Cabinet Decision 2 February 2016	TOWER HAMLETS
Report of: Corporate Director Development & Renewal	**Classification:** Unrestricted
Housing Revenue Account – Budget Report 2016/17 and Adoption of Housing Revenue Account Capital Estimates	

Lead Member	**Councillor David Edgar, Cabinet Member for Resources** **Councillor Sirajul Islam, Statutory Deputy Mayor and Cabinet Member for Housing Management and Performance** **Councillor Rachel Blake, Cabinet Member for Strategic Development**
Originating Officers	Chris Holme, Service Head, Resources Paul Leeson, Finance Business Partner Katherine Ball, Senior Accountant (HRA & Capital)
Wards affected	All
Community Plan Theme	One Tower Hamlets
Key Decision?	**Yes**

Executive Summary

This is the second report on the Housing Revenue Account (HRA) for 2016/17, and follows the noting of the Mayor in Cabinet on 5th January 2016 regarding the 1% rent decrease, and agreeing tenant service charges. This report seeks Mayoral approval of the draft HRA budget for 2016/17 as set out in Appendix 1, and of the Management Fee payable to Tower Hamlets Homes.

This report also seeks Mayoral approval for the adoption of various housing capital estimates.

Recommendations

The Mayor in Cabinet is recommended to:-

Revenue

1. Approve the draft 2016/17 Housing Revenue Account budget as set out in Appendix 1.

2. Approve the draft 2016/17 Management Fee payable to Tower Hamlets Homes (THH) of £33.376 million as set out in Table 7 in section 10.
3. Note that under the Management Agreement between the Council and THH, THH manages delegated income and expenditure budgets on behalf of the Council. The principal delegated income budgets are for rental income and service charges, and the major item of delegated expenditure is repairs and maintenance. In 2016/17, THH will manage delegated income budgets totalling £88.512 million, and delegated expenditure budgets of £24.208 million.

4. Note the HRA Medium Term Financial Plan (2016/17 to 2020/21) outlined in Appendix 2.

<u>Capital</u>

1. Adopt a capital estimate of £2 million in relation to external works on priority blocks, as outlined in paragraph 13.3.

2. Adopt a capital estimate of £11.5 million to fund newly arising Decent Homes works as outlined in paragraphs 13.4.

3. Adopt a capital estimate of £3.6 million in relation to Mechanical and Electrical schemes Initiatives as outlined in paragraph 13.5.

4. Adopt a capital estimate of £4 million in relation to Fire Risk Assessment as outlined in paragraphs 13.6.

5. Adopt a capital estimate of £1 million to fund Overcrowding Reduction Initiatives as outlined in paragraph 13.7.

6. Adopt capital estimates for the Aids and Adaptations programme (£750,000), the Capitalisation of Voids (£1.5 million) and the Capitalisation of Fees and Salaries (£650,000) as outlined in paragraph 13.8.

7. Adopt a capital estimate of £200,000 in order to maintain a contingency for urgent works of £1 million, as outlined in paragraph 13.9.

1. REASONS FOR THE DECISIONS

1.1 The Mayor is required by the Local Government and Housing Act 1989 to determine a balanced Housing Revenue Account (HRA) budget prior to the start of the new financial year. The Council must also approve the Management Fee payable to Tower Hamlets Homes (THH) so that it can fulfil its obligations under the Management Agreement to manage the housing stock on behalf of the Council.

1.2 In accordance with Financial Regulations, capital schemes must be included within the Council's capital programme, and capital estimates adopted prior to any expenditure being incurred. This report seeks the adoption of the necessary capital estimates for various schemes in order that they can be progressed.

2. ALTERNATIVE OPTIONS

2.1 The Council has a statutory duty to set a balanced HRA and provide THH with the resources to fulfil its obligations under the Management Agreement. Whilst there may be other ways of delivering a balanced HRA, the proposals contained in this report are considered the most effective, having regard to the matters set out in the report.

3. BACKGROUND

3.1 The HRA relates to the activities of the Council as landlord of its dwelling stock, and the items to be credited to the HRA are prescribed by statute. Income is primarily derived from tenants' rents and service charges, and expenditure includes repairs and maintenance and the provision of services to manage the Council's housing stock.

3.2 Since 1990 the HRA has been "ring-fenced"; this was introduced as part IV of the Local Government & Housing Act 1989 and was designed to ensure that rents paid by local authority tenants reflect the associated cost of services. This means that the HRA cannot subsidise nor be subsidised by Council Tax i.e. any deficits or surpluses that arise cannot be met from or transferred to the General Fund. In addition, the HRA must remain in balance.

3.3 In April 2012, HRA Self-Financing was introduced to replace the national HRA subsidy system. Under Self-Financing, local authorities retain all income but are responsible for all expenditure relating to their housing stock; with local authorities able to make decisions about their stock and engage in long-term planning. Recent policies introduced or announced by the government have substantially reduced the discretion that local authorities are able to exercise, for example in relation to rent setting, tenancy types and asset management.

3.4 At its meeting on 5th January 2016, the Mayor in Cabinet considered the ‘Housing Revenue Account and Rent Setting report’ which noted that a 1% rent decrease will apply for four years, starting in April 2016. This rent reduction has been incorporated into the 2016/17 HRA budget in Appendix 1.

3.5 This report is also seeking capital estimates for various Housing Revenue Account schemes.

4. HRA 30 YEAR FINANCIAL MODEL

4.1 Modelling of the HRA financial position prior to the announcement of the four year 1% rent cut indicated that the Authority had sufficient resources to fund the anticipated capital work investment needed over the 30 year period, as well as its agreed programme of new builds. In addition, projections showed a position where the level of HRA reserves would increase over the 30 year period.

4.2 The impact of the 1% rent reduction for each of the next four years was modelled and showed a loss of rental income over four years of £24 million, and a loss in excess of £400 million over 30 years (this includes inflation). As a result, if no mitigating action is taken, then – on current assumptions - the Authority will be unable to fund all of the anticipated capital works needed over the 30 year period, with a projected shortfall in the region of £130 million.

4.3 The September CPI figure was -0.1%, therefore the impact of a 2016/17 rent cut of 1%, compared to a CPI + 1% rent increase (i.e. 0.9%) is £1.2 million.

5. PROJECTED OUTTURN 2015/16

5.1 Appendix 1 shows the agreed 2015/16 HRA budget. On 5th January 2016, the Mayor in Cabinet considered the ‘Performance and Corporate Budget Monitoring Report (Quarter 2)’, which reported that the HRA was forecast to underspend by £798,000.

6. SALE OF HIGH VALUE VOID STOCK

6.1 As detailed in the ‘Housing Revenue Account Rent Setting report 2016/17’ considered by the Mayor in Cabinet on January 5th 2016, the government intends to extend the right to buy to 1.3 million housing association tenants, and to fund the discount given through receipts from the sale of high value Council stock when it becomes void.

6.2 Although the detail is not yet available, Table 1 below shows market value thresholds for London as set out by the Conservative Party in an April 2015 press release i.e. it will be assumed that properties valued at above these levels will be considered for sale when they become vacant.

Bed Size	1	2	3	4	5+
Market Value Threshold	£340,000	£400,000	£490,000	£790,000	£1,205,000

Table 1 – Possible market value thresholds in London

6.3 The intention is that local authorities will make upfront payments to the government which represent the market value of their high value stock that is estimated to become vacant during that year.

6.4 A recent amendment to the Bill will allow London boroughs to reduce the levy paid to the government if they build two new affordable homes for each one high-value one deemed to be sold. The definition of ‘new affordable homes’ includes starter homes. There is no further detail at the moment about how this proposal would operate in practice.

