

 <p>the low tax borough</p>	<p><b>London Borough of Hammersmith &amp; Fulham</b></p> <p><b>CABINET</b></p> <p><b>9 DECEMBER 2013</b></p>
<p><b>THE GENERAL FUND, HOUSING REVENUE ACCOUNT AND DECENT NEIGHBOURHOODS CAPITAL PROGRAMMES – BUDGET VIREMENTS AT QUARTER 2 2013/14 (1 JULY 2013 TO 30 SEPTEMBER 2013)</b></p>	
<p><b>Report of the Leader of the Council – Councillor Nicholas Botterill</b></p>	
<p><b>Open Report</b></p>	
<p><b>Classification :</b> For Decision</p>	
<p><b>Key Decision:</b> Yes</p>	
<p><b>Wards Affected:</b> All</p>	
<p><b>Accountable Executive Director:</b> Jane West, Executive Director of Finance and Corporate Governance</p>	
<p><b>Report Author:</b> Jade Cheung, Finance Manager (Corporate Accountancy &amp; Capital)</p>	<p><b>Contact Details:</b>  Tel: 0208 753 3374  E-mail:  <a href="mailto:jade.cheung@lbhf.gov.uk">jade.cheung@lbhf.gov.uk</a></p>

## 1. EXECUTIVE SUMMARY

- 1.1. This report sets out the revised capital budget as at quarter 2 for 2013/14, compared with quarter 1 which was approved by Cabinet on 14<sup>th</sup> October 2013.
- 1.2. This report will agree the budget virements for the General Fund, Housing Revenue Account capital programme and Decent Neighbourhoods capital budgets from the previously approved budget in quarter 1 to the revised budget in quarter 2.
- 1.3. The net proposed decrease to the Council wide capital programme for the year is £22.2m (table 1). This decrease is primarily attributable to a number of capital budget virements as detailed in section 6 for each service. The **Capital Financing Requirement** is projected to be **£80.2m** by the end of the year.

- 1.4. The Council is now likely to breach its **VAT Partial Exemption Threshold** in 2013/14 as a consequence of a number of significant capital projects. HMRC are being consulted in order to seek the mitigation available. A policy to aid the management of Partial Exemption position is set out in section 7.

## **2. RECOMMENDATIONS**

- 2.1. That approval be given to the budget virements as at quarter 2 for 2013/14 as set out in this report.
- 2.2. That the VAT Policy in section 7, required to manage the Council's Partial Exemption position, be approved.

## **3. REASONS FOR DECISION**

- 3.1. The reason for the recommendation is to comply with the Council's Financial Regulations which form part of the Council's Constitution. These regulations require that budget virements in the Council's Capital Programme – as agreed by full Council – are authorised by Cabinet.

## **4. INTRODUCTION AND BACKGROUND**

- 4.1. This report sets out the revised capital budget as at quarter 2 for 2013/14, compared with quarter 1 which was approved by Cabinet on 14<sup>th</sup> October 2013.
- 4.2. This report will agree the budget virements for the General Fund, Housing Revenue Account capital programme and Decent Neighbourhoods capital budgets from the previously approved budget to revised budget in quarter 2.
- 4.3. The net proposed decrease to the Council wide capital programme for the year is £22.2m (table 1). This decrease is primarily attributable to a number of capital budget virements as detailed in section 6 for each service. The **Capital Financing Requirement** is projected to be **£80.2m** by the end of the year.

## **5. COUNCIL CAPITAL PROGRAMME**

- 5.1. Table 1 below summarises the proposed revisions to the 2013/14 Council wide capital programmes (details in appendix 1).

