h&f putting residents first	**London Borough of Hammersmith & Fulham** **OVERVIEW AND SCRUTINY BOARD** **24th September 2013**

HIGH LEVEL CAPITAL BUDGET MONITORING REPORT, 2012/13 QUARTER 4
Report of the Corporate Director
Open report
Classification: For Scrutiny Review & Comment **Key Decision:** No
Wards Affected: ALL
Accountable Executive Director: Jane West, Director of Finance & Corporate Governance

Report Author: Jade Cheung - Finance Manager - Capital Corporate Accountancy and Capital Team	**Contact Details:** Tel: 0208 753 3374 Email: jade.cheung@lbhf.gov.uk

1. EXECUTIVE SUMMARY

1.1. The closing debt position for the General Fund as measured by the Capital Financing Requirement (CFR) for 2012/13 at quarter 4 is £78.4m.

1.2. In 2012/13, the actual capital expenditure (outturn) totalled £57.4 million. This is detailed in section 4.

1.3. As at quarter 4, the annual General Fund usable capital receipts surplus for 2012/13 is £19.6m; this surplus will be set aside to repay debt in accordance with the debt reduction strategy. The Decent Neighbourhoods cumulative surplus in resources for quarter 4 is £20.5m, in accordance with the HRA financial strategy £9.6m of this is set aside to repay debt as it becomes due in 2013/14.

1.4. The 2012/13 General Fund capital programme expenditure was £28.7m (from £52.5m at quarter 3). The decrease in the General Fund capital programme of £23.8m primarily results from the re-profiling of capital budgets into 2013/14 and future years.

The Decent Neighbourhoods programme actual expenditure was £4m (from £13.7m expenditure projected at quarter 3). The decrease in the Decent Neighbourhoods programme of £9.7m is primarily due to funds reserved for buying back of properties on the West Kensington and Gibbs Green Estates not being required in the period and from changes to the timing of payments on a number of other projects.

The expenditure on the Housing capital programme (HRA) was £24.7m (from £32.2m at quarter 3).

2. RECOMMENDATIONS

2.1. To note the contents of this report which complies with financial standards.

3. REASONS FOR DECISION

3.1. This report is for information only.

4. INTRODUCTION AND BACKGROUND

4.1. This report sets out the final 2012/13 capital monitoring position for the Council's debt reduction programme, the General Fund, Decent Neighbourhoods and the Housing capital programmes. This programme has been fully funded as shown in Appendix 1.

4.2. In 2012/13, the actual capital expenditure (outturn) totalled £57.4 million. Table 1a below summarises capital expenditure by service area:

Table 1a - Capital Expenditure by Service Area

Department	**2012/13**
	£m
Children's Services	14.9
Adult Social Care	1.1
Transport and Technical Services	8.2
Environment, Leisure and Residents Services	4.4
Housing Services (Housing Revenue Account only)	24.7
Decent Neighbourhoods	4.0
Total	**57.4**

The financing of the capital expenditure incurred in 2012/13 is summarised in table 1b below:

Table 1b - Financing of Capital Expenditure 2012/13

Capital Financing	2012/13
	£m
Capital receipts	19.9
Capital grants from central government departments	13.9
Major Repairs Reserve (MRR) / Major Repairs Allowance (MRA)	10.0
Grants and contributions from developers and from leaseholders, etc.	8.7
Capital funding from GLA bodies	3.2
Council reserves	0.6
Housing Revenue Account	0.5
Grants and contributions from non-departmental public bodies	0.5
Capital grants from the National Lottery	0.1
General Fund Revenue Account	0.02
Total	**57.4**

5. GENERAL FUND DEBT REDUCTION

5.1. The closing General Fund debt as measured by the Capital Financing Requirement (CFR) for 2012/13 at quarter 4 is **£78.4m** (in quarter 3 £91.4m), as shown in table 2 below. In the year £16.8m of General Fund capital receipts were generated. In addition, £9.9m of receipts have been transferred to the General Fund from the Decent Neighbourhood's programme, in accordance with the capital programme. After funding the capital programme requirements for the year (£6.4m of mainstream expenditure and £0.7m of disposal costs) this has resulted in surplus receipts of £19.6m.

