Cabinet Decision 7 February 2017	TOWER HAMLETS
Report of: Aman Dalvi, Corporate Director - Place Zena Cooke, Corporate Director - Resources	**Classification:** Unrestricted
Housing Revenue Account – Budget Report 2017/18	

Lead Member	Councillor David Edgar, Cabinet Member, Resources
Originating Officers	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 2017/18, and follows the noting of the Mayor in Cabinet on 10th January 2017 of the 2017/18 1% rent reduction and agreement of the tenant service charges. This report seeks Mayoral approval of the draft HRA budget for 2017/18 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 2017/18 Housing Revenue Account budget as set out in Appendix 1.

2. Approve the draft 2017/18 Management Fee payable to Tower Hamlets Homes (THH) of £31.946 million as set out in Table 4 at paragraph 10.8.

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 2017/18, THH will manage delegated income budgets totalling £88.262 million, and delegated expenditure budgets of £24.066 million.

4. Note the HRA Medium Term Financial Plan (2017/18 to 2021/22) outlined in Appendix 2.

Capital

1. Adopt a capital estimate of £17.625 million in relation to works programmed for 2017/18 on Council housing stock, as outlined in paragraph 12.2.

2. Note that the capital estimate of £17.265 million set out in 1. above includes a sum of £1 million to fund Overcrowding Reduction Initiatives as outlined in paragraph 12.3, £500,000 for the Aids and Adaptations programme, £1.5 million for the Capitalisation of Voids and £650,000 for the Capitalisation of Fees and Salaries as detailed in paragraph 12.4, as well as £500,000 as a contingency for urgent works as outlined in paragraph 12.5.

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 10th January 2017, the Mayor in Cabinet considered the 'Housing Revenue Account and Rent Setting report' which noted that a 1% rent reduction will apply for four years, starting in April 2016, and agreed a 2% increase in tenant service charges. These have been incorporated into the 2017/18 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 The *'Housing Revenue Account: Outline Business Plan and Medium Term Financial Outlook'* report was agreed by the Mayor in Cabinet on July 26th 2016. In that report the results of the financial modelling undertaken in May 2016 were discussed, the results of which indicated that the HRA was viable insofar as:

- the HRA would remain above the minimum £5 million balance;
- the capital programme could be financed over the 30 years, but would require significant re-profiling of £190 million of capital spend;
- the HRA would not breach its debt cap, although it could not reduce borrowing by repaying any debt;
- capital finances would be extremely tight for the foreseeable future, but should improve during the second half of the 30 year period.

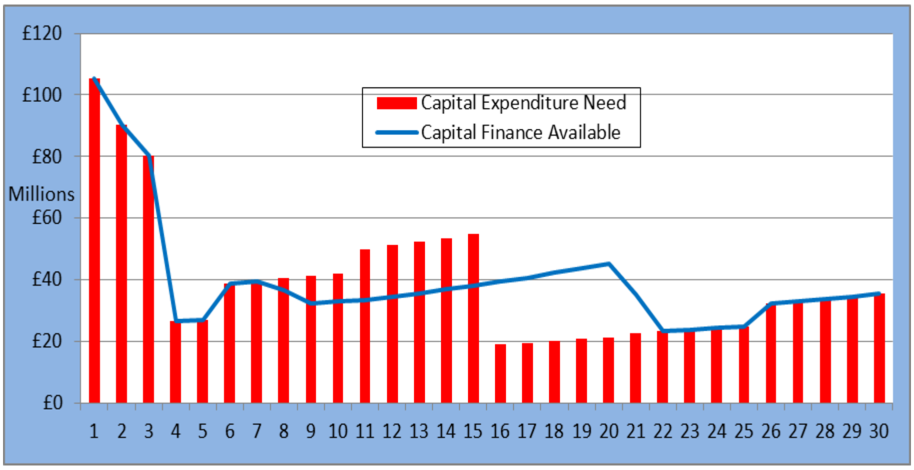
4.2 It should be noted that the modelling did not take account of any impact from the Higher Value Voids policy, or the Pay to Stay policy.