**Table1: Budget Virements to Quarter 2 2013/14**

Service Area	Original Budget	Quarter 1 Revised Budget	Slippage	Additions/ (Reduction)	Quarter 2 Revised Budget	Net Movement
		[a]	[b]	[c]	[a+b+c]	[b+c]
	£m	£m	£m	£m	£m	£m
Children's Services	51.2	70.0	(4.5)	0.7	66.2	(3.8)
Adult Social Care Services	2.1	2.7		0.3	3.0	0.3
Transport and Technical Services	10.5	15.6		0.1	15.7	0.1
Finance and Corporate Services	0.8	0.9			0.9	-
Environment, Leisure and Resident's Services	0.5	2.2		0.5	2.7	0.5
Libraries		0.9			0.9	-
<b>Sub-total - General Fund</b>	<b>65.1</b>	<b>92.3</b>	<b>(4.5)</b>	<b>1.6</b>	<b>89.4</b>	<b>(3.0)</b>
Decent Neighbourhoods	27.6	35.7	(12.2)	(1.0)	22.6	(13.1)
Housing (HRA)	37.0	41.3	(8.0)	1.9	35.1	(6.2)
<b>Sub-total - Housing</b>	<b>64.6</b>	<b>77.0</b>	<b>(20.2)</b>	<b>0.9</b>	<b>57.7</b>	<b>(19.3)</b>
<b>Total</b>	<b>129.7</b>	<b>169.3</b>	<b>(24.7)</b>	<b>2.4</b>	<b>147.0</b>	<b>(22.2)</b>

## 6. CAPITAL BUDGET VIREMENT ANALYSIS

### 6.1. Childrens' Services

The budget movement from quarter 1 is a net decrease of £3.8m in quarter 2. This is accounted for by the re-profiling of the Lyric Theatre project by £4.5m and an addition of £0.7m in the devolved capital to schools programme.

### 6.2. Adult Social Care

A net budget increase of £0.3m is reported in quarter 2. This is due to an additional project White City Collaborative Care being added to 2013/14 capital programme. This project is financed from ASC revenue contributions.

### 6.3. Transport and Technical Services

The budget movement from quarter 1 is a net increase in quarter 2 of £0.1m. The details of the budget movements are shown in the appendix to this report. An addition of Section 106 private developer contributions of £0.4m in quarter 2. Transport for London externally funded schemes have been pre-profiled by £0.2m in quarter 2.

### 6.4. Environment, Leisure and Residents Services

The budget movement from quarter 1 is a net increase in quarter 2 of £0.5m. The details of the budget movements are shown in the appendix to this report.

6.5. Decent Neighbourhoods

The budget movement from quarter 1 to quarter 2 is a net decrease of £13.1m and is primarily due to slippage in expenditure on the original prudent cost forecasts for the new Housing Development Programme, Earls Court and Fulham Court. The details of the budget movements are shown in the appendix to this report.

6.6. Housing Revenue Account

A net decrease of £6.2m is reported in quarter 2 giving a revised budget of £35.1m. The details of the budget movements are shown in the appendix to this report.

## 7. **VAT RISKS AND IMPLICATIONS**

7.1 The capital programme as presented in February 2013 reported that the Council is at risk of breaching its VAT partial exemption threshold. This is largely as a consequence of capital projects. A breach now looks increasingly likely and HMRC have been informed in order for the Council to gain the mitigation available. The mitigation requires the Council to manage its partial exemption position against the agreed level of breach over the next 3 years. In the unlikely event that mitigation is not applied the Council would be unable to reclaim any VAT on its exempt activities which could represent a cost of approximately £3m in the year of a breach.

7.2 In view of the above risk, the following policy is to be adopted to aid the management of the Partial Exemption position:

- Projects should be 'opted-to-tax' where this option is available and is of no financial disadvantage to the Council.
- If an option-to tax is unavailable it is advised that any avoidable, new projects in 13/14 incurring exempt VAT are deferred for the present time.
- In addition there is only limited room in the 14/15 (and future years) partial exemption forecasts. Therefore, new or re-profiled projects for 14/15 incurring exempt VAT will need to be agreed with the Corporate VAT team.
- In all cases the VAT team should be consulted in advance in order that the forecasts can be updated and re-checked against limits.