Table 2 - Movement in the Capital Financing Requirement (CFR)

	Q3	Movement	Q4 Outturn
	£m	**£m**	**£m**
Opening Capital Financing Requirement (CFR)	99.8		99.8
Revenue Repayment of Debt (MRP)	(2.3)		(2.3)
Net Impact of Appropriations between General Fund and HRA		0.5	0.5
Annual (Surplus) in Capital Programme	(6.1)	(13.5)	(19.6)
Closing CFR	**91.4**	**(13)**	**78.4**
Net Movement from £99.8m	(8.4)	(13)	(21.4)

5.2. In accordance with the debt reduction strategy, all year-end surplus General Fund capital receipts have been directed towards debt reduction. This maximises the revenue savings associated with debt reduction in the subsequent year. This approach is in keeping with previous years.

6. DECENT NEIGHBOURHOODS PROGRAMME

6.1. Table 3 summarises the 2012/13 Decent Neighbourhoods capital programme for quarter 4 with details shown in appendix 2. The programme objectives are the regeneration of housing estates and the creation of sustainable communities. Specific housing capital receipts such as those from sales under the Limited Asset Based Void Disposals policy and HRA shops are earmarked to fund this capital programme.

6.2. The Decent Neighbourhoods programme actual spend was £4m (from £13.7m projected at quarter 3). There is an overall cumulative surplus in resources of £20.5m at the end of 2012/13.

Table 3 - Decent Neighbourhoods Programme

Line	Decent Neighbourhoods Summary	2012/13 Quarter 3 Revised Budget	Movement	2012/13 Quarter 4 Revised Budget	Outturn Expend -iture	Appx 2 Ref
		£m	£m	£m	£m	
1	Expenditure	13.7	1.6	15.2	4	A
2	Net total resources	(31.0)	7.8	(23.2)	(19.3)	I
3 (1+2)	**Annual (surplus)/deficit (approved schemes only)**	**(17.4)**	**9.4**	**(8.0)**	**(15.3)**	J
4	Schemes under consideration: Forecast expenditure	2.4	(2.4)			K
5 (3+4)	**Annual (Surplus)/deficit**	**(14.9)**	**6.9**	**(8.0)**	**(15.3)**	L
6	Balance brought forward	(5.2)		(5.2)	(5.2)	B
7 (5+6)	**Cumulative Total (Surplus)/deficit**	**(20.1)**	**6.9**	**(13.1)**	**(20.5)**	M

7. GENERAL FUND PROGRAMME

7.1. The annual surplus in capital receipts for 2012/13 is £19.6m. In accordance with the Council's debt reduction strategy, this surplus has been fully used to repay debt.

7.2. The quarter 4 expenditure and resources position is summarised in table 4, with details in appendices 1, 3 and 4. The total capital expenditure at quarter 4 for 2012/13 is **£28.7m** compared with £52.5m forecast in quarter 3. This reduction results from the re-profiling of capital budgets into 2013/14 and future years. The total resources budget at quarter 4 for 2012/13 is **£48.3m** compared with £58.6m forecast in the previous quarter.

This primarily results from a revision to the capital receipts forecast for the year with a number of key receipts (including Pallingswick House and Hurlingham Yard) slipping into future years.