4.3 At the meeting on July 26th the Mayor in Cabinet agreed:

- a HRA medium-term savings target of £6 million, of which £2 million had already been assumed in 2017/18;
- that new Council housing would be let at a mix of social rent and living rent;

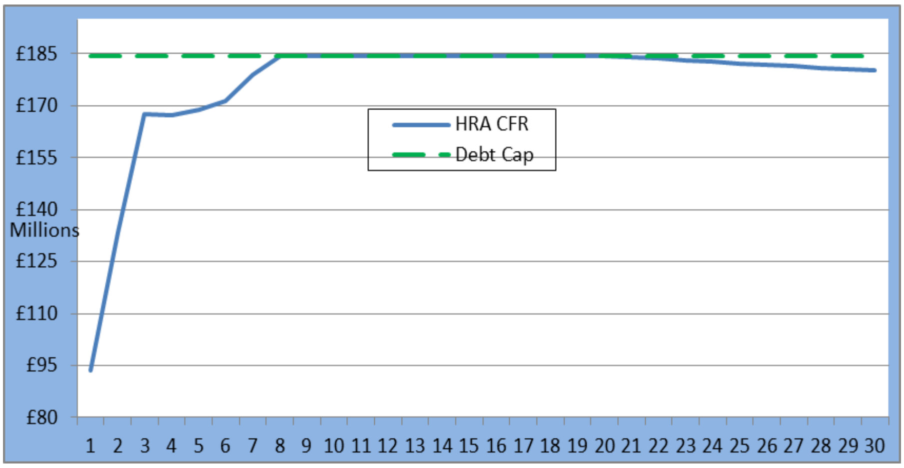
- a disposal programme of up to five HRA properties per year as an initial response to the requirement to sell vacant higher value Council stock (the Higher Value Voids policy);
- a total capital budget of £89.920 million to deliver 270 new homes on the Hereford, Locksley, Baroness, Jubilee, Tent Street and Arnold Road sites.

4.4 The July report noted that the effect of the decisions outlined at paragraph 4.3 above was to improve the overall forecast position of the HRA by reducing the shortfall on the capital programme and allowing for some debt repayment, as shown in Graphs 1 - 3 below.



Capital shortfall of £116 million in year 16 with catch up achieved in year 21.

Graph 1- Capital Expenditure v Resources Available

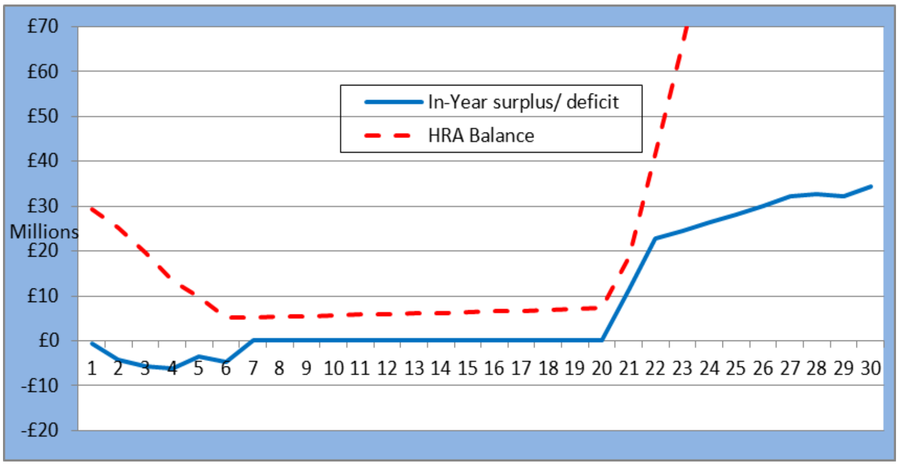


The debt cap is reached in year 8.

Minimal debt repayment possible towards the end of the 30 year period.

Graph 2 – HRA debt compared to the HRA Debt Cap

Projected HRA balance allows for the repayent of all HRA debt by year 30



Graph 3 - Forecast HRA Balance and in-year cashflow

4.5 The main areas of uncertainty that were discussed in the July report were the possible impact of the Higher Value Voids policy and the Pay to Stay policy. These are discussed in more detail in section 6 below.

5. PROJECTED OUTTURN 2016/17

5.1 Appendix 1 shows the agreed 2016/17 HRA budget. On December 6th 2016, the Mayor in Cabinet considered the '*Corporate Budget Monitoring Report (Quarter 2)'*, which reported that the HRA was forecast to underspend by £10.4 million; this is mainly due to the fact that the budget assumed that £8.4 million would be payable in 2016/17 in relation to the High Value Voids levy, but the government recently confirmed that this policy will not come into force until April 2018 at the earliest. In addition, the 2016/17 HRA budget assumes a Revenue Contribution to Capital (RCCO) of £2 million, but it is currently being assumed that other resources will be used to finance the 2016/17 HRA capital programme.

6. RISKS

Sale of Higher Value vacant stock

6.1 Under this policy local authorities will be required to make a payment to the government based on the market value of the authority's higher value housing stock that is likely to become vacant during that year. This money is to be used to extend the Right to Buy to housing association tenants.