## 8. **CONSULTATION**

8.1. Not applicable.

## 9. **EQUALITY IMPLICATIONS**

9.1. There are no equality implications relevant to this report.

## **10. LEGAL IMPLICATIONS**

10.1. There are no legal implications relevant to this report.

## **11. FINANCIAL AND RESOURCES IMPLICATIONS**

11.1. This report is of a financial nature and has been approved by the Bi-Borough Director of Finance (LBHF).

## **12. RISK MANAGEMENT**

12.1. Not applicable.

## **13. PROCUREMENT AND IT STRATEGY IMPLICATIONS**

13.1. Not applicable.

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

<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext of holder of file/copy</b>	<b>Department/ Location</b>
1.	Capital Budget monitoring papers	Jade Cheung (telephone number 0208 753 3374)	Corporate Finance 2 <sup>nd</sup> Floor HTH ext.

### **LIST OF APPENDICES:**

#### **Appendix 1 – Capital budget variations:**

For General Fund, Children's Services, Adult Social Care, Transport & Technical Services, Finance and Corporate Services, Environment, Leisure and Residents Services, Libraries, Decent Neighbourhoods and Housing Revenue Account Capital Programmes

## APPENDIX 1

### General Fund – Summary Capital Monitor

	2013/14 Budget at Budget Council	Revised Budget 2013/14 (at Quarter 1)	Slippage	Additions/ (Reductions) / Transfers	Revised Budget 2013/14 (at Quarter 2)
<b>Schemes</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Children's Services	51,165	69,989	(4,500)	700	66,189
Adult Social Care	2,054	2,708		269	2,977
Transport & Technical services	10,536	15,553		117	15,670
Finance and Corporate Services	750	900			900
Environment, Leisure and Residents Services	500	2,205		456	2,661
Libraries		912			912
<b>Total</b>	<b>65,005</b>	<b>92,267</b>	<b>(4,500)</b>	<b>1,542</b>	<b>89,309</b>

### Children's Services

	2013/14 Budget at Budget Council	Revised Budget 2013/14 (at Quarter 1)	Slippage	Additions/ (Reductions)/ Transfers	Revised Budget 2013/14 (at Quarter 2)
<b>Schemes</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Lyric Theatre Development	12,203	13,884	(4,500)		9,384
Devolved Capital to Schools		11		700	711
Other Capital Schemes		87			87
Schools Organisational Strategy	38,962	56,007			56,007
<b>Total</b>	<b>51,165</b>	<b>69,989</b>	<b>(4,500)</b>	<b>700</b>	<b>66,189</b>

## Adult Social Care Services

	2013/14 Budget at Budget Council	Revised Budget 2013/14 (at Quarter 1)	Slippage	Additions/ (Reductions) / Transfers	Revised Budget 2013/14 (at Quarter 2)
<b>Schemes</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adult Social Care Grant	66	26		4	30
Hostel Improvement Grant		90			90
Supporting Your Choice - Social Care Reform (DoH)	87	87			87
Extra Care New Build Project (Adults PSS grant)	1,451	1,451		(494)	957
Community Capacity Grant				490	490
Wormwood Scrubs Prison		64			64
Disabled Facilities Scheme	450	990			990
White City Collaborative Care project				269	269
<b>Total</b>	<b>2,054</b>	<b>2,708</b>	<b>0</b>	<b>269</b>	<b>2,977</b>

## Transport & Technical Services

	2013/14 Budget at Budget Council	Revised Budget 2013/14 (at Quarter 1)	Slippage	Additions/ (Reductions)/ Transfers	Revised Budget 2013/14 (at Quarter 2)
<b>Schemes</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Footways and Carriageways	2,030	2,030			2,030
Planned Maintenance/DDA Programme	4,340	5,380		(98)	5,282
River Wall Repairs		40			40
Transport For London Schemes	3,466	4,065		(218)	3,847
Installation of Controlled Parking Zones	300	471			471
Replacement of Streetlighting columns	400	547			547
Developer Contribution Funded		2,368		433	2,801
West London Grant		279			279
Fulham Town Hall car park		98			98
Other Capital Schemes		275			275
<b>Total</b>	<b>10,536</b>	<b>15,553</b>	<b>0</b>	<b>117</b>	<b>15,670</b>

