

	<p align="center">London Borough of Hammersmith & Fulham</p> <p align="center">Overview & Scrutiny Board 28 January 2014</p>
<p align="center">High Level Capital Budget Monitoring Report, 2013/14 Quarter 2</p>	
<p>Report of the Corporate Director</p>	
<p>Open Report</p>	
<p>Classification: For Information</p>	
<p>Key Decision: No</p>	
<p>Wards Affected: ALL</p>	
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1. EXECUTIVE SUMMARY

- 1.1. **General Fund debt** - as measured by the Capital Financing Requirement (CFR¹) - is currently forecast to be **£80.2m** by the end of 2013/14. This represents a small **decrease** of **£0.6m** compared with the quarter 1 CFR projection of £80.8m.
- 1.2. The General Fund Capital programme for 2013/14 has been revised to **£89.3m** (from £92.3m approved at Quarter 1). This decrease of £3m results from re-profiling of capital budgets from 2013/14 into 2014/15 and future years.
- 1.3. The **Decent Neighbourhoods programme** forecast expenditure is **£22.6m** (from £35.7m expenditure forecast at Quarter 1). The **decrease** in the Decent Neighbourhoods programme of **£13.1m** is primarily due to slippage of expenditure on the original cost forecasts. The surplus on the Decent Neighbourhoods Programme is projected to be **£37.1m** by the end of 2013/14.
- 1.4. The forecast expenditure on the **Housing capital programme (HRA)** is **£35.1m** (from £41.3m forecast at Quarter 1). The change from quarter 1 is primarily due to re-profiling of budgets into future years.

¹ Refer to appendix 6 for a definition of the CFR

- 1.5. The Council is forecasting a breach of its VAT Partial Exemption Threshold in 2013/14 and a risk of a breach in 2014/15 as a consequence of a number of significant capital projects. HMRC have agreed to apply the mitigation available for the 2013/14 breach, provided the Council contains the breach within the forecast provided to the HMRC.

2. INTRODUCTION AND BACKGROUND

- 2.1. This report sets out the latest 2013/14 – 2016/17 capital monitoring position for the Council's debt reduction programme and the General Fund, Decent Neighbourhoods and the Housing capital programmes.
- 2.2. A table summarising the Council capital programme at quarter 2 is included at Appendix 1.

3. GENERAL FUND – DEBT REDUCTION AND CAPITAL PROGRAMME

- 3.1. The CFR is currently forecast to be **£80.2m** by the end of 2013/14. This represents a slight improvement on the position reported at quarter 1 (£80.8m) however it remains £1.8m above the 2012/13 year-end CFR of £78.4m. This forecast in-year increase is largely as a consequence of the slippage of capital receipts into future years (see para 3.5) and a ruling by the government which now limits the ability to transfer housing receipts towards General Fund debt reduction. The programme remains in surplus and the long-term trend for CFR remains downwards (currently forecast to be £51.6m by 2016/17).

Table 1 - Forecast Movement in Capital Financing Requirement (CFR)

	2012/13	2013/14	2014/15	2015/16	2016/17
	<i>Outturn</i>				
	£m	£m	£m	£m	£m
Opening Capital Financing Requirement (CFR)	99.8	78.4	80.2	60.2	60.6
Revenue Repayment of Debt (MRP ²)	(2.3)	(1.4)	(1.5)	(0.7)	(0.7)
Net Impact of Appropriations between General Fund and HRA	0.5	0	0	0	0
Annual (Surplus) in Capital Programme (Table 2)	(19.6)	3.2	(18.5)	1.0	(8.3)
Closing CFR	78.4	80.2	60.2	60.6	51.6
<i>Net Movement from £78.4m</i>	-	1.8	(18.1)	(17.8)	(26.8)

- 3.2. The current expenditure and resources forecast is summarised in table 2 below, with details in appendices 2a to 2f and 3.