Possible Impact on the HRA

6.2 As outlined in the July *'Housing Revenue Account: Outline Business Plan and Medium Term Financial Outlook'* report and the January '*Housing Revenue Account Rent Setting report 2017/18'*, for budget planning purposes, it was assumed that, starting in 2016/17, a sum of £8.4 million would be payable to the government, and it was not assumed that any sales of HRA stock would take place to offset this cost.

6.3 As referred to in section 5 above, the HRA budget monitoring assumes that no payment will be due in 2016/17 due to delays in implementing the scheme, and in November 2016 the government confirmed that the higher value voids policy will not come into effect until April 2018 at the earliest. There is at this time no detail about the size of the levy that each local authority will pay.

Budget Assumptions

6.4 Whilst it can be useful to model different scenarios to give an indication of what the possible impact may be, it must be stressed that until the government provides local authorities with details of the size of the levy that they will face, any projections are based on speculation only.

6.5 As a result of the government's announcement that no levy will be payable until April 2018 at the earliest, the HRA medium-term financial projections have been updated to move the introduction of a levy of £8.4 million to 2018/19, continuing for a period of five years. The medium-term financial projections still assume that no asset sales will take place in response to the levy other than the five disposals per year (see paragraph 6.9). These assumptions will need to be re-visited once the details are published.

6.6 Whilst it has been assumed in the budget that the payment to be made is revenue, it is probably more likely to be capital as it is a levy based on the receipts arising from (assumed) asset sales, although this is also not yet clear.

6.7 The Housing and Planning Act allows London boroughs to reduce the levy paid to the government if they build two new affordable homes for each high-value one deemed to be sold. There is no further detail about how this would operate in practice, but if such an agreement were set out in a similar way to the Right to Buy Agreement, then it could prove very restrictive in terms of the deadlines imposed, and the restrictions relating to funding the new-build. If so, with current build cost assumptions, it is difficult to see how the Authority could commit to replacing sold stock on a two for one basis unless it were able to retain all the capital receipts from property sales, and possibly not even in that case if the receipt from each sale were less than £600,000.

Response to the levy: Disposal of HRA stock

6.8 The size of the annual levy is not yet known, but it is prudent to assume that, given the other pressures facing it, the HRA will be unable to sustain a substantial annual levy payment unless a programme of stock disposals is carried out, and/ or alternative income is identified.

6.9 Section 76 of the Housing and Planning Act 2016 imposes a duty on a local housing authority to consider selling its interest in any higher value housing that has become vacant. Information from the last three years shows that each year in the region of 500 - 600 HRA tenanted properties become void for a variety of reasons, therefore, the Authority will need a policy on how it wants to treat the sale of vacant properties. At its meeting on July 26th 2016 the Mayor in Cabinet agreed a disposal programme of up to five HRA properties per year as an initial response to the requirement to sell vacant higher value Council stock.

6.10 Certain HRA properties are expensive to maintain and may also require significant ongoing investment, therefore voids falling into this category could be targeted for disposal. Implementing a policy of targeted disposals could partially or completely offset the cost of the annual levy and potentially provide additional resources to the HRA.

Pay to Stay

6.11 The Housing and Planning Act 2016 introduced a compulsory ‘Pay to Stay’ scheme in England whereby registered providers of social housing would have to charge a high income tenant a higher level of rent; in London, households with incomes of over £40,000 would have been affected.

Voluntary Scheme

6.12 On November 21st 2016 the Housing Minister announced that the scheme will no longer be compulsory for local authorities. It is not yet clear whether, if a local authority chooses to implement the scheme on a voluntary basis, it will be able to retain the additional rental income collected, or whether the government’s intention remains that additional income must be paid to the government.

6.13 The HRA medium-term financial projections at Appendix 2 do not include any assumed financial impact on to the HRA of this policy.

7. NEW HOUSING POLICY - HOUSING WHITE PAPER

7.1 The government has confirmed that the Housing White Paper, which will set out what the government is going to do to boost and improve the UK housing supply, will be published shortly. The paper will lay out the government’s plans to tackle the housing crisis and give details on one million new homes that will be built by 2020. It is understood that details of billions of pounds of funding will be set out in a range of ‘radical plans’ to boost the nation’s housing supply.

7.2 In the autumn statement the Chancellor said that the White Paper will look at key issues including the new £2.3 billion fund to produce infrastructure for up to 100,000 new homes in areas of high demand. Further housing measures announced include funding an expanded regional pilot of the Right to Buy for housing association tenants and the launch of a consultation on banning letting agents from charging fees to tenants.

8. RIGHT TO BUY

8.1 Changes to Right to Buy legislation have led to a current maximum discount of £103,900. The discount increases annually in line with the September Consumer Price Index (CPI).

