


<b>London Borough of Hammersmith &amp; Fulham</b>  <b>Cabinet</b>  <b>5 February 2018</b>		 hammersmith & fulham
<b>CAPITAL PROGRAMME MONITOR &amp; BUDGET VARIATIONS, 2017/18 (THIRD QUARTER)</b>		
<b>Report of the Cabinet Member for Finance – Councillor Max Schmid</b>		
<b>Open Report</b>		
<b>Classification:</b> FOR DECISION <b>Key Decision:</b> Yes		
<b>Wards Affected:</b> ALL		
<b>Accountable Director:</b> Hitesh Jolapara, Strategic Finance Director		
<b>Report Author:</b> Andrew Lord, Head of Strategic Planning and Monitoring		<b>Contact Details:</b> Tel: 0208 753 2531 Email: <a href="mailto:Andrew.lord@lbhf.gov.uk">Andrew.lord@lbhf.gov.uk</a>

## 1. EXECUTIVE SUMMARY

- 1.1. This report provides a financial update on the Council's Capital Programme and seeks approval for budget variations, as at the end of the third quarter, amounting to a net decrease of **£22.8m**. This decrease is primarily due to expenditure slippage to future years.
- 1.2. The programme includes the following changes:
- £4.7m of Section 106 (S106) contributions be used to fund expenditure on Street Lighting (LED replacement) and Parking (phone payment and pay and display replacement). This would replace funding from the Efficiency Project Reserve.
  - The annual rolling programme of £0.5m for Parks be met from S106 resources to reduce internal or external borrowing which would otherwise be needed to fund this expenditure.
- 1.3. These proposals have been reflected in the Capital Programme Monitor (third quarter) report.
- 1.4. The Government's new Flexible Use of Capital receipts provisions came into force in April 2016 (detailed guidance in Appendix 5) and mean that the Council can opt to make use of up to £7.1m of capital receipts to fund Invest to Save schemes. However, this would come at revenue cost of £32k per £1m capitalised. A final decision on whether or not to make use of this flexibility will be delegated to the Strategic Finance Director, in

consultation with the Cabinet Member for Finance, as part of the closure of the 2017/18 Accounts process.

## 2. RECOMMENDATIONS

- 2.1. To approve the proposed budget variations to the capital programme totalling **£22.8m** (summarised in Table 1 and detailed in Appendix 2).
- 2.2. To approve use of S106 contributions to fund £4.7m expenditure on Street Lighting (LED replacement) and Parking (phone payment and pay and display replacement) which would be otherwise funded from the Efficiency Project Reserve.
- 2.3. To approve use of S106 contributions to fund £0.5m Parks 2017/18 rolling programme.
- 2.4. To note the option to apply capital receipts under the new Flexible Use of Capital Receipts provisions to fund £7.1m of Invest to Save schemes (as identified in Appendix 5).

## 3. REASONS FOR DECISION

- 3.1. This report seeks revisions to the Capital Programme which require the approval of Cabinet in accordance with the Council's financial regulations.

## 4. CAPITAL PROGRAMME 2017-18 – Q3 OVERVIEW

- 4.1. The Council's capital programme as at the end of the third quarter 2017/18 – including proposed variations – is summarised in Table 1 below. A full analysis of elements of the programme funded from internal Council resource is included in section 6.

**Table 1 – LBHF Capital Programme 2017-22 with proposed 2017/18 Q3 Variations**

	Analysis of Movements (Revised budget to Q3)						Indicative Future Years Analysis				
	2017/18 Revised Budget (Q2)	Slippages from/(to) future years	Addition/(Reduction)	Transfers	Total Variations (Q3)	Revised Budget 2017/18 (Q3)	2018/19	2019/20	2020/21	2021/22	Total Budget (All years)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>CAPITAL EXPENDITURE</b>											
Children's Services	29,415	250	(8,207)	-	(7,957)	21,458	19,800	300	-	-	41,558
Adult Social Care	1,782	(20)	-	-	(20)	1,762	20	937	-	-	2,719
Environmental Services	22,444	(3,960)	359	-	(3,601)	18,843	15,417	10,778	7,208	7,208	59,454
Libraries	285	-	(285)	-	(285)	-	-	-	-	-	-
General Fund Schemes under Housing management	1,782	-	-	-	-	1,782	2,050	950	450	450	5,682
<b>Sub-total (Non-Housing)</b>	<b>55,708</b>	<b>(3,730)</b>	<b>(8,133)</b>	<b>-</b>	<b>(11,863)</b>	<b>43,845</b>	<b>37,287</b>	<b>12,965</b>	<b>7,658</b>	<b>7,658</b>	<b>109,413</b>
HRA Programme	40,130	(6,967)	-	-	(6,967)	33,163	45,540	34,126	34,065	25,390	172,284
Decent Neighbourhoods Programme	20,048	(3,700)	(247)	-	(3,947)	16,101	30,583	23,676	16,875	6,632	93,867
<b>Sub-total (Housing)</b>	<b>60,178</b>	<b>(10,667)</b>	<b>(247)</b>	<b>-</b>	<b>(10,914)</b>	<b>49,264</b>	<b>76,123</b>	<b>57,802</b>	<b>50,940</b>	<b>32,022</b>	<b>266,151</b>
<b>Total Expenditure</b>	<b>115,886</b>	<b>(14,397)</b>	<b>(8,380)</b>	<b>-</b>	<b>(22,777)</b>	<b>93,109</b>	<b>113,410</b>	<b>70,767</b>	<b>58,598</b>	<b>39,680</b>	<b>375,564</b>
<b>CAPITAL FINANCING</b>											
<b>Specific/External Financing:</b>											
Government/Public Body Grants	22,390	299	(8,110)	83	(7,728)	14,662	8,061	3,464	2,157	2,447	30,791
Developers Contributions (S106)	15,834	(545)	329	5,158	4,942	20,776	9,285	1,200	16,950	-	48,211
Leaseholder Contributions (Housing)	7,385	-	(741)	-	(741)	6,644	4,390	3,860	4,048	3,460	22,402
<b>Sub-total - Specific Financing</b>	<b>45,609</b>	<b>(246)</b>	<b>(8,522)</b>	<b>5,241</b>	<b>(3,527)</b>	<b>42,082</b>	<b>21,736</b>	<b>8,524</b>	<b>23,155</b>	<b>5,907</b>	<b>101,404</b>
<b>Mainstream Financing (Internal):</b>											
Capital Receipts - General Fund	7,071	-	-	(54)	(54)	7,017	1,920	8,050	1,920	1,920	20,827
Capital Receipts - Housing*	20,111	(2,227)	792	-	(1,435)	18,676	24,538	13,024	8,965	4,495	69,698
Revenue funding - General Fund	468	(69)	-	(83)	(152)	316	521	521	521	521	2,400
Revenue Funding - HRA	4,564	-	(4,464)	-	(4,464)	100	4,563	9,700	5,172	5,000	24,535
Major Repairs Reserve (MRR) [Housing]	17,716	-	3,814	-	3,814	21,530	16,165	15,797	15,805	16,546	85,843
Earmarked Reserves (Revenue)	4,747	-	-	(4,658)	(4,658)	89	-	-	-	-	89
<b>Sub-total - Mainstream Funding</b>	<b>54,677</b>	<b>(2,296)</b>	<b>142</b>	<b>(4,795)</b>	<b>(6,949)</b>	<b>47,728</b>	<b>47,707</b>	<b>47,092</b>	<b>32,383</b>	<b>28,482</b>	<b>203,392</b>
Internal Borrowing	15,600	(11,855)	-	(446)	(12,301)	3,299	43,967	15,151	3,060	5,291	70,768
<b>Total Capital Financing</b>	<b>115,886</b>	<b>(14,397)</b>	<b>(8,380)</b>	<b>-</b>	<b>(22,777)</b>	<b>93,109</b>	<b>113,410</b>	<b>70,767</b>	<b>58,598</b>	<b>39,680</b>	<b>375,564</b>