Table 2 - General Fund Capital Programme

² Minimum Revenue Provision (MRP)

General Fund	2013/14 Budget Council	2013/14 Q1 Revised Budget	2013/14 Q2 Revised Budget	2014/15	2015/16	2016/17	Appen dix 2
	£m	£m	£m	£m	£m	£m	Ref
Expenditure:							
Children's Services	51.2	70.0	66.2	11.2	0	0	2a
Adult Social Care	2.1	2.7	3.0	1.0	0.5	0.5	2b
Transport & Technical Services	10.5	15.6	15.7	8.8	7.5	7.5	2c
Finance and Corporate Services	0.75	0.9	0.9	1.1	0.8	0.8	2d
Environment, Leisure & Residents Services	0.5	2.2	2.7	0.7	0.7	0.5	2e
Libraries	0	0.9	0.9	0	0	0	2f
Total (1)	65.0	92.3	89.3	22.7	9.4	9.2	
Resources:							
General Fund Receipts	23.7	10.7	11.2	31.1	5.2	14.5	3
Transfer from Decent Neighbourhood's pot	11.3	0	0	0	0	0	
Net capital receipts (2)	35.0	10.7	11.2	31.1	5.2	14.5	
Specific or other funding (3)	48.0	77.8	74.9	10.2	3.2	3.0	
Total (4=2+3)	83.1	88.5	86.1	41.2	8.4	17.5	
Annual (surplus)/deficit (5=1-4)	(18.1)	3.8	3.2	(18.5)	1.0	(8.3)	Table 1

3.3. The General Fund Capital programme for 2013/14 has been revised to **£89.3m** (from £92.3m approved at Quarter 1). The decrease of **£3m** results from re-profiling of capital budgets from 2013/14 into 2014/15 and future years. Projections have also been refined based on updated information received from budget managers.

3.4. The additional use of capital receipts is forecast for one new project. This has not yet been included in Quarter 2 figures until formal approval is given for the £50,000 over the coming weeks.

3.5. General Fund capital receipts for 2013/14 are currently forecast at **£11.2m**. There has been an increase of £0.5m compared with the previous Quarter 1 projection of £10.7m. Just over £1m in capital receipts has been realised at the end of Quarter 2. The four-year forecast for capital receipts is provided in Appendix 3.

4. DECENT NEIGHBOURHOODS PROGRAMME

4.1. The **Decent Neighbourhoods programme** forecast expenditure is **£22.6m** (from £35.7m expenditure forecast for Quarter 1). The **decrease** in the Decent Neighbourhoods programme of **£13.1m** 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 Business Plan for the Housing Development Programme was approved by Cabinet on 24 June 2013. The Council has identified a pipeline of 16 sites to deliver 100 Discounted Market Sales (DMS) and 33 private homes in

the next 4 years. The Programme will generate 20% return on capital over the period.

- 4.2. Table 3 summarises the 2013/14 Decent Neighbourhoods capital programme for Quarter 2 with details shown in Appendix 5. The programme objectives are to support the delivery of the Council's Housing Strategy "*Building a Housing Ladder of Opportunity*" including; direct housing development to deliver additional low cost home ownership opportunities; the regeneration of housing estates and the creation of more mixed and balanced 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.
- 4.3. There is an overall forecast cumulative surplus in resources of **£37.1m** at the end of 2013/14 which reduces to £24.1m by the end of 2016/17. This balance is being held against the risk of high levels of leaseholder and freeholder buy backs on Earls Court. It is also net of £9.6m of set aside to repay housing debt as it matures in 2013/14 in accordance with the HRA financial strategy with a further £21.2m being set aside to repay housing debt in the following three years through to 2016/17.

Table 3 - Decent Neighbourhoods Programme

Decent Neighbourhoods Summary	2013/14 Quarter 1 Revised Budget	2013/14 Quarter 2 Revised Budget	2014/15 Budget	2015/16 Budget	2016/17 Budget	Appx 1 Ref
	£m	£m	£m	£m	£m	
Forecast Expenditure Budget	35.7	22.6	29.1	29.0	9.7	A
Net total resources	(40.3)	(39.2)	(10.5)	(23.6)	(21.7)	I
Annual (surplus)/deficit (approved schemes)	(4.6)	(16.6)	18.6	5.4	(12.0)	J
Schemes under consideration: Forecast expenditure	1.7		2.0	(1.0)		K
Annual (Surplus)/deficit	(2.9)	(16.6)	20.6	4.4	(12.0)	L
Balance brought forward	(20.5)	(20.5)	(37.1)	(16.5)	(12.1)	B
Cumulative Total (Surplus)/deficit	(23.4)	(37.1)	(16.5)	(12.1)	(24.1)	M

5. HOUSING CAPITAL PROGRAMME

- 5.1. The Housing Revenue Account Capital Programme seeks to meet the ongoing investment needs of the Council's owned and managed housing stock. It does not include specific programmes such as Earls Court or the Housing Development Programme which are included in the Decent Neighbourhoods Programme. The current year position of the Housing capital programme is summarised in Table 4.

