507	-	5,144
Subtotal Children's Services	**8,099**	**5,040**	**4,314**	**-**	**17,453**
Capital Financing Summary					
Specific/External or Other Financing					
Capital Grants from Central Government	8,099	5,040	4,314	-	17,453
Total Capital Financing	**8,099**	**5,040**	**4,314**	**-**	**17,453**

APPENDIX 1 – Detailed Analysis by Service

Finance and Corporate Services	Future Years Budgets				
	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000	2028/29 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary					
Tech-tonic 2 Device refresh	1,610	-	-	-	1,610
Business Intelligence Infrastructure	52	-	-	-	52
Total Expenditure	**1,662**	**-**	**-**	**-**	**1,662**
Capital Financing Summary					
Mainstream Financing (Internal Council Resource)					
Capital Receipts	1,417	-	-	-	1,417
Sub-total - Mainstream Funding	**1,417**	**-**	**-**	**-**	**1,417**
Borrowing (HRA)	245	-	-	-	245
Total Capital Financing	**1,662**	**-**	**-**	**-**	**1,662**

APPENDIX 1 – Detailed Analysis by Service /cont.

Housing	Future Years Budgets				
	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000	2028/29 Budget £'000	Total Budget (All years) £'000
Scheme Expenditure Summary					
HRA Asset Management and Compliance Programme					
Major Refurbishment Works	13,974	6,205	6,026	8,118	34,323
Fire Safety Compliance Programme	6,534	3,148	3,652	6,603	19,937
Fire Safety Complex Schemes	10,016	24,676	13,577	-	48,269
Lift Schemes	2,912	1,404	1,079	800	6,195
Heating Schemes	6,975	7,000	5,635	3,000	22,610
Safety Works - Electrical	4,933	5,100	5,100	6,500	21,633
Safety Works	6,285	14,369	9,989	16,622	47,265
Void Works	1,201	1,200	1,400	1,200	5,001
Other Capital Improvements	1,497	915	1,148	1,218	4,778
Capitalised salaries	10,822	10,822	10,822	10,822	43,288
Capitalised repairs	3,500	3,500	3,982	4,000	14,982
Climate Emergency and Other future works	1,510	2,852	15,008	19,660	39,030
HRA Asset Management and Compliance Programme	**70,159**	**81,191**	**77,418**	**78,543**	**307,311**
Capital Financing Summary					
Specific/External or Other Financing					
Capital Grants from Central Government	755	-	-	-	755
Contributions from leaseholders	2,700	2,700	2,700	2,700	10,800
Sub-total - Specific or Other Financing	**3,455**	**2,700**	**2,700**	**2,700**	**11,555**
Mainstream Financing (Internal Council Resource)					
Capital Receipts (HRA)	2,200	2,200	3,000	3,000	10,400
Major Repairs Reserve (MRR) / Major Repairs Allowance (MRA)	16,534	17,128	17,929	18,777	70,368
Sub-total - Mainstream Funding	**18,734**	**19,328**	**20,929**	**21,777**	**80,768**

Borrowing (HRA)	47,970	59,163	53,789	54,066	214,988
Total Capital Financing	**70,159**	**81,191**	**77,418**	**78,543**	**307,311**

APPENDIX 2- MINIMUM REVENUE PROVISION (MRP) STATEMENT 2025/26

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 Executive Director, Finance and Corporate Services. 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. 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).

12. 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 funded by borrowing.

13. 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.

14. 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.

15. The Executive Director, Finance and Corporate Services 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.