6.5 Initial modelling showed that, out of its total stock of approximately 12,000 dwellings, the Authority had 527 properties above the London thresholds; this equated to 4.1% of the stock. Research carried out by Inside Housing magazine showed big differences in the estimated impact on local authorities; for example, in London, Camden predicted that using the thresholds in Table 1 would mean that 34% of its stock would be classified as ‘high-value’, whereas Barking & Dagenham, Hillingdon and Croydon all estimated that none of their stock would be classified as ‘high-value’.

6.6 It seems likely that in order to avoid such an unequal impact, the government will use a different methodology in order to decide what constitutes ‘high-value’; one possibility could be setting ‘high value’ thresholds for each local authority area.

6.7 Table 2 below shows a range of impacts based on differing percentages of the Authority’s stock being considered ‘high value’.

% of stock considered ‘High Value’	No. of stock affected	Annual no. of high-value voids (2% void rate assumed)	Amount of assumed annual receipts (£350k per property assumed)
10%	1,200	24	£ 8.4 m
15%	1,800	36	£12.6 m
20%	2,400	48	£16.8 m
25%	3,000	60	£21.0 m
30%	3,600	72	£25.2 m
35%	4,200	84	£29.4 m

Table 2 – Possible impact of sale of high-value void policy

6.8 The government is currently undertaking a data collection exercise and has asked local authorities to provide information on their housing stock, including stock numbers, stock types, market values, and void rates over the last three years.

Impact on the HRA

6.9 There is no further detail about how the scheme will work, but for the purposes of budget planning it has been assumed that, beginning in 2016/17, an annual payment of £8.4 million will be levied on the Authority, and it is not currently assumed that any stock sales will take place to offset this charge. The medium term financial plan figures (Appendix 2) incorporates this assumed charge in future years.

7. PAY TO STAY

7.1 As detailed in the 'Housing Revenue Account Rent Setting report 2016/17' considered by the Mayor in Cabinet on January 5th 2016, the government intends to introduce a compulsory 'Pay to Stay' scheme in England, whereby registered providers of social housing must charge a high income tenant a higher level of rent. It is anticipated that, in London, households with incomes of over £40,000 will be affected. The Bill does not define what the rent levels will be, although the Government has indicated that the policy is likely to contain a taper.

7.2 It is likely that upfront payments will be made to the government by local authorities, based on assumptions of the number of affected Council households in that local authority area. The extra money raised by local authorities will be used to contribute towards the national deficit reduction.

Impact on the HRA

7.3 Until more detail is provided, the financial impact on the authority will not be certain, either in terms of the size of the upfront payment(s) that will be payable to the government, or the cost of administering the scheme.

7.4 A potential side-effect of the Pay to Stay scheme is an increase in Right to Buy applications from households facing a significant rent increase. This would increase the one for one receipts retained by the Authority, leading to extra pressure on the HRA to contribute 70% of the funding of new-build schemes needed in order to spend the one for one receipts (see section 8).

7.5 The explanatory notes to the Bill state that "there are approximately 350,000 social rented tenants with household incomes over £30,000 per annum". Government statistics indicate that there are 4 million social rented homes, therefore a reasonable assumption to make is that up to 10% of social rented tenants may be affected. Analysis carried out by Savills in September suggested that 4% of local authority and housing association tenants may be affected.

7.6 The Pay to Stay policy is planned to come into effect in 2017/18, therefore, it is prudent to include an annual sum in the HRA Medium Term Financial Plan to represent the gap between what the Authority will pay to the government, and what it will collect. This gap may arise (1) because the government assumes a higher level of additional rent is due than is actually the case, and/ or (2) because the Authority is not able to collect all of the additional rent levied.

7.7 For budget planning purposes it has been assumed that from 2017/18 onwards, £8 million of additional rent will be payable to the government, but that there will be a 80% collection rate, so the impact on the Authority is a £1.6 million loss.

Again, the medium term financial plan figures (Appendix 2) incorporates this assumed charge in future years.

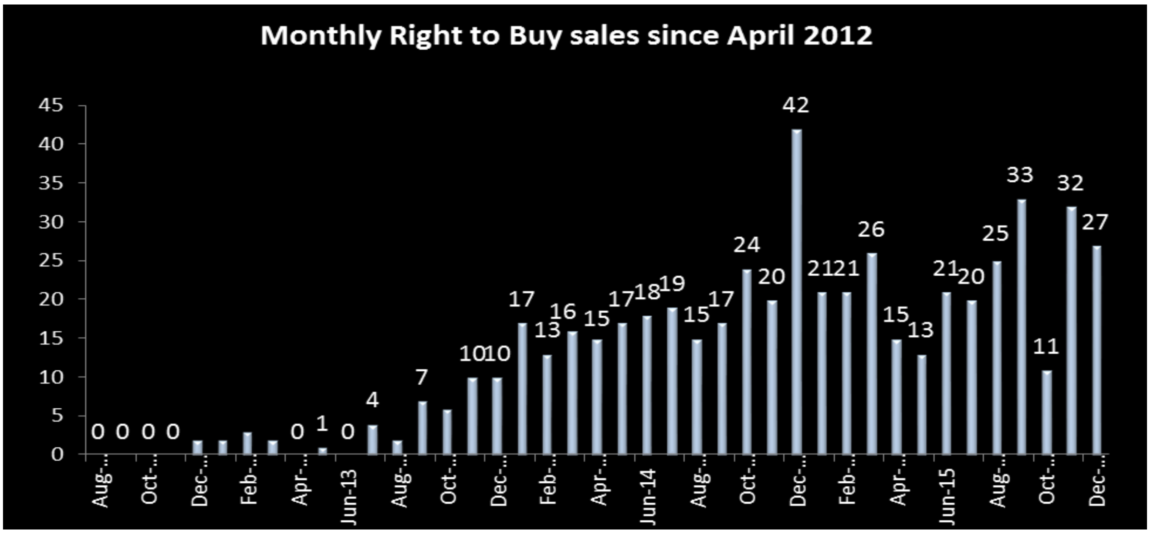
8. RIGHT TO BUY

8.1 Recent changes to Right to Buy legislation have led to a current maximum discount of £103,900 from April 2015, and this increases annually in line with the September Consumer Price Index (CPI).

Right to Buy Applications and Sales to Date

8.2 At the end of December 2015, over 900 RTB applications were in progress.

8.3 Between April 2012 and the end of December 2015 there were 550 RTB sales.



Graph 1– 550 Right to Buy sales have taken place since April 2012

Future Right to Buy Sales

8.4 The 2015/16 budget assumed 200 sales in 2015/16, however it is now anticipated that there will be 280 sales this year. The HRA Medium Term Financial Plan assumes that there will be 280 sales a year between 2016/17 and 2020/21.

8.5 In addition, the eligibility criteria changed in May 2015, reducing the requirement of five years public sector tenancy to three, making thousands more tenants eligible for Right to Buy.

8.6 A recent amendment to the Housing and Planning Bill will phase out lifetime tenancies in social housing, with new secure tenancies only being granted for a period of between two and five years. The change will not apply to existing tenants, but where a current tenancy passes to a family member, the tenancy will convert to a fixed term.

8.7 It is possible that this change will also lead to an increase in Right to Buy sales in future years if tenants submit Right to Buy applications to avoid the possibility of having to move out if their fixed term tenancy is not renewed. This would be an additional pressure on the HRA.