Right to Buy Applications and Sales to Date

8.2 Between April 2012 and the end of December 2016 there were 836 RTB sales.

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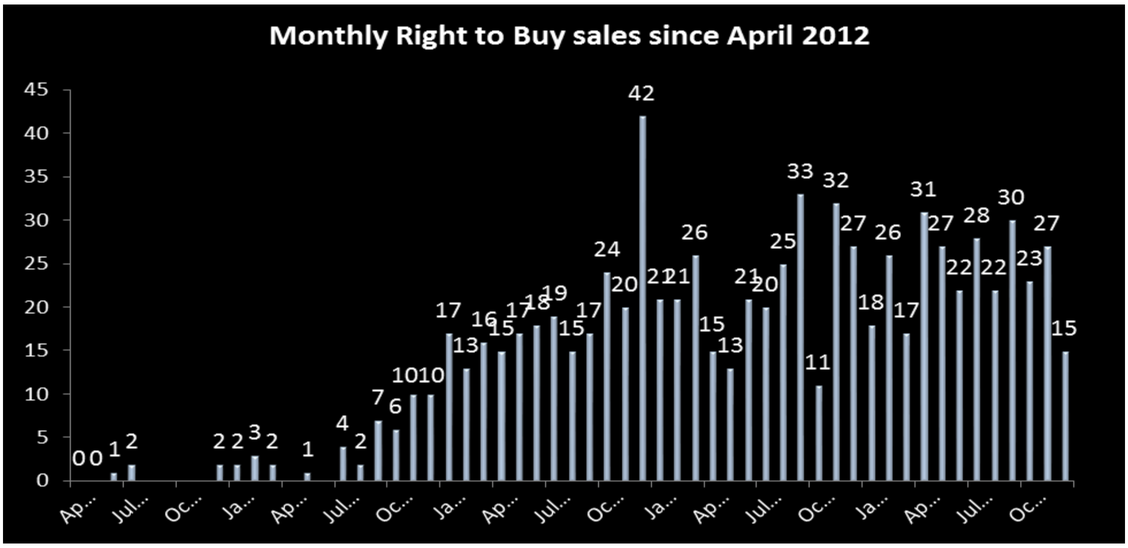

Graph 4– 836 Right to Buy sales have taken place since April 2012

Future Right to Buy Sales

8.3 The 2016/17 budget assumed 200 sales in 2016/17, however if sales continue at the current pace for the remainder of the year, there could be over 300 sales in 2016/17.

8.4 The Housing and Planning Act 2016 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.

8.5 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.

8.6 The Department for Communities, Localities and Local Government (DCLG) carried out a Right to Buy marketing campaign in October 2016, with direct marketing within a number of postcodes in Tower Hamlets. It is not yet clear if this will lead to an increase in the number of people submitting Right to Buy applications.

Right to Buy Receipts

8.7 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

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

8.9 As at the end of Q2 of 2016/17, the Authority has £69.2 million of 'one for one' retained receipts, the breakdown of which is shown in Table 1 below:

RTB Sales	Quarter Received	Spend Deadline	Retained 'one for one' Receipts (30%) £'000	Spend needed on social housing £'000	Council resources needed (70%) £'000	Cumulative spend needed on social housing £'000
CURRENT 'ONE FOR ONE' RECEIPTS HELD						
771			**69,183**	**230,610**	**161,427**	**230,610**
PLUS PROJECTED SALES FOR THE REST OF 2016/17						
80	2016/17 - Q3	31/12/19	*10,000*	*33,333*	*23,333*	
80	Q4	31/03/20	*10,000*	*33,333*	*23,333*	
			89,183	***297,277***	***208,094***	
PLUS PROJECTED SALES FOR 2017/18						
80	2017/18 – Q1	30/06/20	*10,000*	*33,333*	*23,333*	*330,610*
80	Q2	30/09/20	*10,000*	*33,333*	*23,333*	*363,943*
80	Q3	31/12/20	*10,000*	*33,333*	*23,333*	*397,277*
80	Q4	31/03/21	*10,000*	*33,333*	*23,333*	*430,610*
PLUS PROJECTED SALES FOR 2018/19						
80	2018/19 – Q1	30/06/21	*10,000*	*33,333*	*23,333*	*463,943*
80	Q2	30/09/21	*10,000*	*33,333*	*23,333*	*497,277*
80	Q3	31/12/21	*10,000*	*33,333*	*23,333*	*530,610*
80	Q4	31/03/22	*10,000*	*33,333*	*23,333*	*563,943*
			169,183	***563,943***	***394,760***	

Table 1 – Current retained 'One for One' RTB Receipts and projections for 2017/18 and 2018/19

8.10 Right to Buy 'one for one' receipts retained over the past few quarters have been at a higher level than was previously the case. For example, during Q2 of 2015/16 there were 78 sales leading to £6.6 million of 'one for one' receipts being retained by the Authority; a year later in Q2 of 2016/17 an almost identical number of sales occurred (80), but the amount of 'one for one' receipts retained was much higher at £10.5 million. This is because property valuations are increasing, and as the other deductions that are made from the capital receipt are more or less consistent each quarter, the higher sales receipts lead to higher levels of retained 'one for one' receipts.