Table 4 - Summary of the 2013/14 Housing Capital Programme

	Quarter 1 Revised Budget 2013/14 £m	Additions and Reductions £m	Reprofiling to 2014/15 £m	Quarter 2 Revised Budget 2013/14 £m	Variance £m
Expenditure	41.3	1.8	(8.0)	35.1	0
Resources	(41.3)	(1.8)	8.0	(35.1)	0
Forecast (Surplus) /Deficit	0	0	0	0	0

- 5.2. Budget Council on 27th February 2013 approved a funding envelope of £37m for the 2013/14 housing capital programme. A further report to Cabinet on 8th April 2013 provided more detail on the projects and schemes to be included.
- 5.3. The revised budget as at Quarter 2 is £35.1m.
- 5.4. The budget for hostel refurbishment, funded from receipts generated from the sale of surplus hostels and previously reported via the Decent Neighbourhoods Programme, is now included within the HRA Capital Programme (Supply). This is presented as an addition to the programme albeit much of the resources have been re-profiled to 2014/15.
- 5.5. Members have previously been notified that the realisation of leasehold income is not straight-forward and there continues to be a risk that income targets will not be met. Given this risk Finance and Corporate Services are liaising with Housing and Regeneration Department to regularly review and monitor the level of leasehold contributions generated. As at end of September 2013 major works payments totalling £1.8m have been received to add to the existing balance of £1.26m.
- 5.6. Appendix 4 provides a more detailed breakdown of the expenditure programme and resource assumptions.

6. VAT RISKS AND IMPLICATIONS

- 6.1. As previously reported the capital programme for 2013/14 will cause the Council to breach its VAT partial exemption threshold for 2013/14 and there remains a risk there will be a further breach in 2014/15. HMRC have agreed to the mitigation to allow the breach for 2013/14, provided the Council remain within the forecast as at July 2013.
- 6.2. In the unlikely event that the Council do not meet the terms of its mitigation, 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 breach³. Officers are working to manage the 2014/15 position back to within the allowable threshold, and the future position is being monitored.

³ Based on expenditure on VAT exempt activities of £15m which could be considered as a worst case scenario.

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 including Budget Council Report – 4 Year Capital Programme 2013/14 to 2016/17 (dated 27 th February 2013)	Jade Cheung ext. 3374	Finance Dept., 2 nd Floor, Hammersmith Town Hall Extension

LIST OF APPENDICES:

Appendix 1 - Council Capital Programme (Decent Neighbourhoods, General Fund & HRA)

Appendices 2a to 2f - General Fund Services

Appendix 2a - Children's Services

Appendix 2b - Adult Social Care

Appendix 2c - Transport & Technical Services

Appendix 2d - Finance and Corporate Governance

Appendix 2e - Environment, Leisure and Residents Services

Appendix 2f - Libraries

Appendix 3 - General Fund Capital Receipts

Appendix 4 - Housing Capital Programme (HRA)

Appendix 5 - Decent Neighbourhoods Programme (Housing & Regeneration)

Appendix 6 - The Capital Financing Requirement (CFR)

Capital Budget Monitor Appendices – Quarter 2 at 30th September 2013

Appendix 1 Council Capital Programme (Decent Neighbourhoods, General Fund & HRA)