\*Capital Receipts include use of brought forward Housing receipts

- 4.2. A net variation to the 2017/18 programme of **(£22.8m)** is proposed, decreasing total budgeted expenditure from £115.9m to £93.1m. This is made up of:
- Expenditure slippage of £14.4m to later years (largest schemes being Hammersmith Town Hall Refurbishment £1.5m, Corporate Planned Maintenance Schemes £1.9m and Housing schemes £10.7m)
  - Reduction of £8.2m in Schools Organisation Strategy budgets in relation to external funding received but not yet devolved to any specific capital projects

A detailed analysis of proposed variations for approval is included at Appendix 2.

## 5. CAPITAL FINANCE REQUIREMENT (CAPITAL DEBT)

- 5.1. The Capital Finance Requirement (CFR) measures the Council's long-term indebtedness. The current forecast for the General Fund Headline<sup>1</sup> CFR is shown in Table 2 below. The current HRA CFR forecast is shown in Table 3.
- 5.2. The forecast closing 2017/18 General Fund CFR (excluding Schools Windows borrowing) is £0.19m lower than at the start of the year.
- 5.3. As part of the 2018/19 Capital Programme Report it will be proposed that the MRP calculations will be changed to better reflect the asset life of the Council's assets. This will reduce MRP charge from 4% to 3.24% and will be applied from 2017/18 onwards. The estimated revenue savings through decreased Minimum Revenue Provision (MRP) payments will be £0.35m over the next five years. The forecast increase in the CFR to 2021/22 is £13.5m. This may create a general fund revenue pressure of up to £0.48m.

**Table 2 – General Fund CFR at Q3 2017-18 (including future years forecast)**

General Fund CFR Forecast	2016/17 Actual £m	2017/18 Forecast £m	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m	2021/22 Forecast £m
Closing CFR (Including DSG-funded Schools Windows borrowing)	50.82	53.79	76.53	74.23	76.14	78.00
Closing CFR (Excluding DSG-funded Schools Windows borrowing)	47.25	47.06	56.98	55.47	58.13	60.70

**Table 3 – HRA CFR at Q3 2017-18 (including future years forecast)**

HRA CFR Forecast	2016/17 Actual £m	2017/18 Forecast £m	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m	2021/22 Forecast £m
Closing Forecast HRA CFR (excluding deferred costs of disposal)	204.84	204.84	225.68	240.83	240.83	243.06
Deferred Costs of Disposal	5.83	6.47	7.38	8.26	9.17	10.24
Closing Forecast HRA CFR (including deferred costs of disposal)	210.68	211.31	233.05	249.09	250.00	253.30

- 5.4. The General Fund CFR remains heavily dependent on the timing and certainty of capital receipts forecasts. The CFR is furthermore sensitive to any transfer of assets between the HRA and the General Fund (a process known as 'appropriation').
- 5.5. The Council is also reviewing how it can most effectively deliver the future efficiency programme and meet challenges such as the Managed Services replacement.
- 5.6. Housing CFR contains deferred costs of disposals mainly related to Earls Court project.

<sup>1</sup> Excludes items such as finance leases and PFIs, funded through revenue budgets.

## 6. GENERAL FUND – MAINSTREAM PROGRAMME AND CAPITAL RECEIPTS

6.1. The General Fund mainstream programme cuts across the departmental programmes and represents schemes which are funded from internal Council resource – primarily capital receipts. The mainstream programme is summarised in Table 4 below.

**Table 4 – General Fund Mainstream Programme 2017-22 with proposed 2017/18 Q3 Variations**

	Revised Budget (Q2) 2017/18 £'000	Variations (Q3) £'000	Revised Budget 2017/18 (Q3) £'000	Indicative Budget 2018/19 £'000	Indicative Budget 2019/20 £'000	Indicative Budget 2020/21 £'000	Indicative Budget 2021/22 £'000	Total Budget (All years) £'000
<b>Approved Expenditure</b>								
<b>Ad Hoc Schemes:</b>								
Schools Organisation Strategy [CHS] (mainstream element)	765	-	765	25	-	-	-	790
Hammersmith Town Hall Refurbishment (Mainstream Element/CPMP) [ENV]	2,000	(1,500)	500	6,274	1,000	-	-	7,774
Other Capital Schemes [ENV]	4,658		4,658	-	-	-	-	4,658
Carnwath Road [ENV]	-	-	-	-	3,070	-	-	3,070
<b>Rolling Programmes:</b>								
Disabled Facilities Grant [Housing]	673	-	673	450	450	450	450	2,473
Planned Maintenance/DDA Programme [ENV]	3,600	(1,915)	1,685	3,190	1,500	2,500	2,500	11,375
Footways and Carriageways [ENV]	2,762	-	2,762	2,030	2,030	2,030	2,030	10,882
Controlled Parking Zones [ENV]	38	-	38	275	275	275	275	1,138
Column Replacement [ENV]	278	-	278	246	246	246	246	1,262
Parks Programme [ENV]	1,219	(500)	719	-	-	-	-	719
<b>Total Mainstream Programmes</b>	<b>15,993</b>	<b>(3,915)</b>	<b>12,078</b>	<b>12,490</b>	<b>8,571</b>	<b>5,501</b>	<b>5,501</b>	<b>44,141</b>
<b>Financing</b>								
Capital Receipts	7,069	-	7,069	1,920	9,120	1,920	1,920	21,949
General Fund Revenue Account	5,063		5,063	521	521	521	521	7,147
Increase/(Decrease) in Internal Borrowing	3,861	(3,915)	(54)	10,049	(1,070)	3,060	3,060	15,045
<b>Total Financing</b>	<b>15,993</b>	<b>(3,915)</b>	<b>12,078</b>	<b>12,490</b>	<b>8,571</b>	<b>5,501</b>	<b>5,501</b>	<b>44,141</b>

6.2. Forecast General Fund Capital receipts for 2017/18 are currently £7.07m. A summary of these receipts is included at Appendix 3.