Use of Right to Buy Receipts

8.11 As outlined in the July 2016 *'Housing Revenue Account: Outline Business Plan and Medium Term Financial Outlook'* report, the most recent HRA 30 year financial modelling assumed that the £49.7 million of 'one for one' receipts retained as at the end of 2015/16 will be spent within the HRA. In addition to this, it has been assumed that £1.5 million from Q1 and Q2 of 2016/17 will be spent within the HRA (see paragraph 8.14). Of this total of £51.2 million, it has been agreed that up to £4.9 million will be granted to Registered Providers to spend, and £4.5 million will be used to finance the Poplar Baths and Dame Colet leaseback schemes. Therefore, just under £42 million of these 'one for one' receipts remains, requiring a 70% HRA contribution of £97.5 million. The borrowing headroom available in the HRA is currently £98 million; therefore virtually all of the HRA's borrowing headroom will be needed to spend this level of 'one for one' receipts (in reality, borrowing would almost certainly be the last resort once all other resources have been utilised).

8.12 In the first two quarters of 2016/17, an additional £19.5 million of 'one for one' receipts has been retained by the Authority. On January 10th 2017 the Mayor in Cabinet agreed the "*'One for One' Right to Buy Receipts Usage - Purchase of Additional Homes Out of Borough"* report to adopt a capital estimate of £30 million for the purchase of up to 100 properties out of borough, to be financed by £9 million of retained 'one for one' Right to Buy Receipts (30%), and £21 million from other Council resources to finance the residual 70% of the capital costs.

8.13 A report elsewhere on this Cabinet agenda proposes establishing a Wholly Owned Company (WOC) with a commercial purpose to provide homes for rent and sale, and a charitable Community Benefit Society (CBS) to provide homes for sub-market rent. The report proposes that the Council grants the latter 'one for one' receipts of up to £9 million, and that the Council prudentially borrows up to £21 million to onward lend to the CBS.

8.14 If agreed, £18 million of 'one for one' receipts will therefore have been ear-marked for use to provide temporary accommodation (paragraph 8.12) and homes for sub-market rent (para 8.13). Apart from £1.5 million, the majority of the Q1 and Q2 2016/17 'one for one' receipts will therefore have been allocated for use outside the HRA, which means that the HRA will not have to finance the 70% contribution required (£42 million). It is currently assumed that this residual balance of £1.5 million of 'one for one' receipts (Q1 & Q2 of 2016/17) will be spent within the HRA, in addition to the £49.7 million retained as at the end of Q4 of 2015/16. Therefore the total amount of 'one for one' receipts currently assumed to be spent within the HRA is £51.2 million.

8.15 Although records show that, over the course of the last few months, the number of Right to Buy applications has been reducing compared to previous months, it is too soon to know if this is an ongoing trend, or a temporary slowdown. Even if the reduction continues, there are still hundreds of applications currently progressing through the system, and, as outlined in paragraph 8.10, even if the level of sales drops, it is likely that the amount of receipts retained will remain high due to the higher property valuations.

8.16 If the current level of Right to Buy sales continues then there could be an additional £20 million of 'one for one' receipts by the end of 2016/17, with another £40 million retained in 2017/18 and a further £40 million in 2018/19 (see Table 1).

HRA Resources

8.17 As discussed in section 11 of this report, the HRA medium term financial projections have improved since last February's HRA outlook, due to the factors detailed in paragraph 11.3. Arguably therefore, there is now an increased level of resources within the HRA over the next few years, which could be used towards the 70% funding required to spend a greater level of 'one for one' receipts than the £51.2 million that is currently being assumed.

8.18 However, as mentioned in paragraph 8.11, much (if not all) of the HRA's borrowing headroom will be required to spend the £51.2 million of 'one for one' receipts that it is currently being assumed will be spent within the HRA. Current medium-term projections indicate that most of the HRA resources currently held (and projected to be held) will be needed to finance the HRA capital programme over the next five years.