Table 4 - General Fund Capital Programme

Line	General Fund	2012/13 Quarter 3 Revised Budget £m	Movement £m	2012/13 Quarter 4 Revised Budget £m	Outturn Expenditure £m	Appendix 3 Ref
	Expenditure:					
	Children's Services	27.8	(12.9)	14.9	14.9	3a
	Adult Social Care	1.3	(0.2)	1.1	1.1	3b
	Transport & Technical Services	14.2	(6.0)	8.2	8.2	3c
	Finance and Corporate Services	2.1	(2.1)			3d
	Environment, Leisure & Residents Services	7.1	(2.7)	4.4	4.4	3e
1	**Total**	**52.5**	**(23.8)**	**28.7**	**28.7**	
	Resources:					
	General Fund Receipts	18.3	(1.5)	16.8	16.8	4
	Deferred Costs of Disposal	(0.7)		(0.7)	(0.7)	
	Transfer from Decent Neighbourhood receipts 25%	10.2	(0.9)	9.3	9.3	2
	Transfer from Right to Buy receipts		0.6	0.6	0.6	
	Reimbursement from GF to Decent Neighbourhood pot	(10.8)	10.8			2
2	**Net capital receipts**	**17.1**	**9.0**	**26.0**	**26.0**	
3	**Specific or other funding**	**41.5**	**(19.2)**	**22.3**	**22.3**	
4 (2+3)	**Total**	**58.6**	**(10.2)**	**48.3**	**48.3**	
5 (1-4)	**Annual (surplus)/deficit**	**(6.1)**	**(13.5)**	**(19.6)**	**(19.6)**	
	Cumulative (surplus)/deficit	**(6.1)**	**(13.5)**	**(19.6)**	**(19.6)**	

7.3. Table 5 shows the actual capital receipts received at quarter 4 with details shown in appendix 4.

Table 5 – General Fund Capital Receipts

Year	Quarter 3 £m	Quarter 4 Outturn £m*	Variance £m
2012/13	**18.3**	**16.8**	**1.5**

*£16.8m represents gross capital receipts (£16.1m + £0.7m costs of disposals)

8. HOUSING CAPITAL PROGRAMME

8.1. The Housing Revenue Account Capital Programme seeks to meet the on-going investment needs of the Council's owned and managed housing stock. It does not include specific programmes such as Earls Court or the Local Housing Company, these are included in the Decent Neighbourhoods Fund. The final year position of the Housing capital programme is summarised in Table 6. Appendix 5 provides a more detailed breakdown of the expenditure programme and resources used.

Table 6 – Summary of the 2012/13 Housing Capital Programme

	Quarter 3 Revised Budget 2012/13 £m	Quarter 4 Revised Budget 2012/13 £m	Variance £m
Expenditure	**32.2**	**24.7**	**7.5**
Resources	**(32.2)**	**(24.7)**	**(7.5)**
Forecast (Surplus) / Deficit	**0**	**0**	**0**

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Capital Budget Monitoring Documents	Jade Cheung ext. 3374	Finance Dept., 2nd Floor, Town Hall Extension

LIST OF APPENDICES:

Appendix 1 - Capital Expenditure Programme 2012/13

Appendix 2 - Decent Neighbourhoods Programme (Housing & Regeneration)

Appendix 3a to 3e - General Fund: Children's Services, Adult Social Care, Transport & Technical Services, Finance and Corporate Services, Environment, Leisure and Residents Services

Appendix 4 - General Fund Capital Receipts

Appendix 5 - Housing Capital Programme (HRA)

Appendix 6 - The Capital Financing Requirement

Capital Budget Monitor Appendices – Quarter 4 at 31st March 2013

Capital Expenditure Programme   Appendix 1

Capital Expenditure	Month 12 Actual Expenditure 2012/13
	£'000
Children's Services	**14,948**
Adult Social Care	**1,117**
Transport & Technical Services	**8,205**
Environment, Leisure & Residents Services	**4,422**
Sub-total	**28,692**
Housing Services (Housing Revenue Account only)	**24,722**
Decent Neighbourhoods	**3,979**
Total Capital Programme	**57,393**
Capital Financing	
Use of capital receipts to finance capital expenditure	**19,899**
Capital grants from central government departments (inc SCE(C))	**13,861**
Capital expenditure financed by the Major Repairs Reserve (MRR) /	**9,958**
Grants and contributions from private developers and from leaseholders,	**8,743**
Capital funding from GLA bodies	**3,237**
Use of LBHF reserves	**553**
Capital expenditure financed from the Housing Revenue Account	**539**
Grants and contributions from non-departmental public bodies	**520**
Capital grants from the National Lottery	**65**
Capital expenditure financed from the General Fund Revenue Account	**19**
Total Capital Financing	**57,393**