6.3. As at the end of the third quarter of 2017/18, £0.6m of deferred disposal costs have been accrued in respect of anticipated General Fund disposals. These costs are netted against the receipt when received (subject to certain restrictions). In the event that a sale does not proceed, these costs must be written back to revenue. A summary of the deferred costs is included in Appendix 3.

## 7. HOUSING CAPITAL PROGRAMME

7.1. The expenditure and resource analysis for 2017/18 of the Housing Programme is summarised in Table 5 below:

**Table 5 – Housing Capital Programme 2017-22 with proposed 2017/18 Q3 Variations**

Housing Programme - Resource Summary	Current Year Programme			Indicative Future Years			
	Revised Budget 2017/18 (Q2)	Total Variations (Q3)	Revised Budget 2017/18 (Q3)	Indicative 2018/19 Budget	Indicative 2019/20 Budget	Indicative 2020/21 Budget	Indicative 2021/22 Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Approved Expenditure</b>							
Decent Neighbourhood Schemes	20,048	(3,947)	<b>16,101</b>	30,583	23,676	16,875	6,632
HRA Schemes	40,130	(6,967)	<b>33,163</b>	45,540	34,126	34,065	25,390
<b>Total Housing Programme - Approved Expenditure</b>	<b>60,178</b>	<b>(10,914)</b>	<b>49,264</b>	<b>76,123</b>	<b>57,802</b>	<b>50,940</b>	<b>32,022</b>
<b>Available and Approved Resource</b>							
Capital Receipts - Unrestricted	11,176	2,571	<b>13,747</b>	6,902	4,616	4,741	4,495
Capital Receipts - RTB (141)	8,520	(4,257)	<b>4,263</b>	17,635	8,408	4,224	-
Capital Receipts - Sale of new build homes	414		<b>414</b>	-	-	-	-
Housing Revenue Account (revenue funding)	4,464	171	<b>4,635</b>	4,563	9,700	5,172	5,000
Major Repairs Reserve (MRR)	17,716	(769)	<b>16,947</b>	16,165	15,797	15,805	16,546
Contributions Developers (S106)	1,643	350	<b>1,993</b>	5,634	-	16,950	-
Repayment of NHHT loan	270		<b>270</b>	-	270	-	290
Contributions from leaseholders	7,385	(540)	<b>6,845</b>	4,390	3,860	4,048	3,460
Insurance Claims	150		<b>150</b>	-	-	-	-
Internal Borrowing-HRA	8,440	(8,440)	-	20,834	15,151	-	2,231
<b>Total Funding</b>	<b>60,178</b>	<b>(10,914)</b>	<b>49,264</b>	<b>76,123</b>	<b>57,802</b>	<b>50,940</b>	<b>32,022</b>

7.2. Included in the HRA schemes are the following Health & Safety related works:

Decent Neighbourhoods Programme Capital Monitoring - 2017/18 HRA Capital Programme: Specific Compliance and Health & Safety Spend April-October 2017					
Health and Safety related spend included in the minor works programme plus E state CCTV	2017-18 as at 31st October 2017				
	Original Full Year Budget	Revised Budget	2017/18 Full year forecast at October-17	Forecasted Variance to original budget	Spend to October 2017
	£'000	£'000	£'000	£'000	£'000
<b>APPROVED SCHEMES</b>					
Fire safety Improvements*	1,500	1,730	1,330	(170)	318
Warden Call System Upgrade	1,032	516	150	(882)	10
Roseford, Woodford, Shepherds extract systems		26	26	26	
Edward Woods communal extract system		250	100	100	
Estate CCTV	250	280	350	100	134
Melrose Terrace controlled access		35	35	35	
Controlled Access continuing programme	500	20	100	(400)	
Fire Safety Plus Capital Works		10,000	5,000	5,000	
<b>Total</b>	<b>3,282</b>	<b>12,857</b>	<b>7,091</b>	<b>3,809</b>	<b>461</b>

Decent Neighbourhoods Programme Capital Monitoring - 2017/18 HRA Capital Programme: Health & Safety Related Spend in other sections of the HRA Capital Programme April-October 2017						Comments
Health & Safety Related Spend in various sections of the HRA Capital Programme	2017-18 as at 31st October 2017					
	Original Full Year Budget £'000	Revised Budget £'000	2017/18 Full year forecast at Oct 17 £'000	Forecasted variance to original budget £'000	Apr - Oct 2017 Actual Spend £'000	
<b>APPROVED SCHEMES</b>						
Kitchen and Bathroom modernisation	250	500	500	250	111	Budget increase to accommodate addition of OT works deferred from White City programme. Modernisation of older and run down kitchens and bathrooms has positive implications for the residents' hygiene and safety; hence a small proportion of this spend can be considered to be health and safety related.
Planned individual boiler replacement programme	1,050	1,050	1,050		530	Replacement of older boilers has positive implications for the resident safety; hence a small proportion of this spend can be considered to be health and safety related.
Banim Street, Munden St, Swanbank Ct boilers	350	20	20	(330)		Communal heating programme has been reviewed by the new Heating Manager; given where we are with the contract procurement, this scheme is now planned to start in Spring 2018
Farm Lane & Wheatsheaf, Malabar Ct boilers	420	18	18	(402)	18	Communal heating programme has been reviewed by the new Heating Manager; given where we are with the contract procurement, this scheme is now planned to start in Spring 2018
Water Supply continuing programme	100	100	50	(50)		This is a contingency budget to allow for replacement of communal water tanks where necessary as identified during biennial surveys. No calls on budget to date, full year estimate revised accordingly.
Landlord's electrical installations	750	750	250	(500)	69	Programme reviewed: timeframe estimates revised on account of planned procurement exercise. Electrical installations have implications for fire and other risks.
Estate Lighting	150	150	150		18	Improvement of lighting conditions in housing estates has positive impact on the level of safety and reduced anti-social behaviour.
<b>Total</b>	<b>3,070</b>	<b>2,588</b>	<b>2,038</b>	<b>(1,032)</b>	<b>746</b>	

7.3. The Decent Neighbourhoods Fund contains the Council's Housing Capital Receipts which must be used for Housing or Regeneration purposes and shows how the Council plans to reinvest those receipts in Housing and Regeneration.

## 8. EQUALITY IMPLICATIONS

8.1. There are no direct equalities implications in relation to this report. This paper is concerned entirely with financial management issues and as such is not impacting directly on any protected group.