Right to Buy Receipts

8.8 The Authority has an agreement with the government to allow it to retain a proportion of Right to Buy receipts to be spent on replacement social housing, with the following conditions:

i. Retained one for one receipts cannot fund more than 30% of total spend
ii. Receipts cannot be used in conjunction with funding from the GLA/HCA
iii. Receipts must be spent within three years or be returned with interest
iv. Receipts cannot be given to a body in which the local authority has a controlling interest

8.9 Alternatively, the authority may use the receipts to grant fund another body, such as a Registered Provider (RP).

8.10 As at the end of Q2 of 2015/16, the Authority has £36.6m of one for one retained receipts, the breakdown of which is shown in Table 5 below:

RTB Sales	Quarter Received	Spend Deadline	Retained one for one Receipts (30%) £	Spend needed on social housing £	Council resources needed (70%) £	Cumulative spend needed on social housing £
CURRENT ONE FOR ONE RECEIPTS HELD						
480			**36,601,000**	**122,024,000**	**85,401,000**	**122,024,000**
PLUS PROJECTED SALES FOR THE REMAINDER OF 2015/16						
70	2015/16 – Q3	31/12/18	*6,000,000*	*20,000,000*	*14,000,000*	*142,024,000*
50	Q4	31/03/19	*4,000,000*	*13,333,000*	*9,333,000*	*155,357,000*
			46,601,000	***155,357,000***	***108,734,000***	
PLUS PROJECTED SALES FOR 2016/17						
70	2016/17 – Q1	30/06/19	*6,000,000*	*20,000,000*	*14,000,000*	*175,357,000*
70	Q2	30/09/19	*6,000,000*	*20,000,000*	*14,000,000*	*195,357,000*
70	Q3	31/12/19	*6,000,000*	*20,000,000*	*14,000,000*	*215,357,000*
70	Q4	31/03/20	*6,000,000*	*20,000,000*	*14,000,000*	*235,357,000*
			70,601,000	***235,357,000***	***164,734,000***	
PLUS PROJECTED SALES FOR 2017/18						
70	2017/18 – Q1	30/06/20	*6,000,000*	*20,000,000*	*14,000,000*	*255,357,000*
70	Q2	30/09/20	*6,000,000*	*20,000,000*	*14,000,000*	*275,357,000*
70	Q3	31/12/20	*6,000,000*	*20,000,000*	*14,000,000*	*295,357,000*
70	Q4	31/03/21	*6,000,000*	*20,000,000*	*14,000,000*	*315,357,000*
			94,601,000	**315,357,000**	***220,734,000***	

Table 5 – Current retained One for One RTB Receipts and projections for 2016/17 and 2017/18

8.11 The Mayor in Cabinet has agreed a strategy for using the one for one receipts:

- to re-model the Ashington East, Hereford, Locksley, Baroness Rd and Jubilee St sites, as well as two additional sites at Tent St and Arnold Rd, using one for one receipts as a funding source where possible (see 8.12);

- to adopt a capital estimate of £27.3 million to purchase up to 85 former social housing leasehold and/or freehold units;

- to agree a capital estimate of £7.06 million for a Local Affordable Housing Grant scheme.

8.12 As the tenure mix on the re-modelled sites is to be determined, it is not yet clear what quantity of one for one receipts can be used (receipts can only be used to part-fund affordable rented units).

8.13 The level of RTB activity remains high, with over 900 live applications as at the end of December. Assuming an additional 119 RTB sales by the end of this year, there could be an additional £10 million of one for one receipts by the end of 2015/16. This would mean that the Authority would have one for one receipts of over £46 million, leading to the need to spend a total of over £155 million on replacement social housing by the end of 2018/19 (see Table 5 above).

8.14 If there are 280 Right to Buy sales in both 2016/17 and 2017/18 then by the end of 2017/18 the Authority may hold over £94 million of one for one receipts, meaning that total spend of over £315 million on replacement social housing would be needed by the end of 2020/21 (see Table 5 above).

8.15 The HRA capital programme at Appendix 3 includes a notional sum of up to £135.3 million to reflect the 70% council contribution needed in order to spend the £58 million of future one for one receipts forecast to be received during the remaining two quarters of 2015/16, as well as those forecast for 2016/17 and 2017/18; this assumes that the Council itself undertakes to spend the necessary amount on replacement social housing. However, it must be stressed that any future new build schemes will require Cabinet approval on a scheme by scheme basis, and will contain a detailed assessment of the financial viability of the project and its affordability within the HRA. This is particularly important given the deteriorated financial outlook for the HRA outlined in section 11.

8.16 It is anticipated that the primary source for the 70% funding that the Authority must contribute will be HRA borrowing, however, once the Authority's HRA borrowing headroom has been depleted, the Authority will have very limited resources available to fund its 70% contribution for replacement social housing. In that case the Authority will need to consider one or more of the following options:

a) alternative delivery models that could use the receipts
b) to pass the one for one receipts to a third party
c) to return the one for one receipts immediately (to avoid interest charges);

9. WELFARE REFORM

9.1 The main changes that will affect LBTH tenants are:

(1) Benefit Cap
(2) Universal Credit and Direct Payments

Benefit Cap

9.2 The benefit cap came into effect in Tower Hamlets on August 12th 2013 and meant that:

- No family household will receive benefits of more than £500 per week
- No single person household will receive more than £350 per week

9.3 In its Summer Budget the government announced that the Benefit Cap for family households will reduce from £26,000 to £23,000 in London, and from £18,200 to £15,410 for single person households in London, therefore the new weekly limits will be as follows:

- No family household will receive benefits of more than £442 per week
- No single person household will receive more than £296 per week

Universal Credit

9.4 Universal Credit (UC) is a welfare benefit launched in 2013, which replaces six means-tested benefits and tax credits: Jobseeker's Allowance, Housing Benefit, Working Tax Credit, Child Tax Credit, Employment and Support Allowance and Income Support. Universal credit will be applied for online only and will be paid monthly directly to only one member of the household, except in exceptional circumstances.

9.5 As part of Tranche 1 of the implementation, from March 2015 Universal Credit was rolled out to new, single applicants in Tower Hamlets. It is estimated that approximately 100 Council tenants are claiming Universal Credit.

9.6 It is not yet known when Universal Credit will be rolled out more widely within the borough, and so the cumulative impact on the HRA will not be clear until the various reforms all take effect. Provision was made in the 2015/16 budget for an anticipated increase in the amount of bad debts, but due to the delay in implementing the changes this has not been necessary over the past few years. The budget now includes a provision for bad debts of £600,000 in 2016/17, rising to £1 million in 2019/20. This will be kept under review.

10. DRAFT BUDGET 2016/17

Inflation

10.1 September 2015's inflation indices were as follows; the Retail Price Index (RPI) was 0.8% and the Consumer Price Index (CPI) was -0.1%.

2016/17 Rent decrease

10.2 At its meeting in January 2016, the Mayor in Cabinet noted that there will be a 1% rent cut for each of the next four years, beginning in 2016/17; this has been incorporated into the 2016/17 budget at Appendix 1.

Tenant Service Charges

10.3 At its meeting in January 2016, the Mayor in Cabinet agreed an average 2016/17 increase in tenant service charges from April 2016 of £0.10 per week, and that the communal energy element should be de-pooled from the rent charge. This is reflected in the 2016/17 budget at Appendix 1.

2016/17 Inflation – Salaries & National Insurance rates

10.4 The Council remains part of the National Joint Council for Local Government Services for negotiating pay award arrangement, and it is anticipated that the 2016/17 pay award will be 1%. As salaries constitute approximately £20 million of the management fee, the calculation of the 2016/17 management fee in Table 7 includes a sum of £227,000 to reflect the effect of a 1% increase in salary costs.