Capital Expenditure	Original Budget 2013/14	Revised Budget 2013/14 Q1	Revised Budget 2013/14 Q2	Indicative Budget 2014/15	Indicative Budget 2015/16	Indicative Budget 2016/17
	£'000	£'000	£'000	£'000	£'000	£'000
Children's Services	51,165	69,989	66,189	11,233	-	-
Adult Social Care	2,054	2,708	2,977	954	450	450
Transport & Technical Services	10,536	15,553	15,670	8,794	7,494	7,494
Finance & Corporate Governance	750	900	900	1,058	750	750
Environment, Leisure & Residents Services	500	2,205	2,661	700	692	500
Libraries		912	912			
Sub-total	65,005	92,267	89,309	22,739	9,386	9,194
Housing Services (Housing Revenue Account only)	37,037	41,281	35,127	46,957	43,604	42,281
Decent Neighbourhoods projects	27,558	35,704	22,566	29,057	29,012	9,732
Total Capital Programme	129,600	169,252	147,002	98,753	82,002	61,207
Capital Financing						
Capital grants from central government departments (inc SCE(C))	35,100	59,173	59,893	2,272	-	-
Grants and contributions from private developers and from leaseholders, etc.	7,838	13,669	13,344	4,824	4,674	4,014
Grants and contributions from non-departmental public bodies	6,000	6,618	2,118	4,500	-	-
Capital funding from GLA bodies	4,466	5,305	5,087	2,264	2,264	2,264
Use of capital receipts to finance capital expenditure	59,746	65,599	52,663	62,164	54,505	32,444
Capital expenditure financed from the Housing Revenue Account	15,717	15,717	-	192	1,132	2,266
Capital expenditure financed by the Major Repairs Reserve (MRR) / Major Repairs Allowance (MRA)	-	1,762	12,217	21,620	18,727	19,519
Capital expenditure financed from the General Fund Revenue Account	733	978	549	917	700	700
Use of LBHF reserves	-	431	1,131	-	-	-
Total Capital Financing	129,600	169,252	147,002	98,753	82,002	61,207

Appendix 2a Children's Services

CHILDREN'S SERVICES CAPITAL PROGRAMME									
Schemes	Revised Budget 2013/14 (at Quarter 1)	Slippages from/(to) future years	Additions/ (Reductions) / Transfers	Transfers/ Virements	Revised Budget 2013/14 (at Quarter 2)	2013/14 Expenditure to date	2014/15 Budget	2015/16 Budget	2016/17 Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Lyric Theatre Development	13,884	(4,500)			9,384	1,595	4,717		
Devolved Capital to Schools	11		700		711	712			
Other Capital Schemes	87				87	24			
Schools Organisational Strategy	56,007				56,007	2,992	6,516		
Total	69,989	(4,500)	700	0	66,189	5,322	11,233	0	0
FINANCING SUMMARY									
Capital receipts	4,268				4,268		4,748		
Specific or other funding	65,721	(4,500)	700		61,921	5,322	6,485		
Total	69,989	(4,500)	700	0	66,189	5,322	11,233	0	0

Appendix 2b Adult Social Care Services

ADULT SOCIAL CARE SERVICES CAPITAL PROGRAMME									
Schemes	Revised Budget 2013/14 (at Quarter 1)	Slippages from/(to) future years	Additions/ (Reductions) / Transfers	Transfers/ Virements	Revised Budget 2013/14 (at Quarter 2)	2013/14 Expenditure to date	2014/15 Budget	2015/16 Budget	2016/17 Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care Grant	26			4	30	30			
Hostel Improvement Grant	90				90				
Supporting Your Choice - Social Care Reform (DoH)	87				87				
Wormwood Scrubs Prison	64				64				
Extra Care New Build project (Adults' Personal Social Services Grant)	1,451		(494)		957				
Community Capacity Grant			494	(4)	490		504		
Disabled Facilities Scheme	990				990	287	450	450	450
White City Collaborative Care project			269		269				
Total	2,708	0	269	0	2,977	317	954	450	450
FINANCING SUMMARY									
Capital receipts	616				616		450	450	450
Specific or other funding	2,092		269		2,361	317	504		
Total	2,708	0	269	0	2,977	317	954	450	450

Appendix 2c Transport & Technical Services

TRANSPORT & TECHNICAL SERVICES CAPITAL PROGRAMME									
Schemes	Revised Budget 2013/14 (at Quarter 1)	Slippages from/(to) future years	Additions/ (Reductions) / Transfers	Transfers/ Virements	Revised Budget 2013/14 (at Quarter 2)	2013/14 Expenditure to date	2014/15 Budget	2015/16 Budget	2016/17 Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Footways and Carriageways	2,030				2,030	840	2,030	2,030	2,030
Planned Maintenance/DDA Programme	5,380		(98)		5,282	579	3,800	2,500	2,500
River Wall Repairs	40				40				
Transport For London Schemes	4,065		(218)		3,847	1,227	2,264	2,264	2,264
Parking Reserve/ Revenue Contributions	1,018				1,018	89	700	700	700
Developer Contribution Funded	2,368		433		2,801	583			
West London Grant	279				279	56			
Fulham Town Hall car park	98				98	98			
Other Capital Schemes	275				275	135			
Total	15,553	0	117	0	15,670	3,607	8,794	7,494	7,494
FINANCING SUMMARY									
Capital receipts	7,548		(98)		7,450	1,517	5,830	4,530	4,530
Specific or other funding	8,005		215		8,220	2,090	2,964	2,964	2,964
Total	15,553	0	117	0	15,670	3,607	8,794	7,494	7,494