8.2. Implications verified by Peter Smith, Head of Policy & Strategy, tel. 020 8753 2206.

## 9. LEGAL IMPLICATIONS

9.1. There are no direct legal implications in relation to this report.

9.2. Implications verified/completed by: David Walker, Principal Solicitor, Commercial and Corporate Property, Tel: 020 7361 2211

## 10. FINANCIAL IMPLICATIONS

10.1. This report is wholly of a finance nature.

## 11. IMPLICATIONS FOR BUSINESS

11.1. The Council's Capital Programme represents significant expenditure within the Borough and consequently, where supplies are sourced locally, may impact either positively or negatively on local contractors and sub-contractors. Where capital expenditure increases, or is brought forward, this may have a beneficial impact on local businesses; conversely, where expenditure decreases, or is slipped, there may be an adverse impact on local businesses.

11.2. Projects contained in the capital programme are approved on individual basis and the business implications for each of them are considered in more detail in their specific reports.

11.3. Implications completed by: Prema Gurunathan, Economic Development Manager, Regeneration, Planning and Housing Services Dept. Tel: 020 8753 3111

## **12. RISK MANAGEMENT**

12.1. Large scale capital projects can operate in environments which are complex, turbulent and continually evolving. Effective risk identification and control within such a dynamic environment is more than just populating a project risk register or appointing a project risk officer. Amplifying the known risks so that they are not hidden or ignored, demystifying the complex risks into their more manageable sum of parts and anticipating the slow emerging risks which have the ability to escalate rapidly are all necessary components of good capital programme risk management.

12.2. The impact to councils of the Grenfell Tower fire is yet to be fully established. It is certain that many councils will be undertaking property reviews to determine the levels of improvements required to ensure fire safety arrangements within their buildings meet both the expectations of the residents but also so that they comply with building regulations and other statutory duties. The H&F Fire Safety Plus Programme is an excellent programme that provides residents with assurance on safety.

12.3. Implications completed by: Michael Sloniowski, Shared Services Risk Manager, Tel: 020 8753 2587

## **13. PROCUREMENT IMPLICATIONS**

13.1. There are no immediate procurement implications arising from this report. The corporate procurement team will advise and support service departments on their major capital procurements as and when such support is required, including consideration of whether and how any social value, local economic and community benefits might be obtained from these.

13.2. Implications verified/completed by: Alan Parry, Interim Head of Procurement (Job-Share), Tel: 020 7361 2581.

## **14. VAT IMPLICATIONS**

14.1. The Council needs to carefully consider its VAT partial exemption calculation and the risk of breaching the partial exemption threshold. Capital projects represent the bulk of this risk. A breach would likely cost the Council between £2m-£3m.

14.2. The current forecast indicates the calculation in 2017/18 will be a breach if mitigating action is not taken. The breach is primarily associated with the coincidence of a number of VAT-exempt capital projects (following slippages in earlier years) and ongoing queries concerning the Bridge Academy and other schools' major projects which may present a partial exemption risk (and has therefore been assumed in the monitor pending confirmation otherwise). In addition, the bringing back in house of a number of functions previously delivered by the Hammersmith and Fulham Bridge

Partnership (HFBP) has meant that the Council's input tax has fallen – this reduces the base used in the partial exemption (PE) calculation and therefore reduces the threshold. The current forecast is shown below:

#### VAT PE estimate £ms

		Actual				Projection		
		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
		Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast
A	<b>Total Input Tax</b>	(£m) 36.9	46.4	44	43.5	44.5	44	44
<b>Exempt Supplies:</b>								
B	Revenue Related Exempt Input Tax	(£m) 0.416	0.283	0.193	0.333	0.333	0.333	0.333
C	Capital Related Exempt Input Tax	(£m) 1.790	1.945	0.257	0.919	1.968	1.694	1.086
D (B+C)	<b>Total Exempt Input Tax</b>	(£m) 2.206	2.228	0.450	1.252	2.301	2.027	1.419
E (A*5%)	Partial Exemption Limit (5% of total input tax)	(£m) 1.845	2.320	2.200	2.175	2.225	2.200	2.200
F (D/A)	<b>Actual Partial Exemption %</b>	6.0%	4.8%	1.0%	2.9%	5.2%	4.6%	3.2%
G (5%-F)	<b>Margin of Safety</b>	-0.98%	0.20%	3.98%	2.12%	-0.17%	0.39%	1.78%
H	7 Year Input Tax (Current Year, minus 4, plus 2)	(£m)				303.3		
I	7 Year Exempt Supplies	(£m)				11.883		
J (I/H)	<b>Partial Exemption using 7 Year Average</b>					3.92%		

14.3. The ongoing and proposed mitigating actions are as follows:

- Corporate Finance, in concert with Children's Services, are securing external advice to ensure that schools' capital projects are structured as efficiently as possible and to ensure that the Council's position is protected as much as possible.
- Corporate Finance will undertake a thorough review of VAT-exempt capital projects. For these projects, it is critical that a realistic forecast of the certainty and timing of expenditure is determined. Service finance colleagues are requested to co-operate with this review.
- Where services are considering major projects or complex new ventures, particularly where they are commercially orientated, they should consult with Corporate Finance as early as possible to determine the tax implications.

14.4. Further detail on the Council's Partial Exemption is included in Appendix 4.

14.5. Implications verified/completed by: Chris Harris, Chief Accountant, Corporate Finance, Tel: 020 8753 6440.



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

None.

**LIST OF APPENDICES:**

Appendix 1 - Detailed Capital Budgets, Spend and Variation analysis by Service

Appendix 2 - Analysis of Budget Variations

Appendix 3 – Summary of Capital Receipts Forecast

Appendix 4 - VAT Partial Exemption

Appendix 5 - Flexible Use of Capital Receipts Guidance

## Appendix 1 – Detailed Capital Budget, Spend and Variation Analysis by Service

### Children's Services

	Current Year Programme					Indicative Future Years Analysis					
	Analysis of Movements (Revised budget to Q3)					Revised Budget 2017/18 (Q3)	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget	Total Budget (All years)
	2017/18 Revised Budget (Q2)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements						
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Scheme Expenditure Summary</b>											
Lyric Theatre Development	350	250	-	-	250	600	1,100	-	-	-	1,700
Schools Organisational Strategy	25,388	-	(8,207)	-	(8,207)	17,181	5,615	300	-	-	23,096
Schools Window Replacement Project	3,299	-	-	-	-	3,299	13,085	-	-	-	16,384
Other Capital Schemes	378	-	-	-	-	378	-	-	-	-	378
<b>Total Expenditure</b>	<b>29,415</b>	<b>250</b>	<b>(8,207)</b>	<b>-</b>	<b>(7,957)</b>	<b>21,458</b>	<b>19,800</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>41,558</b>
<b>Capital Financing Summary</b>											
<b>Specific/External or Other Financing</b>											
Capital Grants from Central Government	16,828	-	(8,207)	-	(8,207)	8,621	4,184	-	-	-	12,805
Grants and Contributions from Private Developers (includes S106)	8,173	-	-	-	-	8,173	1,406	300	-	-	9,879
Capital Grants/Contributions from Non-departmental public bodies	198	319	-	83	402	600	1,100	-	-	-	1,700
<b>Sub-total - Specific or Other Financing</b>	<b>25,199</b>	<b>319</b>	<b>(8,207)</b>	<b>83</b>	<b>(7,805)</b>	<b>17,394</b>	<b>6,690</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>24,384</b>
<b>Mainstream Financing (Internal Council Resource)</b>											
Capital Receipts	765	-	-	-	-	765	25	-	-	-	790
General Fund Revenue Account (revenue funding)	152	(69)	-	(83)	(152)	-	-	-	-	-	-
Use of Reserves	-	-	-	-	-	-	-	-	-	-	-
<b>Sub-total - Mainstream Funding</b>	<b>917</b>	<b>(69)</b>	<b>-</b>	<b>(83)</b>	<b>(152)</b>	<b>765</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>790</b>
<b>Borrowing - non school windows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>
<b>Borrowing - school windows</b>	<b>3,299</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,299</b>	<b>13,085</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,384</b>
<b>Funding to be identified/agreed</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Financing</b>	<b>29,415</b>	<b>250</b>	<b>(8,207)</b>	<b>-</b>	<b>(7,957)</b>	<b>21,458</b>	<b>19,800</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>41,558</b>