10.5 There will also be an increase in National Insurance contribution rates, as from April 2016, both employers and employees will pay the standard rate of National Insurance contributions instead of the contracted-out rate. The management fee includes a sum of £340,000 to reflect this change.

2016/17 Budget Reduction - energy

10.6 The 2015/16 energy budget has been reduced by £334,000. Current forecasts for 2016/17 energy contract prices are shown in Table 6 below.

Gas & Power	% Purchased	Forecast Variance on 2015/16 Prices
Gas	23%	-24.4%
Half Hourly Electricity	30%	-14.8%
Non Half hourly Electricity	26%	-15.2%
Unmetered supply	33%	-17.0%

Table 6 - Forecast 2016/17 change in energy prices

Management Fee

10.7 In February 2015, The Mayor in Cabinet approved the 2015/16 Management Fee payable to THH for services provided to the Council. At £35.116 million, the Management Fee represented the largest single expenditure element of the HRA budget.

10.8 Table 7 below shows the calculation of the 2016/17 Management Fee payable to THH. The 2016/17 management fee is £1.7 million lower than in 2015/16, and, after allowing for the unavoidable increases outlined above, incorporates a reduction of £841,000 to represent a 3% efficiency saving target, as well as a reduction of £1.6 million to represent the reduced size of the 2016/17 capital programme compared to 2015/16.

Description	**Total Fee £'000**
Base Budget 2015/16	35,116
Increase to reflect 2015/16 Pay Award	227
Increase to reflect increase in 2015/16 NI Contributions	340
3% efficiency savings	(841)
Increase in SLA costs	168
Savings due to reduced capital programme	(1,634)
Indicative Management Fee 2016/17	**33,376**

Table 7 – Calculation of the 2016/17 Management Fee

**For the purposes of the management fee, a 2016/17 capital programme of £27m has been assumed compared to a budgeted £71m capital programme in 2015/16.*

11. MEDIUM TERM FINANCIAL PLAN

11.1 Appendix 2 shows the HRA Medium Term Financial Plan (MTFP) for the five year period 2016/17 to 2020/21.

Overall position on the HRA

11.2 The MTFP incorporates various income and expenditure assumptions and includes known changes that will affect the budget, including changes to stock numbers due to assumed right to buy sales and the impact of agreed regeneration schemes, as well as estimates of the effects of new policies, such as pay to stay and sale of high-value voids.

11.3 The HRA MTFP is shown at Appendix 2. The previous MTFP position projected a balanced budget over the MTFP period, with substantial annual surpluses forecast, which it was assumed would be used as revenue contributions (RCCOs) to fund the capital programme. The revised position assumes that the HRA will only provide an RCCO of £5 million over the period of the MTFP. This will mean that other funding sources will be needed to make up the shortfall, and, as proposed in the General Fund report elsewhere on this agenda, it is proposed that £20.2 million of additional New Homes Bonus be allocated to the HRA to fund the HRA capital programme.

11.4 The revised MTFP shows that, on current projections, the HRA reserve will reduce over the next few years, and will - if no mitigating action is taken - be below the recommended minimum balance of £5 million in 2020/21.

11.5 The main factors that have led to the deteriorated financial position are the following policies, all of which have been announced since July 2015.

- 1% rent cut for four years
- High value voids levy
- Pay to Stay levy

11.6 In particular, the inclusion of an assumed annual £8.4 million levy for high value voids in addition to the 1% rent reduction has led to a deteriorated position for the HRA. At present there is no indication of the size of the payment that the Authority will make; it could be more or less than the £8.4 million assumed. As stated in paragraph 6.9, the MTFP does not currently assume that any sales will take place to mitigate the impact of the levy; the Housing and Planning Bill does not impose an obligation on Local Authorities to sell their high value stock, only to 'consider' it, but if at least some level of sales does not take place then the HRA will not be sustainable in the medium to long-term.

11.7 Although, as referred to in paragraph 6.4, a recent amendment to the Housing and Planning Bill may allow Authorities to pay a reduced level of the high-value void levy if they undertake to build two 'new affordable homes' for each one sold, there is no further detail known at this point and therefore it is not possible to reflect this is the HRA MTFP.

11.8 It has also been assumed that beginning in 2017/18, there will be an annual cost to the HRA of non-collection of additional rent due under the Pay to Stay scheme. For planning purposes an initial assumption has been made that £8 million of additional rent will be payable to the Government, but that there will be a 20% non-collection rate, leading to a cost to the HRA of £1.6 million. This assumption will be revised once more details are known.

11.9 As referred to in paragraph 9.6, the level of bad debt provision has been reduced to £600,000 in 2016/17 as the implementation dates for Universal Credit and direct payments have slipped, but the provision is forecast to rise to £1 million in 2019/20. As the various reforms take effect, this assumption will be reviewed.

11.10 As highlighted in section 8, there is a high level of RTB sales forecast over the next few years, and this has been maintained as a possible response to both the Pay to Stay policy and the proposal to end lifetime tenancies. The accumulation of further one for one receipts will put significant pressure on the HRA if the Authority undertakes to spend the receipts itself.

Capital Programme and Stock Needs

11.11 As referred to in paragraph 4.2, recent modelling indicates that, on present assumptions, the level of capital works projected to be needed on the housing stock over the next 30 years is not affordable.

11.12 The following asset management strategy principles were considered by the Tower Hamlets Homes Board in December 2014:

- To maintain on a programmed basis an agreed Tower Hamlets Standard, which includes the Decent Homes Standard;
- To create attractive neighbourhood environments that feel secure and welcoming;
- To reduce fuel poverty and condensation experienced by residents, with a reducing overall environmental impact;
- To assess the future of our assets by their value for money and wider contribution;
- To maximise local economic impact.

11.13 A stock condition survey has recently taken place and will be used to provide an updated view of the needs of the Authority's stock over the next 30 years. Given the emerging financial pressures within the HRA, the Authority will need to re-visit its asset management strategy and it may be necessary to reconsider the Tower Hamlets Standard.

11.14 The outline HRA capital programme at Appendix 3 summarises the currently agreed programme, as well as the capital estimates sought in this report. In addition, there is an assumed level of spend in future years for the ongoing maintenance of the stock, and, as mentioned in paragraph 8.15, assumed spend of over £193 million which represents the level of expenditure needed to use the one for one receipts forecast to be generated during the last two quarters of 2015/16, as well as in 2016/17 and 2017/18.

11.15 The effect of financing all the capital schemes in Appendix 3 is that all the HRA borrowing headroom is forecast to be needed, as well as all the current HRA capital resources currently held, and assumed future HRA resources. On current projections the capital programme outlined in Appendix 3 is fully funded, although it is essential that before future capital estimate are formally adopted, schemes are assessed in light of their affordability within the HRA.

HRA Savings

11.16 The draft 2016/17 HRA budget reflects total savings of over £2 million, including a £1.7 million reduction to the management fee paid to Tower Hamlets Homes. These savings offset the £1.2 million impact of the 1% rent cut (detailed in paragraph 4.3).

11.17 The MTFP reflects assumed savings of £2 million in 2017/18, and an exercise will need to be carried out during 2016/17 to identify savings options. As part of this process, THH will be asked to bring forward savings options.

11.18 Additional savings will also be needed in future years in order to offset the effect of a further three years of a 1% rent cut, as well as the impact of the sale of high value voids and pay to stay policies. Once more detail is published on these new policies it will be clearer what the impact on the HRA will be, and what level of savings will be needed post 2016/17.