Decent Neighbourhoods Programme — Appendix 2

Line	DECENT NEIGHBOURHOODS PROGRAMME Schemes	Quarter 3 Revised Budget 2012/13	Movement	Quarter 4 Revised Budget 2012/13	Expenditure /(Income) to date - Q4
		£'000	£'000	£'000	£'000
	EXPENDITURE:				
	Watermeadow Court (Decanting Costs)	231		231	887
	Fulham Court (development including Childrens Centre)	1,714		1,714	112
	248 Hammersmith Grove	600		600	
	Edith Summerskill decant costs	1,690		1,690	550
	West Ken Estate/Gibbs Green				454
	HDC Hidden Homes Programme				112
	1 Mund Street				288
	HRA Debt repayments taken under pooling rules from receipts	82		82	
	Earls Court costs to signing CLSA	1,941		1,941	
	Earls Court Project Team Costs	627		627	
	Earls Court: Buying back leaseholder and freeholder properties including homeloss and disturbance	5,000		5,000	
	Earls Court: SDLT on leasehold properties (buybacks and new properties)	124		124	
	Additional costs post cabinet to signing of CLSA	99		99	
	Ongoing Earls Court project Costs	300		300	
	Earls Court OT assessments	20		20	
	Earls Court Legal Fees post CLSA (includes costs of defending challenges)	120		120	
	Earls Court Financial advice (due diligence)	25		25	
	Contributions to Local Housing Company	1,000		1,000	
	NHHT Capital Loan		1,575	1,575	1,575
	TIS contribution	94		94	
A	**Total**	**13,667**	**1,575**	**15,242**	**3,978**
	FORECAST RESOURCES:				
B	**Brought Forward Resources**	**(5,161)**		**(5,161)**	**(5,161)**
C	**Expensive Dwellings Voids sales**	**(31,000)**	**(2,527)**	**(33,527)**	**(33,527)**
	Stewarts Lodge	(2,221)		(2,221)	(2,221)
	Buy back by Notting Hill Housing Association	(600)		(600)	(969)
	Fulham Court - New Development Only	(200)		(200)	
	Costs of disposal		370	370	370
D	**Other Sales**	**(3,021)**	**370**	**(2,651)**	**(2,820)**
E	**Earls Court**	**(4,230)**		**(4,230)**	
	582 Kings Rd	(790)		(790)	(790)
	73 Moore Park Rd	(300)		(300)	(671)
	1a Seagrave Rd	(200)		(200)	
	5a Uxbridge Rd	(150)		(150)	
	53 Moore Park Rd	(50)		(50)	
	1 Moore Park Rd	(390)		(390)	(377)
F	**HRA Shops**	**(1,880)**	**0**	**(1,880)**	**(1,838)**
G (C+D+E+F)	**Total Resources (excl. b/fd & pre transfers)**	**(40,131)**	**(2,157)**	**(42,288)**	**(38,185)**