## Appendix 1 – Detailed Capital Budget, Spend and Variation Analysis by Service/cont.

### Adult Social Care Services

	Current Year Programme					Indicative Future Years Analysis					
	Analysis of Movements (Revised budget to Q3)					Revised Budget 2017/18 (Q3) £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000	Total Budget (All years) £'000
	2017/18 Revised Budget (Q2) £'000	Slippages from/(to) future years £'000	Additions/(Reductions) £'000	Transfers £'000	Total Transfers/Virements £'000						
<b>Scheme Expenditure Summary</b>											
Extra Care New Build project (Adults' Personal Social Services Grant)	20	(20)	-	-	(20)	-	20	937	-	-	957
Community Capacity Grant	2	-	-	-	-	2	-	-	-	-	2
Transforming Care (Winterbourne Grant)	300	-	-	-	-	300	-	-	-	-	300
Social Care Capital Grant	1,460	-	-	-	-	1,460	-	-	-	-	1,460
<b>Total Expenditure</b>	<b>1,782</b>	<b>(20)</b>	<b>-</b>	<b>-</b>	<b>(20)</b>	<b>1,762</b>	<b>20</b>	<b>937</b>	<b>-</b>	<b>-</b>	<b>2,719</b>
<b>Capital Financing Summary</b>											
<b>Specific/External or Other Financing</b>											
Capital Grants from Central Government	1,482	(20)	-	-	(20)	1,462	20	937	-	-	2,419
Capital Grants/Contributions from Non-departmental public bodies	300	-	-	-	-	300	-	-	-	-	300
<b>Sub-total - Specific or Other Financing</b>	<b>1,782</b>	<b>(20)</b>	<b>-</b>	<b>-</b>	<b>(20)</b>	<b>1,762</b>	<b>20</b>	<b>937</b>	<b>-</b>	<b>-</b>	<b>2,719</b>
<b>Mainstream Financing (Internal Council Resource)</b>											
Capital Receipts	-	-	-	-	-	-	-	-	-	-	-
<b>Sub-total - Mainstream Funding</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Borrowing</b>											
	-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Financing</b>	<b>1,782</b>	<b>(20)</b>	<b>-</b>	<b>-</b>	<b>(20)</b>	<b>1,762</b>	<b>20</b>	<b>937</b>	<b>-</b>	<b>-</b>	<b>2,719</b>

## Appendix 1 – Detailed Capital Budget, Spend and Variation Analysis by Service/cont.

### Environmental Services

	Current Year Programme						Indicative Future Years Analysis				
	Analysis of Movements (Revised budget to Q3)						2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget	Total Budget (All years)
	2017/18 Revised Budget (Q2) £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000	Revised Budget 2017/18 (Q3) £'000					
<b>Scheme Expenditure Summary</b>											
Planned Maintenance/DDA Programme	3,615	(1,915)	-	-	(1,915)	1,700	3,190	1,500	2,500	2,500	11,390
King Street-Town Hall Redevelopment	2,000	(1,500)	-	-	(1,500)	500	6,274	1,000	-	-	7,774
Footways and Carriageways	2,748	-	-	-	-	2,748	2,030	2,030	2,030	2,030	10,868
Transport For London Schemes	2,254	-	147	-	147	2,401	2,157	2,157	2,157	2,157	11,029
Controlled Parking Zones	38	-	-	-	-	38	275	275	275	275	1,138
Column Replacement	278	-	-	-	-	278	246	246	246	246	1,262
Carnwath Road	-	-	-	-	-	-	-	3,070	-	-	3,070
Hammersmith Bridge Strengthening	170	-	-	-	-	170	-	-	-	-	170
LED Lighting Replacement Programme	2,263	-	-	-	-	2,263	-	-	-	-	2,263
P&D Upgrade and Pay by Phone	2,393	-	-	-	-	2,393	-	-	-	-	2,393
Other Capital Schemes	3,440	-	139	-	139	3,579	-	-	-	-	3,579
Parks Expenditure	2,612	(345)	73	79	(193)	2,419	845	500	-	-	3,764
Alternative Weed Treatment	100	-	-	-	-	100	-	-	-	-	100
Phoenix Centre Capital Improvements	79	-	-	(79)	(79)	-	-	-	-	-	-
Shepherds Bush Common Improvements	383	(200)	-	-	(200)	183	400	-	-	-	583
Recycling	19	-	-	-	-	19	-	-	-	-	19
CCTV	52	-	-	-	-	52	-	-	-	-	52
<b>Total Expenditure</b>	<b>22,444</b>	<b>(3,960)</b>	<b>359</b>	<b>-</b>	<b>(3,601)</b>	<b>18,843</b>	<b>15,417</b>	<b>10,778</b>	<b>7,208</b>	<b>7,208</b>	<b>59,454</b>
<b>Capital Financing Summary</b>											
<b>Specific/External or Other Financing</b>											
Grants and Contributions from Private Developers (includes S106)	5,534	(545)	262	5,158	4,875	10,409	1,245	500	-	-	12,154
Capital Grants and Contributions from GLA Bodies	2,253	-	97	-	97	2,350	2,157	2,157	2,157	2,157	10,978
<b>Sub-total - Specific or Other Financing</b>	<b>7,787</b>	<b>(545)</b>	<b>359</b>	<b>5,158</b>	<b>4,972</b>	<b>12,759</b>	<b>3,402</b>	<b>2,657</b>	<b>2,157</b>	<b>2,157</b>	<b>23,132</b>
<b>Mainstream Financing (Internal Council Resource)</b>											
Capital Receipts	5,633	-	-	(54)	(54)	5,579	1,445	7,600	1,470	1,470	17,564
Housing Revenue Account (revenue funding)	100	-	-	-	-	100	-	-	-	-	100
General Fund Revenue Account (revenue funding)	316	-	-	-	-	316	521	521	521	521	2,400
Use of Reserves	4,747	-	-	(4,658)	(4,658)	89	-	-	-	-	89
<b>Sub-total - Mainstream Funding</b>	<b>10,796</b>	<b>-</b>	<b>-</b>	<b>(4,712)</b>	<b>(4,712)</b>	<b>6,084</b>	<b>1,966</b>	<b>8,121</b>	<b>1,991</b>	<b>1,991</b>	<b>20,153</b>
<b>Borrowing</b>	<b>3,861</b>	<b>(3,415)</b>	<b>-</b>	<b>(446)</b>	<b>(3,861)</b>	<b>-</b>	<b>10,049</b>	<b>-</b>	<b>3,060</b>	<b>3,060</b>	<b>16,169</b>
<b>Total Capital Financing</b>	<b>22,444</b>	<b>(3,960)</b>	<b>359</b>	<b>-</b>	<b>(3,601)</b>	<b>18,843</b>	<b>15,417</b>	<b>10,778</b>	<b>7,208</b>	<b>7,208</b>	<b>59,454</b>