11.19 In terms of the options for reducing expenditure, all areas will need to be reviewed, including where the HRA receives services from the Authority through its Service Level Agreements (SLAs).

11.20 In terms of increasing income, it will be important to ensure that all appropriate costs are recovered, as well as working to maximise discretionary income. There are a number of areas that could be investigated, for example:

- Improving Debt Recovery – from both tenants and leaseholders;
- Major Works – ensuring that full cost recovery takes place;
- Reviewing the non-dwelling rents (garages, sheds and parking) and implementing a more commercial approach;
- Reviewing the rents charged on commercial properties;

12. NEW BUILD SCHEMES

12.1 The Council is currently undertaking a number of new build schemes which are summarised in Table 8 below.

Scheme	Units
Poplar Baths/Dame Colet House	100
Bradwell Street	12
Watts Grove	148
NEW BUILDS SCHEMES BEING RE-MODELLED	
Jubilee Street	TBC
Baroness Road	TBC
Hereford Street	TBC
Locksley Estate	TBC
Ashington House	TBC

Table 8 – Agreed HRA New-Build schemes

12.2 Going forward, the priority with regards to new supply will be to spend the Right to Buy one for one receipts that have accumulated to the Authority since December 2013 (see section 8).

12.3 The Council will shortly begin preparing a Regeneration Strategy that will impact on the Housing Revenue Account financial strategy and longer-term business plan. A full review of this and emerging government initiatives is now underway.

13. ADOPTION OF HOUSING REVENUE ACCOUNT CAPITAL ESTIMATES

13.1 The Council's projected four year capital programme is included with the 'General Fund Revenue and Capital' report elsewhere on this agenda. This incorporates indicative funding of £412.7million for the Housing Revenue Account element of the capital programme over the five year period from 2016/17 to 2020/21, which is summarised in Table 9 below, and detailed in Appendix 3.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Indicative HRA Programme	136.508	54.531	71.667	95.000	40.000	412.706

Table 9 – Summary HRA Capital Programme 2016/17 to 2020/21

13.2 This section outlines a proposed programme of works which will be delivered in the year and summarises the capital investment required for 2016/17 which will focus on the following key delivery areas:-

- Addressing external works for Decent Homes newly arising need;
- a small internals programme to continue to replace kitchens and bathrooms where access has not been gained so far;
- a Planned Maintenance Programme of Mechanical & Engineering schemes, which is to be expanded to include additional lift and door entry schemes where there is increased contractor capacity to deliver next year;
- a new Fire Risk Assessment (FRA) programme targeting high-rise and complex blocks

NEW HRA CAPITAL ESTIMATES TO BE ADOPTED

Priority Blocks - £2 million

13.3 Members are asked to approve a capital estimate of £2 million for external works to a number of non-Decent Homes Programmed blocks. This list of priority blocks (Appendix 4) was developed from detailed analysis, using both responsive trend and existing stock condition data and indicated a requirement for works to the external fabric similar to those included in the current Decent Homes External Programme.

Decent Homes – newly arising need - £11.5 million

13.4 Members are asked to approve a capital estimate of £11.5 million for 99 blocks that have been identified as requiring work to bring them up to the Decent Homes standard; these are detailed in Appendix 4. External works to these blocks will ensure that the Council's overall non-decent stock continues to remain under 10%. The properties classified as needing works have been identified through existing stock condition data, although a full validation survey will be required on each block to confirm that the works are required. Therefore, it is possible that not all the addresses listed in Appendix 4 will require works to be carried out.

Mechanical and Engineering (lifts) - £3.6 million

13.5 Members are asked to approve a capital estimate of £3.6 million to replace 24 lifts in 13 blocks (Appendix 4). These lifts have been prioritised as in urgent need of renewal because they are beyond the end of their remaining life and parts are no longer available to repair them economically. As such they are incurring high responsive costs, in addition to the daily impact on residents' lives.

Fire Risk Assessment (FRA) works - £4 million

13.6 Members are asked to approve a capital estimate of £4 million to undertake Fire Risk Assessment works, targeting high-rise and complex blocks. A specialist surveying company has surveyed the Authority's higher risk blocks and this data will be used to prioritise the programme. A sum of £3.7 million is required to cover the cost of required FRA work in 2016/17, and an additional sum of £300,000 is required for ongoing FRA survey fieldwork and subsequent cyclical monitoring processes so as to ensure that the Authority's landlord Health and Safety obligations are met.

Overcrowding Reduction Initiatives - £1 million

13.7 Members are asked to formally approve a capital estimate of £1 million for the inclusion within the programme of various Overcrowding Initiatives. This will include funding for initiatives designed to release or create family sized accommodation to relieve overcrowding.

Aids and Adaptations, Capitalisation of Voids, Capitalisation of Fees and Salaries – total £2.9 million

13.8 Members are asked to formally approve capital estimates for the inclusion within the programme of the Aids and Adaptations budget (£750,000), the capitalisation of the major costs involved in bringing void properties back into use (£1.5 million), including undertaking internals works (replacing kitchens and bathrooms) in properties where access was not gained during the Decent Homes internals programme, and the capitalisation of fees and salaries associated with the delivery of the Capital programme (£650,000).

Contingency - £200,000

13.9 The programme for 2015/16 incorporated a contingency of £1 million to be allocated towards urgent works. It is anticipated that approximately £200,000 of this contingency will be utilised during the year, with the remaining provision of £800,000 being carried forward into 2016/17. It is suggested that the total contingency available for 2016/17 remains at £1 million, and in order to do this a capital estimate of £200,000 is sought. The utilisation of this contingency will be subject to the approval of the Corporate Director, Development and Renewal.

13.10 The capital schemes listed above will have an impact on leaseholders, as they are required to contribute towards capital works which are of an external or communal nature. At its meeting on January 5th 2016 the Mayor in Cabinet agreed revised leaseholder repayment options in relation to the payment of major works bills, and this will have the effect of increasing the variety and flexibility of the payment options available to leaseholders.

PROVISION FOR FUTURE ANTICIPATED HRA CAPITAL NEED

13.11 As detailed in paragraph 8.15, the HRA capital programme at Appendix 3 includes a notional sum of up to £135.3 million to reflect the 70% council contribution needed in order to spend the £58 million of future one for one receipts forecast to be received during the remaining two quarters of 2015/16, as well as those forecast for 2016/17 and 2017/18. This level of provision assumes that the Council itself undertakes to spend the necessary amount on replacement social housing. It must be stressed that any future new build schemes will require Cabinet approval on a scheme by scheme basis, and will contain a detailed assessment of the financial viability of the project and its affordability within the HRA.

13.12 The Council is currently undertaking various regeneration schemes which necessitate the purchase of land and property interests. The HRA capital programme at Appendix 3 includes a sum of £4.5 million in order to mitigate against the risk of increasing land and property values. Any future use of this provisional sum will require Cabinet approval. It is likely that any higher acquisition costs incurred will be offset by an increase in the overage sums due to the Council arising from the sale proceeds of private sale units on these developments.

14. COMMENTS OF THE CHIEF FINANCE OFFICER

14.1 This report sets out the proposed budget for the Housing Revenue Account for 2016/17 and also asks Members to approve the draft management fee payable to Tower Hamlets Homes (THH) to manage the dwelling stock on behalf of the Authority.

14.2 The budgets have been prepared by the Authority in conjunction with THH in accordance with the terms of the management agreement.