Appendix 2d Finance and Corporate Governance

FINANCE & CORPORATE GOVERNANCE CAPITAL PROGRAMME									
Schemes	Revised Budget 2013/14 (at Quarter 1)	Slippages from/(to) future years	Additions/ (Reductions) / Transfers	Transfers/ Virements	Revised Budget 2013/14 (at Quarter 2)	2013/14 Expenditure to date	2014/15 Budget	2015/16 Budget	2016/17 Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Contribution to Invest to Save Fund	750				750		750	750	750
Edward Woods Community Centre	150				150		308		
Total	900	0	0	0	900	0	1,058	750	750
FINANCING SUMMARY									
Capital receipts	900				900		1,058	750	750
Total	900	0	0	0	900	0	1,058	750	750

Appendix 2e

Environment, Leisure and Residents Services

ELRS CAPITAL PROGRAMME									
Schemes	Revised Budget 2013/14 (at Quarter 1)	Slippages from/(to) future years	Additions/ (Reductions) / Transfers	Transfers/ Virements	Revised Budget 2013/14 (at Quarter 2)	2013/14 Expenditure to date	2014/15 Budget	2015/16 Budget	2016/17 Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Parks Expenditure	985		(27)		958	112	500	500	500
Bishops Park	156				156	24			
Shepherds Bush Common Improvements	62		483		545	196			
Recycling	22				22				
CCTV	200				200	68	200	192	
Fulham Palace Trust	618				618	617			
Linford Christie Stadium Refurbishment	162				162	14			
Total	2,205	0	456	0	2,661	1,031	700	692	500
FINANCING SUMMARY									
Capital receipts	1,161				1,161	675	500	500	500
Specific or other funding	1,044		456		1,500	356	200	192	
Total	2,205	0	456	0	2,661	1,031	700	692	500

Appendix 2f

Libraries Services

LIBRARIES CAPITAL PROGRAMME									
Schemes	Revised Budget 2013/14 (at Quarter 1)	Slippages from/(to) future years	Additions/ (Reductions)/ Transfers	Transfers/ Virements	Revised Budget 2013/14 (at Quarter 2)	2013/14 Expenditure to date	2014/15 Budget	2015/16 Budget	2016/17 Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Hammersmith Library Refurbishment	912				912	35			
Total	912	0	0	0	912	35	0	0	0
FINANCING SUMMARY									
Capital receipts									
Specific or other funding	912				912	35			
Total	912	0	0	0	912	35	0	0	0

Appendix 3 General Fund Capital Receipts

Year	Forecast Outturn at Quarter 2
2013/14	
Total 2013/14	11,151
2014/15	
Total 2014/15	31,069
2015/16	
Total 2015/16	5,210
2016/17	
Total 2016/17	14,495
Total All Years	61,925

Appendix 4 Housing Capital Programme (HRA)

HOUSING CAPITAL PROGRAMME (HRA)									
Schemes	Revised Budget 2013/14 (at Quarter 1)	Slippages from/(to) future years	Additions/ (Reductions) / Transfers	Transfers/ Virements	Revised Budget 2013/14 (at Quarter 2)	2013/14 Expenditure to date	2014/15 Budget	2015/16 Budget	2016/17 Budget
	£ '000	£'000	£'000	£'000	£'000	£ '000	£ '000	£ '000	£ '000
Supply Initiatives (Major Voids)	2,750	(1,021)	1,321	(400)	2,650		2,521	1,500	1,500
Energy Schemes	1,390			201	1,591	275	3,521	3,641	3,658
Lift Schemes	5,029	(1,263)	(197)	103	3,672	414	5,847	5,668	5,513
Internal Modernisation		500			500	0	2,361	2,301	2,600
Major Refurbishments	8,945	(1,730)	(1,838)	3,272	8,649	1,301	5,546	2,225	9,225
Preventative Planned Maintenance	12,184	(4,000)	950	(1,587)	7,547	70	18,377	20,007	12,028
Minor Programmes	9,067	(505)	797	(907)	8,452	640	7,734	7,212	6,707
Decent Homes Partnering	838		(474)	624	988	65			
CSD/RSD Managed (Adaptations, CCTV)	1,078				1,078	512	1,050	1,050	1,050
Rephasing and reprogramming			1,306	(1,306)	0				
Total	41,281	(8,019)	1,865	0	35,127	3,277	46,957	43,604	42,281
FINANCING SUMMARY									
Capital Receipts	15,402	(1,021)	1,321		15,702		20,521	19,263	16,482
Major Repairs Reserve	17,829	(5,984)	372		12,217	812	21,624	18,727	19,519
Revenue Contributions					0		192	1,132	2,266
Leasehold & Other External Contributions	7,442	(1,014)	52		6,480	1,737	4,624	4,482	4,014
Grants	608		120		728	728			
Total	41,281	(8,019)	1,865	0	35,127	3,277	46,961	43,604	42,281