Appendix 1 – Detailed Capital Budget, Spend and Variation Analysis by Service/cont.

Libraries Services	Current Year Programme						Indicative Future Years Analysis				
	Analysis of Movements (Revised budget to Q3)						2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000	Total Budget (All years) £'000
	2017/18 Revised Budget (Q2) £'000	Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000	Revised Budget 2017/18 (Q3) £'000					
<b>Scheme Expenditure Summary</b>											
Hammersmith Library Refurbishment Project	285	-	(285)	-	(285)	-	-	-	-	-	
<b>Total Expenditure</b>	<b>285</b>	<b>-</b>	<b>(285)</b>	<b>-</b>	<b>(285)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Capital Financing Summary</b>											
<b>Specific/External or Other Financing</b>											
Grants and Contributions from Private Developers (includes S106)	285	-	(285)	-	(285)	-	-	-	-	-	
<b>Sub-total - Specific or Other Financing</b>	<b>285</b>	<b>-</b>	<b>(285)</b>	<b>-</b>	<b>(285)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Capital Financing</b>	<b>285</b>	<b>-</b>	<b>(285)</b>	<b>-</b>	<b>(285)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

## Appendix 1 – Detailed Capital Budget, Spend and Variation Analysis by Service/cont.

General Fund Schemes under Housing management	Current Year Programme						Indicative Future Years Analysis						
	Analysis of Movements (Revised budget to Q3)						2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget	Total Budget (All years)		
	2017/18 Revised Budget (Q2)	Slippages from/(to) future years	Additions/ (Reductions)	Transfers	Total Transfers/ Virements	Revised Budget 2017/18 (Q3)						£'000	£'000
<b>Scheme Expenditure Summary</b>													
<i>General Fund Schemes under Housing management:</i>													
Disabled Facilities Grant	1,282	-	-	-	-	1,282	450	450	450	450	3,082		
Sands End Community Centre	500	-	-	-	-	500	1,600	500	-	-	2,600		
<b>Total Expenditure</b>	<b>1,782</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,782</b>	<b>2,050</b>	<b>950</b>	<b>450</b>	<b>450</b>	<b>5,682</b>		
<b>Capital Financing Summary</b>													
<b>Specific/External or Other Financing</b>													
Capital Grants from Central Government	609	-	-	-	-	609	-	-	-	-	609		
Grants and Contributions from Private Developers (includes S106)	200	-	-	-	-	200	1,000	400	-	-	1,600		
Capital Grants/Contributions from Non-departmental public bodies	300	-	-	-	-	300	600	100	-	-	1,000		
<b>Sub-total - Specific or Other Financing</b>	<b>1,109</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,109</b>	<b>1,600</b>	<b>500</b>	<b>-</b>	<b>-</b>	<b>3,209</b>		
<b>Mainstream Financing (Internal Council Resource)</b>													
Capital Receipts (GF)	673	-	-	-	-	673	450	450	450	450	2,473		
<b>Sub-total - Mainstream Funding</b>	<b>673</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>673</b>	<b>450</b>	<b>450</b>	<b>450</b>	<b>450</b>	<b>2,473</b>		
<b>Borrowing (Internal Borrowing-GF)</b>													
	-	-	-	-	-	-	-	-	-	-	0		
<b>Total Capital Financing</b>	<b>1,782</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,782</b>	<b>2,050</b>	<b>950</b>	<b>450</b>	<b>450</b>	<b>5,682</b>		