Line	DECENT NEIGHBOURHOODS PROGRAMME				
Line	Schemes	Quarter 3 Revised Budget 2012/13	Movement	Quarter 4 Revised Budget 2012/13	Expenditure /(Income) to date - Q4
		£'000	£'000	£'000	£'000
	Resource Transfers				
	Reimbursement of HRA and Decent Neighbourhoods Receipts	(10,763)	10,763		
	Capital Investment for existing HRA stock	8,820		8,820	8,630
	Contributions to Jepson House	895		895	895
	25% of receipts to General Fund	10,033	(722)	9,311	9,311
	Grants to Social Landlords to improve hostels	128	(90)	38	38
H	**Total Resource Transfers**	**9,113**	**9,951**	**19,064**	**18,874**
I (G+H)	**Net Total Resources**	**(31,019)**	**7,794**	**(23,225)**	**(19,312)**
J (A+I)	**Annual (surplus)/deficit (approved schemes only)**	**(17,352)**	**9,369**	**(7,983)**	**(15,334)**
	SCHEMES UNDER CONSIDERATION				
	Right To Move Pilot (Float)	1,500	(1,500)		
	LHC Funding	250	(250)		
	Earls Court Contingency	699	(699)		
K	**Total**	**2,449**	**(2,449)**	**0**	**0**
L (J+K)	**Annual (Surplus)/Deficit**	**(14,903)**	**6,920**	**(7,983)**	**(15,334)**
M (B+L)	**Cumulative Total (Surplus)/Deficit**	**(20,064)**	**6,920**	**(13,144)**	**(20,495)**

Children's Services **Appendix 3a**

CHILDREN'S SERVICES CAPITAL PROGRAMME				
Schemes	**Quarter 3 Revised Budget 2012/13**	**Movement**	**Quarter 4 Revised Budget 2012/13**	**2012/13 Outturn Expenditure**
	£'000	**£'000**	**£'000**	**£'000**
Lyric Theatre Development	2,504	(1,442)	1,062	1,062
Devolved Capital to Schools	610	235	845	845
Other Capital Schemes	1,112	(1,008)	104	104
Schools Organisational Strategy	22,387	(10,183)	12,204	12,204
Free Schools	1,205	(472)	733	733
Total	**27,818**	**(12,870)**	**14,948**	**14,948**
FINANCING SUMMARY				
Capital receipts	1,431	(128)	1,303	1,303
Specific or other funding	26,387	(12,742)	13,645	13,645
Total	**27,818**	**(12,870)**	**14,948**	**14,948**

Adult Social Care Services **Appendix 3b**

ADULT SOCIAL CARE SERVICES CAPITAL PROGRAMME				
Schemes	**Quarter 3 Revised Budget 2012/13**	**Movement**	**Quarter 4 Revised Budget 2012/13**	**2012/13 Outturn Expenditure**
	£'000	**£'000**	**£'000**	**£'000**
Adult Social Care Grant	92	40	132	132
Hostel Improvement Grant	128	(90)	38	38
Wormwood Scrubs Prison	98	(64)	34	34
Disabled Facilities Scheme	989	(76)	913	913
Total	**1,307**	**(190)**	**1,117**	**1,117**
FINANCING SUMMARY				
Capital receipts	578	(166)	412	412
Specific or other funding	729	(24)	705	705
Total	**1,307**	**(190)**	**1,117**	**1,117**

Transport & Technical Services　　Appendix 3c

TRANSPORT & TECHNICAL SERVICES CAPITAL PROGRAMME				
Schemes	**Quarter 3 Revised Budget 2012/13**	**Movement**	**Quarter 4 Revised Budget 2012/13**	**2012/13 Outturn Expenditure**
	£'000	**£'000**	**£'000**	**£'000**
Footways and Carriageways	2,250	145	2,395	2,395
Planned Maintenance/DDA Programme	4,021	(2,239)	1,782	1,782
River Wall Repairs	40	(40)		
Transport For London	3,702	(862)	2,840	2,840
Parking Reserve/ Revenue Contributions	319	(287)	32	32
Developer Contribution Funded	3,192	(2,418)	774	774
West London Grant	341	(279)	62	62
Other Capital Schemes	286	34	320	320
Total	**14,151**	**(5,946)**	**8,205**	**8,205**
FINANCING SUMMARY				
Capital receipts	6,311	(2,117)	4,194	4,194
Specific or other funding	7,840	(3,829)	4,011	4,011
Total	**14,151**	**(5,946)**	**8,205**	**8,205**