8.19 Although the previous modelling assumption was that the minimum level of HRA reserves required is £5 million (adjusted for inflation), there remain a number of uncertainties facing the HRA over the next few years. For instance, at the moment nothing is known about what rent policy the government will introduce following the four years of 1% rent reductions; current HRA projections assume that rents will increase by CPI + 1% from 2020/21 onwards, but this is supposition only at this point. In addition, although the higher value voids levy has been delayed until April 2018 at the earliest, the size of the annual levy that may be payable by the Authority remains unknown and could be substantially higher than the £8.4 million currently assumed. Therefore current forecasts assume that the HRA revenue reserve will be kept at a minimum balance of £15 million over the medium term financial planning period.

8.20 Once all HRA resources have been depleted, there are three ongoing sources of income available to the HRA that can be used to finance the capital programme; these are summarised below:

- Major Repairs allowance (equivalent to the annual HRA depreciation charge) – this is an annual amount of approximately £15 million and can only be used to finance capital expenditure on existing housing stock;

- Major Works cash – this is the amount of income collected from leaseholders in relation to major works carried out on their blocks to which they are required to contribute. This is not a predictable income source as it depends on the level of cash actually received each year. Over the past three years Major Works cash received has averaged about £3 million a year; this should increase over the next few years as the final bills relating to the Decent Homes works programme are raised.

- Revenue surpluses – if revenue income exceeds expenditure within a financial year then the surplus will either be transferred to the HRA reserve or used to finance that year's capital expenditure as a Revenue Contribution to Capital Outlay (RCCO).

8.21 Tower Hamlets Homes has produced its five year indicative capital programme, showing the forecast required expenditure on the Council's existing stock (attached at Appendix 4). The level of spend required over the next five years is in the region of £30 million per annum. It is possible that, if this is indicative of the annual level of capital expenditure required on the Authority's current stock, there will be insufficient resources within the HRA to support this once the only remaining HRA resources are the income streams outlined at 8.20 above. Therefore in future, the spend on the current stock will need to correspond to the resources available in any one year, and it may therefore be necessary to reassess the standards adopted in relation to the Authority's stock.

8.22 Table 2 below shows the impact on the HRA after five years if a commitment were made to spend within the HRA more than the £51.2 million of 'one for one' receipts than is currently assumed (see paragraph 8.14). This is based on current forecasts of capital spend over the five year period, which includes the expenditure that is forecast to be required on the Authority's existing housing stock.

Use of 'one for one' receipts in the HRA		70% HRA contribution needed	HRA borrowing headroom left after 5 years	Unfunded capital works over 5 years
£49.7 m	retained as at end of 2015/16	£115.7m	£10.9m	-
£ 1.5 m	residual sum from Q1 & Q2 of 2016/17 (see para 8.14)	£3.5m	£14.5m	-
£10.0 m	assumed 'one for one' receipts generated in Q3 2016/17	£23.3m	-	£8.8m
£10.0 m	assumed 'one for one' receipts generated in Q4 2016/17	£23.3m	-	£32.2m
£10.0 m	assumed 'one for one' receipts generated in Q1 2017/18	£23.3m	-	£55.5m
£10.0 m	assumed 'one for one' receipts generated in Q2 2017/18	£23.3m	-	£78.8m
£10.0 m	assumed 'one for one' receipts generated in Q3 2017/18	£23.3m	-	£102.2m
£10.0 m	assumed 'one for one' receipts generated in Q4 2017/18	£23.3m	-	£125.5m

Table 2 – Impact on the HRA after spending varying amounts of 'one for one' receipts

8.23 It can be seen that, on current assumptions, committing to spend more than the currently assumed 'one for one' receipts of £51.2 million within the HRA would reduce the HRA's resources to the levels indicated in Table 2, and risk a position where the capital works needed on the Authority's existing housing stock may not be able to be fully funded over the MTFP period. As outlined in paragraph 8.20, once current HRA resources have been used, there is only a limited source of income available to the HRA on an ongoing basis, unless a decision is made by the Council to use non-specific resources – for example capital receipts or New Homes Bonus – to increase the resources available to the HRA. A report on the Capital Strategy is elsewhere on this agenda.

8.24 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

9.2 The cumulative impact on the HRA will not be clear until the various reforms all take effect. Provision was made in the 2016/17 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 2017/18, rising to £1 million in 2019/20. This level of provision will be kept under review.

10. DRAFT BUDGET 2017/18

Inflation

10.1 September 2016's inflation indices were as follows; the Retail Price Index (RPI) was 2.0% and the Consumer Price Index (CPI) was 1%.

2017/18 Rent decrease

10.2 At its meeting in January 2017, the Mayor in Cabinet noted that there will be a 1% rent reduction for four years, which began in 2016/17. This has been incorporated into the 2017/18 budgets at Appendices 1 and 2.

Tenant Service Charges

10.3 At its meeting in January 2017, the Mayor in Cabinet agreed an average 2017/18 increase in tenant service charges from April 2017 of £0.24 per week. This is reflected in the 2017/18 budget at Appendices 1 and 2.