## Appendix 1 – Detailed Capital Budget, Spend and Variation Analysis by Service/cont.

### Housing Capital Programme

	Current Year Programme					Indicative Future Years Analysis					
	2017/18 Revised Budget (Q2) £'000	Analysis of Movements (Revised budget to Q3)				Revised Budget 2017/18 (Q3) £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000	2021/22 Budget £'000	Total Budget (All years) £'000
		Slippages from/(to) future years £'000	Additions/ (Reductions) £'000	Transfers £'000	Total Transfers/ Virements £'000						
<b>Scheme Expenditure Summary</b>											
<b>HRA Schemes:</b>											
Supply Initiatives (Major Voids)	947	(447)	-	-	(447)	500	447	-	-	-	947
Energy Schemes	1,633	(400)	-	-	(400)	1,233	3,597	2,350	1,725	2,150	11,055
Lift Schemes	2,950	-	-	-	-	2,950	4,100	4,250	1,650	500	13,450
Internal Modernisation	500	-	-	-	-	500	250	500	1,750	2,000	5,000
Major Refurbishments	18,245	(5,030)	-	-	(5,030)	13,215	12,407	17,686	20,000	12,000	75,308
Planned Maintenance Framework	644	-	-	-	-	644	-	-	-	-	644
Minor Programmes	9,061	(1,090)	-	-	(1,090)	7,971	8,759	8,340	7,940	7,640	40,650
ASC/ELRS Managed	1,150	-	-	-	-	1,150	980	1,000	1,000	1,100	5,230
Fire Safety Plus	5,000	-	-	-	-	5,000	15,000	-	-	-	20,000
<b>Subtotal HRA</b>	<b>40,130</b>	<b>(6,967)</b>	<b>-</b>	<b>-</b>	<b>(6,967)</b>	<b>33,163</b>	<b>45,540</b>	<b>34,126</b>	<b>34,065</b>	<b>25,390</b>	<b>172,284</b>
<b>Decent Neighbourhood Schemes:</b>											
Earls Court Buy Back Costs	7,788	(1,650)	-	-	(1,650)	6,138	4,062	2,665	2,797	6,632	22,294
Earls Court Project Team Costs	804	(124)	-	-	(124)	680	926	907	925	1,095	4,533
Housing Development Project	786	(350)	-	-	(350)	436	8,554	2,675	-	-	11,665
Stanhope Joint Venture	4,749	(1,456)	(371)	-	(1,827)	2,922	5,592	15,330	14,078	-	37,922
Other HRA	6,725	(120)	-	-	(120)	6,605	375	6	-	-	6,986
Affordable Housing Delivery Framework	-	-	-	-	-	-	12,000	3,000	-	-	15,000
<b>Subtotal Decent Neighbourhoods</b>	<b>20,852</b>	<b>(3,700)</b>	<b>(371)</b>	<b>-</b>	<b>(4,071)</b>	<b>16,781</b>	<b>31,509</b>	<b>24,583</b>	<b>17,800</b>	<b>7,727</b>	<b>98,400</b>
<b>Total Expenditure</b>	<b>60,982</b>	<b>(10,667)</b>	<b>(371)</b>	<b>-</b>	<b>(11,038)</b>	<b>49,944</b>	<b>77,049</b>	<b>58,709</b>	<b>51,865</b>	<b>33,117</b>	<b>270,684</b>
<b>Adjustment for deferred costs</b>	<b>(804)</b>	<b>-</b>	<b>124</b>	<b>-</b>	<b>124</b>	<b>(680)</b>	<b>(926)</b>	<b>(907)</b>	<b>(925)</b>	<b>(1,095)</b>	<b>(4,533)</b>
<b>Total Net Expenditure</b>	<b>60,178</b>	<b>(10,667)</b>	<b>(247)</b>	<b>-</b>	<b>(10,914)</b>	<b>49,264</b>	<b>76,123</b>	<b>57,802</b>	<b>50,940</b>	<b>32,022</b>	<b>266,151</b>
<b>Capital Financing Summary</b>											
<b>Specific/External or Other Financing</b>											
Contributions from leaseholders	7,385	-	(741)	-	(741)	6,644	4,390	3,860	4,048	3,460	22,402
Grants and Contributions from Private Developers (includes S106)	1,642	-	352	-	352	1,994	5,634	-	16,950	-	24,578
Capital Grants/Contributions from Non-departmental public bodies	270	-	-	-	-	270	-	270	-	290	830
Insurance claims	150	-	-	-	-	150	-	-	-	-	150
<b>Sub-total - Specific or Other Financing</b>	<b>9,447</b>	<b>-</b>	<b>(389)</b>	<b>-</b>	<b>(389)</b>	<b>9,058</b>	<b>10,024</b>	<b>4,130</b>	<b>20,998</b>	<b>3,750</b>	<b>47,960</b>
<b>Mainstream Financing (Internal Council Resource)</b>											
Capital Receipts (HRA)	20,111	(2,227)	792	-	(1,435)	18,676	24,538	13,024	8,965	4,495	69,698
Housing Revenue Account (revenue funding)	4,464	-	(4,464)	-	(4,464)	-	4,563	9,700	5,172	5,000	24,435
Major Repairs Reserve (MRR) / Major Repairs	17,716	-	3,814	-	3,814	21,530	16,165	15,797	15,805	16,546	85,843
<b>Sub-total - Mainstream Funding</b>	<b>42,291</b>	<b>(2,227)</b>	<b>142</b>	<b>-</b>	<b>(2,085)</b>	<b>40,206</b>	<b>45,266</b>	<b>38,521</b>	<b>29,942</b>	<b>26,041</b>	<b>179,976</b>
<b>Borrowing (Internal Borrowing-HRA)</b>	<b>8,440</b>	<b>(8,440)</b>	<b>-</b>	<b>-</b>	<b>(8,440)</b>	<b>-</b>	<b>20,833</b>	<b>15,151</b>	<b>-</b>	<b>2,231</b>	<b>38,215</b>
<b>Total Capital Financing</b>	<b>60,178</b>	<b>(10,667)</b>	<b>(247)</b>	<b>-</b>	<b>(10,914)</b>	<b>49,264</b>	<b>76,123</b>	<b>57,802</b>	<b>50,940</b>	<b>32,022</b>	<b>266,151</b>

## Appendix 2 – Analysis of Budget Variations

Variation by Service	Amount £'000
<b>Children's Services (CHS)</b>	
Schools' Organisation Strategy – reduction in budgets related to external funding received but not yet devolved to any specific capital projects	(8,207)
Lyric Theatre - Slippage from future years to reflect cost of final charges payable in 2017/18 in relation to project completion	250
<b>Total CHS variations</b>	<b>(7,957)</b>
<b>Adult Social Care (ASC)</b>	
Extra Care New Build project (Adults' Personal Social Services Grant) - slippage to 2018/19 due to project delays	(20)
<b>Total ASC variations</b>	<b>(20)</b>
<b>Libraries Services</b>	
Hammersmith Library Refurbishment Project - reduction in budget as project completed	(285)
<b>Total Libraries</b>	<b>(285)</b>
<b>Environmental Services (ENV)</b>	
TFL funded schemes – additional budget to reflect adjustment in external funding (TFL grant) received	147
King Street - Town Hall Redevelopment - slippage to future years due to project delays	(1,500)
Planned Maintenance/DDA Programme-slippage to future years due to project delays related to Amey contract works	(1,915)
Other Capital Schemes - budget adjustment to reflect actual external funding (S106) received	139
Shepherds Bush Common Improvements - slippage to 2018/19 due to project delays	(200)
Parks Programme – slippage of £(345k) to future years as result of project delays and £73k of additional budget to reflect actual external funding received	(272)
<b>Total ENV variations</b>	<b>(3,601)</b>
<b>Housing Capital Programme</b>	
HRA schemes - net slippage from/(to) future years as a result of budget re-profiling	(6,967)
Earls Court Buyback Costs - slippage to future years due to project delays	(1,650)
Other HRA schemes - slippage to future years due to project delays	(120)
Housing Development Project – slippage to future years due to project delays	(350)
Stanhope Joint Venture - net movement consists of £1,456k of slippages to future years due to the project delays and £351k of reduction in the budget as a result of the project cost review	(1,827)
<b>Total Housing variations</b>	<b>(10,914)</b>
<b>Grand Total 2017-18 Q3 Variations</b>	<b>(22,777)</b>



### Appendix 3 – General Fund – Forecast Capital Receipts

Financial Year	Previous Forecast £'000s	Movement/ Slippage £'000s	Forecast Outturn at Quarter 3 £'000s	Full sales proceeds @ Q3 £'000s	Deferred Costs of Disposal reserved £'000s
2017/18					
<b>Total 2017/18</b>	<b>7,069</b>	<b>-</b>	<b>7,069</b>	<b>6,720</b>	<b>-</b>
2018/19					
<b>Total 2018/19</b>	<b>8,219</b>	<b>(6,299)</b>	<b>1,920</b>	<b>-</b>	<b>-</b>
2019/20					
<b>Total 2019/20</b>	<b>-</b>	<b>9,120</b>	<b>9,120</b>	<b>-</b>	<b>566</b>
2020/21					
<b>Total 2020/21</b>	<b>-</b>	<b>1,920</b>	<b>1,920</b>	<b>-</b>	<b>-</b>
2021/22					
<b>Total 2021/22</b>	<b>-</b>	<b>1,920</b>	<b>1,920</b>	<b>-</b>	<b>-</b>
<b>Total All Years</b>	<b>15,288</b>	<b>6,661</b>	<b>21,949</b>	<b>6,720</b>	<b>566</b>