Finance and Corporate Services　　Appendix 3d

FINANCE & CORPORATE SERVICES CAPITAL PROGRAMME				
Schemes	**Quarter 3 Revised Budget 2012/13**	**Movement**	**Quarter 4 Revised Budget 2012/13**	**2012/13 Outturn Expenditure**
	£'000	**£'000**	**£'000**	**£'000**
Contribution to Invest to Save Fund	2,133	(2,133)		
Total	**2,133**	**0**	**0**	**0**
FINANCING SUMMARY				
Capital receipts	2,133	(2,133)		
Total	**2,133**	**0**	**0**	**0**

Environment, Leisure and Residents Services **Appendix 3e**

ELRS CAPITAL PROGRAMME				
Schemes	**Quarter 3 Revised Budget 2012/13**	**Movement**	**Quarter 4 Revised Budget 2012/13**	**2012/13 Outturn Expenditure**
	£'000	**£'000**	**£'000**	**£'000**
Parks Expenditure	1,460	(325)	1,135	1,135
Bishops Park	942	(156)	786	786
Shepherds Bush Common Improvements	2,778	(484)	2,294	2,294
Recycling	81	(40)	41	41
Hammersmith Library Refurbishment	925	(913)	12	12
CCTV	717	(562)	155	155
Linford Christie Stadium Refurbishment	156	(156)		
Total	**7,059**	**(2,636)**	**4,423**	**4,423**
FINANCING SUMMARY				
Capital receipts	529	(43)	486	486
Specific or other funding	6,530	(2,593)	3,937	3,937
Total	**7,059**	**(2,636)**	**4,423**	**4,423**

General Fund Capital Receipts **Appendix 4**

Year	Outturn at Quarter 4 £'000
2012/13	
William Gattie House	
34/36 Fulham Palace Road	
Fulham Palace Garden Centre	
3 Blacks Road (Irish Centre)	
Little Wormwood Scrubs Easment	
11 Farm Lane	
132 Wandsworth Bridge Road	
Sands End, 59-61 Broughton Road,	
70-72 Hammersmith Bridge Road	
Cost of Sales	
Total 2012/13	**16,057**

Housing Capital Programme (HRA) **Appendix 5**

HOUSING CAPITAL PROGRAMME (HRA)				
Schemes	**Quarter 3 Revised Budget 2012/13**	**Movement**	**Quarter 4 Revised Budget 2012/13**	**2012/13 Outturn Expenditure**
	£ '000	**£ '000**	**£ '000**	**£ '000**
Supply Initiatives (Major	2,710	344	3,054	3,054
Energy Schemes	786	(63)	723	723
Lift Schemes	3,152	(1,989)	1,163	1,163
Major Refurbishments	8,814	(1,597)	7,217	7,217
Preventative Planned Maintenance	2,853	(878)	1,975	1,975
Minor Programmes	7,594	(3,374)	4,220	4,220
Decent Homes Partnering	5,534	(197)	5,337	5,337
CSD/RSD Managed (Adaptations, CCTV)	1,143	(110)	1,033	1,033
Rephasing and reprogramming	(373)	373		
Total	**32,213**	**(7,491)**	**24,722**	**24,722**
FINANCING SUMMARY				
Capital Receipts	9,715	(190)	9,525	9,525
Revenue Contributions from HRA (formerly MRA)	15,201	(5,243)	9,958	9,958
Leasehold & Other External Contributions	6,544	(1,425)	5,119	5,119
Grants	753	(633)	120	120
Total	**32,213**	**(7,491)**	**24,722**	**24,722**

The Capital Financing Requirement (CFR) **Appendix 6**

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.

It was introduced by the Government in 2004 and replaced the 'credit ceiling' as the Council's measure of debt.

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

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

The government requires the authority to set-aside annually an amount equal to 4% of CFR. This is known as the Minimum Revenue Provision (MRP).

The Council's headline CFR excludes technical adjustments relating to finance leases, PFI, historic MRP commutation, and deferred costs given these items do not give rise to a financing or MRP cost.