2017/18 Inflation – Salaries & National Insurance

10.4 The Council remains part of the National Joint Council for Local Government Services for negotiating pay award arrangements, and it is anticipated that the 2017/18 pay award will be 1%. The calculation of the 2017/18 management fee in Table 4 includes a sum of £0.300 million of growth to reflect the effect of a 1% increase in salary costs, as well as National Insurance and pension increases.

2017/18 Budget Reduction – energy

10.5 The energy budget has been reduced by £0.250 million to reflect anticipated costs and demand.

Savings

10.6 At its meeting on July 26th 2016, the Mayor in Cabinet agreed a HRA medium-term savings target of £6 million, of which £2 million was assumed in 2017/18. The 2017/18 budget proposes gross savings of £3.007 million, £2.757 million of which are within the management fee (see Table 4 below), and £250,000 is a reduction in the energy budget (see 10.5 above). As well as these savings there is also an element of growth requested within the 2017/18 management fee, meaning that the overall net 2017/18 HRA savings are £1.7 million.

Management Fee

10.7 In February 2016, The Mayor in Cabinet approved the 2016/17 Management Fee payable to THH for services provided to the Council. At £33.376 million, the Management Fee represented the largest single expenditure element of the HRA budget.

10.8 Table 4 below shows the calculation of the 2017/18 Management Fee payable to THH. The 2017/18 management fee is £1.430 million lower than in 2016/17. And reflects gross savings of £2.757 million, and an allowance for growth items.

Description	Total Fee £'000
2016/17 Management Fee	33,376
Transformational savings	(641)
Savings on general running costs	(450)
Other savings	(1,666)
Growth	1,327
2017/18 Management Fee	**31,946**

Table 4 – Calculation of the 2017/18 Management Fee

One-off Growth Items

10.9 The 2017/18 management fee incorporates a number of one-off growth items which will be funded from THH reserves, and are therefore not shown in Table 4 above. £250,000 has been allocated for IT improvements, which it is anticipated will lead to operational efficiencies and contribute towards THH's transformation agenda. In addition, it is anticipated that up to £500,000 of costs may be incurred when THH vacates Jack Dash House and moves to a new building, and a sum of £280,000 is anticipated to be required in order to set up a new procurement framework. Therefore, up to £1.030 million of one-off growth may be financed from the THH company reserve, which would leave a balance of over £3.6 million.

Anti-Social Behaviour (ASB) Initiatives

10.10 The HRA budget MTFP at Appendix 2 includes provision for £2.458 million to be spent over the next three years in order to fund initiatives to reduce ASB on Council estates. Table 5 below shows the level of funding that has been assumed.

	2017/18	2018/19	2019/20
HRA funding set aside for ASB Initiatives	£886,000	£836,000	£736,000

Table 5 – Summary of ASB provision over the next three years

11. MEDIUM TERM FINANCIAL PLAN

11.1 Appendix 2 shows the HRA Medium Term Financial Plan (MTFP) for the five year period 2017/18 to 2021/22.

Overall position on the HRA

11.2 The MTFP incorporates various income and expenditure assumptions and includes 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 effect of the higher value voids policy.

11.3 The latest HRA MTFP is shown at Appendix 2. The revised MTFP shows that, on current projections, the HRA reserve will reduce over the next few years, but will remain above the assumed minimum balance of £15 million (see paragraph 8.19). This is an improved position compared to the MTFP position that was forecast in last February's HRA budget report, primarily due to the following changes:

- last February's MTFP assumed that a higher value voids levy of £8.4 million would begin in 2016/17, however the government has recently confirmed that the levy will not commence until April 2018 at the earliest (i.e. two year later than previously assumed);

- last February's MTFP assumed that there would be a financial cost to the HRA of the Pay to Stay policy, however, the government has now confirmed that this policy will not be compulsory, and no financial impact to the Authority is now assumed in the MTFP;

- last February's MTFP reflected HRA savings of £2 million over the MTFP period whereas the current MTFP reflects assumed savings of £3.321 million;

- last February's MTFP assumed that the HRA would spend future Right to Buy 'one for one' receipts that accumulated during 2016/17 and 2017/18, leading to the HRA having to finance the 70% remaining contribution; the current MTFP assumes that only £51.2 million of 'one for one' receipts will be spent within the HRA;

- last February's MTFP reflected a lower opening balance in the HRA reserve compared to the current MTFP assumptions which incorporate a £20 million higher HRA balance.

11.4 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.

11.5 As highlighted in section 8, there is a high level of Right to Buy 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 Authority if it undertakes to spend the receipts itself.