14.3 Since the corresponding HRA budget report for 2015/16 was approved in February 2015, various Government proposals have been published that will have significant implications for social housing and its financing. The Government's Summer budget that was presented to Parliament on 8 July 2015 included the announcement that rents on social housing properties will be reduced by 1% a year for each of the four years from 2016-17. Although not formally incorporated in legislation to date, the policy is included within the Welfare Reform and Work Bill that is currently being debated by Parliament, and as a consequence, the Mayor in Cabinet, on 5th January 2016, approved the implementation of a rent reduction of 1% for the 2016/17 financial year.

14.4 The Government's previous rental policy was that annual rental increases would be set in line with the Consumer Price Index (CPI) +1%, with the relevant CPI figure being that from the September preceding the year of the rent increase. This would have led to a 0.9% rental increase for 2016/17 compared to the 1% decrease that was implemented, with a resultant loss of total rental income of approximately £1.2 million in 2016/17 compared to that which would have been generated under the previous policy (see paragraph 4.3).

14.5 The cumulative impact on the HRA over the longer term has been estimated to be in the region of £24 million over four years compared to the financial modelling that was undertaken as part of the 2015/16 budget process (paragraph 4.2). This is because after four years of 1% rent cuts the rental base will be substantially lower than it would have been if the previous rent policy of CPI + 1% were still in place.

14.6 Recent Government announcements have also set out a number of additional policies that will affect the delivery of social housing. Currently the impact on the Housing Revenue Account is not quantifiable until the specific legislation is adopted and detailed guidance on the proposals is published, however, the combined impact of the rent reduction, the possible impact of the Sale of High Value voids and Pay to Stay rent policies (detailed in sections 6 and 7) will mean that significant savings will be required in order to maintain a sustainable HRA in the long term.

14.7 The Council is required to maintain a reasonable level of reserves in the HRA to mitigate possible financial risks. Since the introduction of HRA Self-Financing in April 2012, and the ending of the HRA Subsidy system, the Authority retains its rent receipts and is fully responsible for the financing of all HRA expenditure, including the capital works necessary to maintain and improve the housing stock. All future capital work will be funded through a combination of, primarily, borrowing (within the constraints of HRA Business plan viability and the HRA's debt cap), contributions from reserves, leaseholder contributions and grants.

14.8 The HRA Medium Term Financial Plan (MTFP) included in Appendix 2 shows that under current assumptions, HRA balances will be exhausted by 2020/21. This analysis incorporates the potential impact of the various Government changes outlined in paragraph 4.6, as well as the requirement to utilise retained Right to Buy receipts (see paragraph 14.10 to 14.13), and it must be stressed that at this stage further detail of the policy changes are awaited. However it highlights that the savings that are currently incorporated within the HRA MTFP (£1 million in 2016/17 and a further £2 million in 2017/18) are only a short term remedy, and given the cumulative impact of the various government policies, a revised HRA strategy will be required.

14.9 It is essential that the savings process is continued in conjunction with THH, to identify and generate further efficiencies and savings within this and future years' budgets, to ensure that the Council complies with its statutory requirement to maintain a balanced Housing Revenue Account, and that the capital investment programme, and particularly the new build schemes are fully financed.

14.10 A key aspect of this report, and a significant risk to the Council, relates to the levels of Right to Buy receipts that the Council has retained under the one for one arrangements for the provision of new housing supply. These have accumulated significantly following the Government's reinvigoration of the Right to Buy system and are detailed in section 8.

14.11 Due to the continuing high number of Right to Buy sales, as outlined in paragraph 8.10, the Council is now holding a total of £36.6 million of one for one receipts. In accordance with the conditions imposed on their use (summarised in paragraph 8.8), receipts can only represent up to 30% of the costs of the new supply, meaning that if the Council wishes to provide the new supply itself, it will need to identify the 70% contribution needed.

14.12 It should be noted that the use of the receipts is time limited – in essence they must be spent within three years of the end of the quarter within which that are received (shown in Table 5) or returned to the DCLG with significant interest penalties. In October 2015, the Mayor in Cabinet approved a range of measures to utilise retained receipts – these included potential new developments; a programme to buy back properties previously sold by the Council under Right to Buy legislation, and a Local Affordable Housing Grant Programme targeted at supporting Registered Housing Providers. However, RTB sales continue to accrue, with a further £10 million of retained receipts anticipated to be generated in the six months between 1st October 2015 and 31st March 2016 alone.

14.13 In order not to delay the approval of any possible schemes identified, provision has been made within the overall capital resources to provide finance for new housing supply utilising one for one retained receipts. It must however be stressed that these resources are notional and that any schemes that are proposed will require a thorough assessment of viability and affordability within the HRA prior to adoption within the HRA capital programme. All expenditure must be funded from HRA resources, with borrowing being the final option. Potential non-borrowing resources will be incorporated into the future assessment of the schemes when capital estimates are sought.

14.14 This report also outlines the proposed HRA Housing Investment Programme for 2016/17 to 2020/21 (Appendix 3). The programme will be financed through available resources identified within the Authority's HRA 30 Year Financial Model, with formal capital estimates, totalling £24.2 million, being sought for works to the existing stock as detailed in paragraphs 13.3 to 13.9.

14.15 In a capital programme of this size over a long period, there will inevitably be changes to the scope and timing of some schemes as they are worked up and detailed consultation takes place. It is therefore important that sufficient flexibility exists within the programme to ensure that schemes can be managed in line with available resources, and to ensure that the Authority maximises its external year-specific financing e.g. grant funding, if any becomes available.

14.16 The capital programme will continue to be managed robustly in line with resources available, with commitments only being entered into if they remain affordable within the HRA 30 Year Financial Model.

14.17 It should be noted that a significant element of the costs of the capital programme will be chargeable to leaseholders, and although the Authority will be required to finance the works initially, it is vital that all costs are appropriately recharged in accordance with the terms of the lease. The Mayor in Cabinet, on 5th January 2016, approved a range of options to extend the time period over which leaseholders can repay their major works charges. The options approved will be available to qualifying leaseholders in respect of the capital works proposed within this report.

15. LEGAL COMMENTS

15.1 The report proposes that the Mayor approves the HRA budget for 2016/17. The Council is subject to an obligation under Part VI of the Local Government and Housing Act 1989 to maintain a housing revenue account (HRA). The Council is required to prepare proposals in January and February each year relating to the income of the authority from rents and other charges, expenditure in respect of repair, maintenance, supervision and management of HRA property and other prescribed matters. The proposals should be based on the best assumptions and estimates available and should be designed to secure that the housing revenue account for the coming year does not show a debit balance. The report sets out information relevant to these considerations.

15.2 The Mayor is asked to agree the management fee for Tower Hamlets Homes Ltd ("THH"). Schedule 6 of the management agreement with THH provides the method for calculation of the management fee. The report proposes that the management fee reflect specified savings and it is understood that the proposed management fee is put forward as an amount that it would be reasonable for the Council to pay for the services provided by THH.

15.3 The report seeks approval for capital estimates in relation to a variety of schemes. In compliance with section 151 of the Local Government Act 1972, the Council has in place Financial Regulations and Financial Procedures. The Financial Regulations set a threshold of £250,000, above for which Cabinet approval is required for a capital estimate. The Financial Procedures supplement this requirement.

15.4 The various capital schemes must be capable of being carried out within the Council's statutory powers. To the extent that the details of the schemes appear from the body of the report, it does appear that the proposed works meet this requirement. In particular, the Council is empowered by section 9 of the Housing Act 1985 both to build homes to meet housing need in the borough but also to alter, enlarge, repair or improve its housing stock.