## Finance and Corporate Services

	2013/14 Budget at Budget Council	Revised Budget 2013/14 (at Quarter 1)	Slippage	Additions/ (Reductions) / Transfers	Revised Budget 2013/14 (at Quarter 2)
<b>Schemes</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Contribution to Invest to Save Fund	750	750			750
Gresswell Centre		150			150
<b>Total</b>	<b>750</b>	<b>900</b>	<b>0</b>	<b>0</b>	<b>900</b>

## Environment, Leisure and Residents Services

	2013/14 Budget at Budget Council	Revised Budget 2013/14 (at Quarter 1)	Slippages	Additions/ (Reductions) / Transfers	Revised Budget 2013/14 (at Quarter 2)
<b>Schemes</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Parks Expenditure	500	985		(27)	958
Bishops Park		156			156
Shepherds Bush Common Improvements		62		483	545
Recycling		22			22
CCTV		200			200
Fulham Palace Trust project		618			618
Linford Christie Stadium Refurbishment		162			162
<b>Total</b>	<b>500</b>	<b>2,205</b>	<b>0</b>	<b>456</b>	<b>2,661</b>

## Libraries

	2013/14 Budget at Budget Council	Revised Budget 2013/14 (at Quarter 1)	Slippage	Additions/ (Reductions) / Transfers	Revised Budget 2013/14 (at Quarter 2)
<b>Schemes</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Hammersmith Library Refurbishment		912			912
<b>Total</b>	<b>0</b>	<b>912</b>	<b>0</b>	<b>0</b>	<b>912</b>



## Decent Neighbourhoods Capital Programme

Schemes	2013/14 Budget at Budget Council	Revised Budget 2013/14 (at Quarter 1)	Slippage	Additions/ (Reductions)/ Transfers	Revised Budget 2013/14 (at Quarter 2)
EXPENDITURE	£'000	£'000	£'000	£'000	£'000
Watermeadow Court (Demolition Costs)		700			700
248 Hammersmith Grove		600			600
Final decant cost at Watermeadow Court & Edith Summerskill		1,400			1,400
Housing Development Programme Development		5,096	(3,195)		1,901
Fulham Court (development including Childrens Centre)	1,747	1,747	(1,341)		406
Hostel Improvements	1,321	1,321		(1,321)	0
Shop Investments	500	500			500
HRA Debt repayments taken under pooling rules from	9,582	9,582			9,582
Earls Court Project Team	2,128	2,128	(356)	705	2,477
Earls Court Buy Back	10,580	12,630	(7,280)	(350)	5,000
Contributions to Local Housing Company	1,700				0
<b>Total</b>	<b>27,558</b>	<b>35,704</b>	<b>(12,172)</b>	<b>(966)</b>	<b>22,566</b>

## Housing Revenue Account Capital Programme

	2013/14 Budget at Budget Council	Revised Budget 2013/14 (at Quarter 1)	Slippage	Additions/ (Reductions) / Transfers	Revised Budget 2013/14 (at Quarter 2)
<b>Schemes</b>	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>
Supply Initiatives (Major Voids)	2,750	2,750	(1,021)	921	2,650
Energy Schemes	1,284	1,390		201	1,591
Lift Schemes	3,470	5,029	(1,263)	(94)	3,672
Internal Modernisation			500		500
Major Refurbishments	6,409	8,945	(1,730)	1,434	8,649
Preventative Planned Maintenance	14,171	12,184	(4,000)	(637)	7,547
Minor Programmes	7,825	9,067	(505)	(110)	8,452
Decent Homes Partnering	78	838		150	988
CSD/RSD Managed (Adaptations, CCTV)	1,050	1,078			1,078
<b>Total</b>	<b>37,037</b>	<b>41,281</b>	<b>(8,019)</b>	<b>1,865</b>	<b>35,127</b>