Appendix 5 Decent Neighbourhoods Programme

DECENT NEIGHBOURHOODS PROGRAMME								
Line	Schemes	2013/14 Budget Q1 Forecast	Slippage	Additions/ (Reductions)	2013/14 Budget Q2 Forecast	2014/15 Budget	2015/16 Budget	2016/17 Budget
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	EXPENDITURE:							
	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 costs	5,096	(3,195)		1,901	11,485	13,061	935
	Fulham Court (development including Childrens Centre)	1,747	(1,341)		406	1,920		
	Hostel Improvements	1,321		(1,321)				
	Shop Investments	500			500			
	HRA Debt repayments taken under pooling rules from receipts	9,582			9,582	2,414	13,020	5,866
	Earls Court Project Team	2,128	(356)	705	2,477	3,238	2,931	2,931
	Earls Court Buy Back	12,630	(7,280)	(350)	5,000	10,000		
A	Total	35,704	(12,172)	(966)	22,566	29,057	29,012	9,732
	FORECAST RESOURCES:							
B	Brought Forward Resources	(20,495)			(20,495)	(37,134)	(16,517)	(12,146)
C	Expensive Dwellings Voids sales	(41,000)			(41,000)	(30,000)	(30,000)	(20,000)
	248 Hammersmith Grove	(1,385)		(365)	(1,750)			
	282 Goldhawk Road	(10,000)			(10,000)			
	William Thompson Memorial			(905)	(905)			
	Fulham Court							
D	Other Sales	(11,385)	0	(1,270)	(12,655)	0	0	0
E1	Earls Court	(316)		316	0			
E2	Housing Development Programme Capital Receipts	(2,371)	1,672		(699)	(2,610)	(12,904)	(18,209)
F	HRA Shops	(643)			(643)			
G (C+D+E1+E2+F)	Total Resources (excl. b/fd & pre transfers)	(55,715)	1,672	(954)	(54,997)	(32,610)	(42,904)	(38,209)
	Resource Transfers							
	Capital Investment for existing HRA stock	15,402	(1,021)	1,321	15,702	20,521	19,263	16,482
	Hostel Grant (Lime Grove)		90		90			
	Deferred cost of disposal (max 4%)					1,600		
H	Total Resource Transfers	15,402	(931)	1,321	15,792	22,121	19,263	16,482
I (G+H)	Net Total Resources	(40,313)	741	367	(39,205)	(10,489)	(23,641)	(21,727)
J (A+I)	Annual (surplus)/deficit (approved schemes only)	(4,609)	(11,431)	(599)	(16,639)	18,568	5,371	(11,995)
	SCHEMES UNDER CONSIDERATION							
	Pilot voids improvement project					1,049		
	Decant Cedame Rd/ Fulham Town Hall	1,000		(1,000)		1,000	(1,000)	
	Earls Court Contingency	670		(670)				
K	Total	1,670	0	(1,670)	0	2,049	(1,000)	0
L (J+K)	Annual (Surplus)/Deficit	(2,939)	(11,431)	(2,269)	(16,639)	20,617	4,371	(11,995)
M (B+L)	Cumulative Total (Surplus)/Deficit	(23,434)	(11,431)	(2,269)	(37,134)	(16,517)	(12,146)	(24,141)

Appendix 6 The Capital Financing 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.

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.