15.5 It will be for officers to ensure that individual commitments are carried out in accordance with legal requirements. The terms of specific grant funding must be complied with, as must the terms of any section 106 agreement under which funding is to be made available. Any procurement associated with works or projects must be carried out in accordance with the Council's procurement procedures and the requirements of the Public Contract Regulations 2015. If the costs of works are to be recharged to leaseholders then this must comply with the statutory consultation requirements.

15.6 The Council is required as a best value authority under section 3 of the Local Government Act 1999 to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". Before agreeing the budget, management fee and capital estimates in the report, Cabinet should consider the information provided in the report, particularly the finance comments, with a view to whether they proposals relevantly reflect value for money.

15.7 Before agreeing any of the report's recommendations, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector equality duty). Information relevant to these considerations is contained in paragraph 16 of the report.

16. ONE TOWER HAMLETS CONSIDERATIONS

16.1 The Council is required to agree a balanced HRA, which means striking a balance between maximising resources available to the Council for social housing purposes and avoiding undue additional hardship to vulnerable tenants. In conjunction with Officers from THH, an Equalities Impact Assessment (EQIA) was undertaken in relation to the rent increase; the analysis was provided to the Mayor in Cabinet in January 2016. The analysis of THH tenants provided a detailed understanding of the most vulnerable tenants, and the action plan set out in the EQIA identified a number of mitigating actions which, once implemented, would ensure that the most vulnerable tenants are supported. Actions include enhancing the provision of advice and guidance for the most vulnerable tenants, ensuring that there is continuous analysis of the impacts on tenants, particularly the non-housing benefit claimants as well as continuous analysis and assessment of the Welfare Reforms once the proposals are fully implemented. The Action Plan will be continuously monitored to ensure that these actions are being progressed.

17. BEST VALUE (BV) IMPLICATIONS

17.1 Savings have been incorporated into the draft budget in order to ensure that the HRA remains in balance. Projects will be undertaken in partnership with Tower Hamlets Homes to identify further ongoing efficiency savings to ensure that the HRA remains sustainable in the longer term.

18. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

18.1 There are no specific implications arising from the recommendations in this report.

19. RISK MANAGEMENT IMPLICATIONS

19.1 Since the introduction of Self-Financing, the London Borough of Tower Hamlets is responsible for running its HRA as a viable business, using HRA income in order to fund all HRA expenditure, including the capital works necessary to maintain and improve the housing stock, and the funding of the Decent Homes programme.

19.2 Various areas of risk and uncertainty are highlighted in section 6. Over the next few months, it will be essential to review and update the HRA MTFP to reflect economic conditions and policy changes.

20. CRIME AND DISORDER REDUCTION IMPLICATIONS

20.1 There are no significant implications arising from these specific recommendations.

21. SAFEGUARDING STATEMENT

21.1 There are no significant implications arising from these specific recommendations.

Linked Reports, Appendices and Background Documents

Linked Report
- None

Appendices
- Appendix 1 – HRA Draft Budget 2016/17
- Appendix 2 – HRA Medium Term Financial Plan projections - 2016/17 to 2020/21
- Appendix 3 – Indicative HRA Capital Programme – 2016/17 to 2020/21
- Appendix 4 – Detail of Capital Estimates Sought

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012
- None

Officer contact details for documents:
- n/a

Originating Officers and Contact Details

Name	Title	Contact for information
Katherine Ball	Senior Accountant (HRA)	020 7364 0997

APPENDIX 1

HOUSING REVENUE ACCOUNT

DRAFT BUDGET 2016/17

Housing Revenue Account	2015/16	2015/16	2016/17
	Budget	Projected Outturn	Draft Budget
	£'000	£'000	£'000
INCOME			
Dwelling Rents	(69,300)	(68,400)	(67,166)
Non-dwelling Rents	(3,600)	(3,765)	(3,763)
Tenant Charges for Services & Facilities	(6,620)	(6,393)	(6,415)
Leaseholder Charges for Services & Facilities	(12,250)	(13,298)	(13,240)
Contributions towards expenditure	(115)	(115)	(115)
GROSS INCOME	(91,885)	(91,971)	(90,699)
EXPENDITURE			
Repair & Maintenance	22,298	22,118	22,540
Supervision & Management	23,622	23,909	23,285
Special Services	12,656	12,002	12,262
Rents, Rates, Taxes and other charges	3,033	2,861	3,167
Provision for Bad Debts	1,400	1,400	600
Interest Payable - Item 8	3,850	3,850	4,275
Depreciation - HRA Dwellings	13,839	13,839	13,408
Depreciation - Non Dwellings	1,552	1,552	1,552
Debt Management Costs	84	84	83
Sale of High Value voids levy	-	-	8,400
Pay to Stay levy	-	-	-
GROSS EXPENDITURE	82,334	81,615	89,572
NET COST OF HRA SERVICES	(9,551)	(10,356)	(1,127)
Amortisation of Premiums & Discounts	-	-	-
Interest & Investment Income	(225)	(217)	(222)
(SURPLUS)/ DEFICIT ON HRA	(9,776)	(10,573)	(1,349)
Appropriations			
Revenue Contribution to Capital Expenditure	9,776	9,775	2,000
NET POSITION	-	(798)	651
Balances			
Opening balance	(20,893)	(23,046)	(23,844)
Net (Surplus)/ Deficit on HRA	-	(798)	651
Closing balance	(20,893)	(23,844)	(23,193)

APPENDIX 2

MEDIUM TERM FINANCIAL PLAN 2016/17 – 2020/21

INDICATIVE HRA BUDGETS

Housing Revenue Account	2016/17	2017/18	2018/19	2019/20	2020/21
	Draft Budget £'000	Draft Budget £'000	Draft Budget £'000	Draft Budget £'000	Draft Budget £'000
INCOME					
Dwelling & non dwelling rents	(70,929)	(70,282)	(71,061)	(71,842)	(74,089)
Tenant & Leaseholder service charges	(19,655)	(19,841)	(20,199)	(20,582)	(21,001)
Investment Income received	(222)	(202)	(122)	(42)	(42)
General Fund contributions	(115)	(115)	(115)	(115)	(115)
GROSS INCOME	(90,921)	(90,440)	(91,497)	(92,581)	(95,247)
EXPENDITURE					
Repairs & Maintenance	22,540	22,702	22,997	23,313	23,653
Supervision & Management	23,285	26,181	24,342	24,517	24,704
Special Services, Rents rates & taxes	15,429	15,271	15,419	15,579	15,750
Increased/(Decrease) provision for bad debts	600	600	700	1,000	1,000
Capital Financing charges	19,318	20,333	21,312	23,218	24,368
Savings assumed in the MTFP		(2,000)			
Sale of High Value Voids levy	8,400	8,820	9,261	9,724	10,210
Pay to Stay levy	-	1,600	1,629	1,660	1,693
GROSS EXPENDITURE	89,572	93,507	95,660	99,011	101,378
NET COST OF HRA SERVICES	(1,349)	3,067	4,163	6,430	6,131
Appropriations					
Revenue Contribution to Capital Outlay (RCCO)	2,000	3,000	-	-	-
NET POSITION	651	6,067	4,163	6,430	6,131
Balances					
Opening balance	(23,844)	(23,193)	(17,126)	(12,963)	(6,533)
(Surplus/ Deficit on HRA	651	6,067	4,163	6,430	6,131
Closing balance	(23,193)	(17,126)	(12,963)	(6,533)	(402)