## **Appendix 4 – VAT Partial Exemption**

### **1. Partial Exemption Overview**

- 1.1. In general, businesses cannot recover the VAT incurred on purchases made in connection with VAT exempt activities, for example, capital expenditure on properties which are let or leased are exempt from VAT. However, under Section 33 of the VAT Act 1994, local authorities are able to recover this VAT so long as it forms “an insignificant proportion” of the total VAT incurred (input tax) in any year. This insignificant proportion is taken to be 5% or less. Crucially however, the de minimis limit is not an allowance; if the 5% figure is exceeded then all the exempt input tax is lost, not just that which is in excess of the limit. The cost to the Council of non-allowable breach would therefore be in excess of £2m.
- 1.2. If councils breach their partial exemption limit in a single year, they can apply to the HMRC and ask for their 7-year average partial exemption to be considered for that particular year for their calculation instead. Such mitigation can only be invoked as a one-off.

### **2. LBHF Partial Exemption**

- 2.1 The Council’s input tax forecast for 2017/18 (across all expenditure) is £44.5m and it is projected to remain at a similar level in the medium term. This means it would likely cost the Council £2.25m (being 5% of £44.5m) of exempt input tax before it breaches its partial exemption limit.
- 2.2 When calculating the exempt input tax incurred annually, the Council considers its revenue and capital activities separately. Revenue activities are more constant, their contribution to exempt input tax is projected to remain at £2.3m. Exempt input tax relating to capital activities is more volatile as each project must be considered and judged individually and can have significant associated costs.
- 2.3 Land and lease transactions give rise to exempt supply. Capital projects involving these usually give rise to exempt input tax, although wherever possible the Council uses its VAT policy (see section 3) to mitigate this.
- 2.4 The Council has a number of capital projects, both in train and in the pipeline, which could have significant partial exemption implications.

### **3. VAT Policy**

- 3.1 Following a mitigated breach of the partial exemption threshold in 2013/14, the following policy was approved by Cabinet on 6<sup>th</sup> October 2014 to better manage 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 2017/18 incurring exempt VAT are deferred for the present time.
  - In addition there is only limited room in the 2018/19 (and future years) partial exemption forecasts. Therefore, new or re-profiled projects for future years 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.

## Appendix 5 - Flexible Use of Capital Receipts Guidance

1. The Secretary of State for Communities and Local Government issued guidance in March 2016, giving local authorities a greater freedom with how capital receipts can be used to finance expenditure. This Direction allows for the following expenditure to be treated as capital:

***“Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.”***

2. There is a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:
  - Sharing back-office and administrative services with one or more other council or public sector bodies;
  - Investment in service reform feasibility work, e.g. setting up pilot schemes;
  - Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
  - Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
  - Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
  - Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others).
3. Expenditure is only eligible if it has been incurred in the period between 01 April 2016 - 31 March 2019 and it can be funded from capital receipts generated only during this period. The proposal to extend this period for another three years was announced in the Local Government Settlement on 19 December 2017.
4. In order to comply with this Direction, the Council must consider the Statutory Guidance issued by the Secretary of State. This guidance requires authorities to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy with the initial strategy being effective from 1st April 2016 with future Strategies included within future Annual Budget documents.
5. There is no prescribed format for the Strategy, the underlying principle is to support local authorities to deliver more efficient and sustainable services by extending the use of capital receipts to support the revenue costs of reform projects
6. The Statutory Guidance for the Flexible Use of Capital Receipts Strategy states that the Strategy should include a list of each project which plans to make use of the capital receipts flexibility, together with the expected savings that the project will realise. The Strategy should also include the impact of this flexibility on the affordability of borrowing by including updated Prudential Indicators.

7. The Council has reviewed the Flexible Use of Capital Receipts guidance and identified the following schemes as meeting the eligibility criteria laid out in the guidance document, in that they are forecast to generate on-going revenue savings through reducing costs of service delivery:

<b>Efficiency Projects delivering Savings that May be Capitalised</b>			
<b>Business Case</b>	<b>Amount £'000s</b>	<b>Annual Savings when Fully Implemented £000's</b>	<b>Notes</b>
ASC Shared Services Strategic Business Case	841	5,571	The restructuring of the ASC service is forecast to deliver Cumulative savings of £18m over 4 years. The approval for this spend was taken by Cabinet on 6th of July 2015
Focus on Practice - Innovation Fund Grant	330	4,200	Focus on practice will deliver savings of up to £4.2m per annum by 2019/20. Approval for this spend was made by Cabinet on 3rd December 2014
Integrated Family Support Service (IFSS)	1,465	1,500	The Integrated Family Support Service is expected to deliver savings of £1.5m per annum. Approval for this funding was given by Cabinet on 10th October 2016
Maximising Children's Social Care Effectiveness	1,612	1,500	Maximising Children's Social Care effectiveness will deliver savings of £1.5m per annum. This business case was approved by Cabinet on 7th of November 2016
Approval of Business Case 4: Transforming Services for Children and Young People with Special Educational Needs (SEN) & Disabilities	563	224	This business case is forecast to deliver savings of £1,500k by 2018/19. Cabinet approved this business case on 7th November 2016
Creation of H&F Social Letting Agency	200	180	The creation of a social letting agency will deliver savings of up to £180k per annum through cost avoidance. This was approved by Cabinet on 7th November 2016
Business Intelligence Infrastructure	784	1,200	Business Intelligence initiatives continue to deliver savings from freedom passes to single person discounts. This funding will be used to continue to deliver these savings and additional savings of £1.2m per annum. The business case was approved by Cabinet on the 6th of Feb 2017
ICT Desktop Strategy	2,150	4,700	The desktop strategy will contribute to the ICT savings of over £4.7m per annum. The business case was approved by Cabinet on 6th Feb 2017
Funding Of Commercial Management Initiative	450	3,600	The implementation of Commercial Management initiatives will lead to £13m of savings by end of 2022/23. The business case was approved by Cabinet on 6th of November 2017
<b>Total Funding Required for Savings Projects</b>	<b>8,395</b>		

8. The capital programme is reviewed annually and approved by Full Council in the budget setting cycle in February each year. Any new eligible schemes will be included in this report, with clear indication that they will be fully or part-funded by the flexible use of eligible capital receipts.

9. Any changes to this programme during the year will be presented back to Cabinet, and notified to the DCLG, as per the requirements of the guidance.