APPENDIX 3

INDICATIVE HRA CAPITAL PROGRAMME 2016/17 – 2018/19

	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	Total £m
Anticipated Expenditure						
Decent Homes Backlog Programme	10.000					**10.000**
Non-decent homes	6.700					**6.700**
Ashington East	13.463					**13.463**
Watts Grove	13.592	0.630				**14.222**
Jubilee St/ Baroness Rd	11.273					**11.273**
Locksley Estate/ Hereford	25.254	1.594				**26.848**
Leasehold buybacks	13.640	13.640				**27.280**
Estimates to work up new build schemes to RIBA 3	5.000	5.000				**10.000**
RP grant scheme	7.065					**7.065**
Assumed spend on one for one	1.821	2.000				**3.821**
	107.808	**22.864**	**-**	**-**	**-**	**130.672**
Capital Estimates sought in this report						
Priority Blocks	2.000					**2.000**
Decent Homes – newly arising need	11.500					**11.500**
Mechanical & Electrical programme	3.600					**3.600**
Fire Risk Assessment works	4.000					**4.000**
Prioritised Investment Programme	4.100					**4.100**
	25.200	**-**	**-**	**-**	**-**	**25.200**
Assumed future capital schemes						
Housing Capital Programme		15.000	15.000	15.000	15.000	**60.000**
Land Assembly costs	4.500					**4.500**
Spend needed to use projected one for one receipts						
*Assumed Council contribution (70%)		11.667	39.667	56.000	28.000	**135.334**
Forecast additional one for one receipts (30%)		5.000	17.000	24.000	12.000	**58.000**
		16.667	56.667	80.000	40.000	**193.334**
Indicative HRA Capital Programme	**137.508**	**54.531**	**71.667**	**95.000**	**55.000**	**413.706**
Summarised Assumed Financing						
Major Repairs Reserve	14.960	14.924	15.013	15.106	15.144	**75.147**
Major Works cash	28.218	7.700	7.700	7.700	7.688	**59.006**
Revenue Contribution to Capital (RCCO)	2.000	3.000				**5.000**
Use of HRA Balances / HRA Borrowing	30.712	10.377	23.880	48.194	-	**113.163**
Right to Buy one for one receipts	27.931	11.670	18.214	24.000	12.000	**93.815**
Other capital receipts	12.000	6.860	6.860			**25.720**
New Homes Bonus	8.746				20.168	**28.914**
GLA Grant	1.700					**1.700**
Other	11.241					**11.241**
Total Assumed Financing	**137.508**	**54.531**	**71.667**	**95.000**	**55.000**	**413.706**

*Note that, as referred to in para 8.15, this notional sum represents the required spend amount on replacement social housing in order to use the one for one receipts forecast to be generated in the second half of 2015/16, 2016/17 and 2017/18. It must be stressed that any future new build schemes will require Cabinet approval on a scheme by scheme basis, and will contain a detailed assessment of the financial viability of the project and its affordability within the HRA.

APPENDIX 4

DETAILS OF CAPITAL ESTIMATES SOUGHT

PRIORITY EXTERNAL WORKS

Block Name
9-48 Harriott House, Jamaica St E1
1-58 Kedleston Walk E2
1-97 Latham House
1-79 Padstow House
1-50 Rogers Estate, Globe Road E2
TOTAL: £2,000,000

DECENT HOMES – NEWLY ARISING NEED

Block Name
49-71 (O) Alderney Road
19 & 19A Alloway Road
20 & 20A Alloway Road
22A & 22B Alloway Road
36 Annie Besant Close
50 & 50A Arbour Square
52 & 52A Arbour Square
57 & 57A Arbour Square
58 & 58A Arbour Square
60 & 60A Arbour Square
19 & 19A Athelstane Grove
18 & 19 Avis Square
13-21 Baroness Road
162-176 (E) Bethnal Green Road
395A-405A (O) Bethnal Green Road
1-15 Billing House
83 Bow Road
41-71 (O) Boyton Close
88-134 (E) Cambridge Heath Road
1-16 Chambord House
1-8 Cheylesmore House
1-23 (O) Chilton Street
23-49 (O) Cleveland Way
51-77 (O) Cleveland Way
1-8 Culpin House
1-12 Danvers House

APPENDIX 4

DETAILS OF CAPITAL ESTIMATES SOUGHT

Block Name
1-66 Darnley House
12-22 (E) Deal Street
1-79 Delafield House
226-248 (E) Devons Road
250-296 (E) Devons Road
1-12 Downy House
1-15 Dowson House
2-12 (E) Forbes Street
16 - 22 (E) & 22-25 Garnet Street & Wine Close
1-8 Gillett House
7-37 (O) Globe Road
1-16 Goldman Close
17-28 Goldman Close
38 & 39 Goldman Close
58-71 Goldman Close
72 & 73 Goldman Close
54-78 (E) Granby Street
82-104 (E) Granby Street
64-86 (E) Hackney Road
1-25 Hadfield House
1-20 Hanson House
9-48 Harriott House
1-12 John Rennie Walk
13-30 John Rennie Walk
1-22 Keats House
1-6 Kirton Gardens
7-30 Kirton Gardens
19 & 20 Matlock Street
25 & 26 Matlock Street
1-20 Old Market Square and 1-4 Georgina Gardens
21-34 Old Market Square
109, 111, 113, 115, 117 Parnell Road
11-25 (O) Penang Street
14 Priestleys Buildings
98-128 (E) Ramsey Street
1-56 Redbourne House
73-91 (O) Redmans Road
1-8 Robert Owen House

APPENDIX 4

DETAILS OF CAPITAL ESTIMATES SOUGHT

Block Name
8 & 9 Rum Close
14 & 15 Rum Close
16-21 Rum Close
22 & 23 Rum Close
24 & 25 Rum Close
26-31 Rum Close
32-37 Rum Close
39 St Matthews Row
45 & 47 St Stephens Road
49 & 51 St Stephens Road
1-12 St Vincent De Paul House
91-113 (O) Sceptre Road
26-38, 39A Seagrave Close
1-8 Snell House
1-31 (O) Stayners Road
20-58 (E) Stepney Green
1-24 Strickland House
1-8 Stuart House
76-86 (E) Swanfield Street
88-98 (E) Swanfield Street
100-110 (E) Swanfield Street
112-122 (E) Swanfield Street
124-134 (E) Swanfield Street
1-32 Thornewill House
106 & 106A Tredegar Road
15A, 15B, & 15C Tredegar Square
20-30 (E) Vawdrey Close
1-6 Victoria Park Square
1-40 Walford House
1-8 Wickford Street
1-20 Wingfield House
TOTAL: £11,500,000

APPENDIX 4

DETAILS OF CAPITAL ESTIMATES SOUGHT

MECHANICAL AND ELECTRICAL PROGRAMME - LIFTS

Scheme Location	No. of Lifts
1-12 Carmichael House, Poplar High Street E14	1
1-14 Colstead House, Watney Market E1	1
1-79 Delafield House, Christian Street E1	2
1-24 Dence House, Turin Street E2	1
1-109 George Loveless House, Diss Street E2	2
1-109 James Hammett House, Ravenscroft Street E2	2
1-16 Kemp House, Sewardstone Road E2	1
1-54 Mayfield House, Cambridge Heath Road E2	1
1-60 Offenbach House, Mace Street E2	2
1-50 Rogers Estate, Globe Road E2	2
51-120 Rogers Estate, Globe Road E2	5
1-52 St Gilles House, Mace Street E2	2
1-75 Thornfield House, Rosefield Gardens E14	2
TOTAL: £3,600,000	