Capital Programme and Stock Needs

11.6 As referred to in section 4, the most recent HRA 30 year financial 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 affordable over the period, although substantial re-profiling of the expenditure is likely to be needed.

11.7 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.

11.8 The outline HRA capital programme at Appendix 3 summarises the currently agreed programme. In addition, there is an assumed level of spend in future years for the ongoing maintenance of the stock, and, as mentioned in paragraph 8.14, assumed spend on replacement social housing needed to spend the Right to Buy 'one for one' receipts of £51.2 million.

11.9 The effect of financing all the capital schemes in Appendix 3 is that most of the HRA's borrowing headroom is forecast to be needed, as well as all the current HRA capital resources currently held. 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

11.10 The 2017/18 budget reflects gross savings of £3.007 million, £2.757 million of which is within the management fee (see Table 4), and £250,000 of which is reflected in a reduction in the energy budget. The MTFP at Appendix 2 reflects an additional £1.6 million of savings over the rest of the MTFP period.

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

12. ADOPTION OF HOUSING REVENUE ACCOUNT CAPITAL ESTIMATES

12.1 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 over £333 million for the Housing Revenue Account element of the capital programme over the five year period from 2017/18 to 2021/22, which is summarised in Table 6 below, and detailed in Appendix 3.

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Indicative HRA Programme	114.800	95.762	53.071	39.358	30.327	333.318

Table 6 – Summary HRA Capital Programme 2017/18 to 2021/22

NEW HRA CAPITAL ESTIMATES TO BE ADOPTED

Better Neighbourhoods programme - £17.265 million

12.2 Appendix 4 shows an outline of the proposed THH capital programme over the next five years. The total THH projected capital programme in 2017/18 is £43.550 million. When account is taken of the projected level of expenditure on THH capital schemes in 2016/17, and the resulting slippage of existing capital estimates into 2017/18, the amount of new capital approvals needed for 2017/18 is £17.265 million.

Overcrowding Reduction Initiatives - £1 million

12.3 The £17.265 million estimate includes a capital estimate of £1 million for the inclusion within the programme of various Overcrowding Reduction 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 £2.650 million

12.4 The £17.265 million estimate also includes capital estimates for Aids and Adaptations (£500,000), the capitalisation of the major costs involved in bringing void properties back into use (£1.5 million), (this includes undertaking internal works - replacing kitchens and bathrooms - in properties where access was not gained during the Decent Homes programme), and the capitalisation of fees and salaries associated with the delivery of the capital programme (£650,000).

Contingency - £500,000

12.5 In addition, the £17.265 million estimate includes a £500,000 contingency budget. The utilisation of this contingency will be subject to the approval of the Corporate Director, Place.

12.6 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.

13. COMMENTS OF THE CHIEF FINANCE OFFICER

13.1 This report sets out the proposed budget for the Housing Revenue Account for 2017/18 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.

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

13.3 Although the impact on the Housing Revenue Account is not quantifiable until the specific legislation is adopted and detailed guidance on the proposals is published, 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 section 6) will mean that significant savings have already been formulated, or are being worked on, and these will be required in order to maintain a sustainable HRA in the long term.

13.4 The Council is required to maintain a reasonable level of reserves in the HRA to mitigate possible financial risks, and as detailed in paragraph 8.19 it is currently assumed that the minimum level of HRA reserves will be kept at £15 million. 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 and leaseholder contributions.

13.5 The HRA Medium Term Financial Plan (MTFP) is included in Appendix 2. This analysis incorporates the estimated impact of the higher-value void levy as well as the requirement to utilise £51.2 million of retained Right to Buy receipts.

13.6 It is essential that, in addition to the HRA savings outlined in this report 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.

13.7 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.

13.8 Due to the continuing high number of Right to Buy sales, as outlined in paragraph 8.9, the Council is now holding a total of £69.2 million of 'one for one' receipts. In accordance with the conditions imposed on their use (summarised in paragraph 8.7), receipts can only represent up to 30% of the costs of the new supply, meaning that if the Council wishes to provide the new housing itself, it will need to identify the 70% contribution needed.

13.9 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 1) or returned to the DCLG with significant interest penalties. The Mayor in Cabinet has previously 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. In addition, a report agreed by the Mayor in Cabinet in January 2017 recommended that a sum of up to £9 million of 'one for one' receipts be set aside to purchase up to 100 out of borough properties to be used for Temporary Accommodation, and a report elsewhere on this agenda recommends that a Community Benefit Society be established and that the Authority grant up to £9 million of retained Right To Buy receipts to this body. However, RTB sales continue, with the possibility that a further £20 million of retained receipts anticipated may be generated in the six months between 1st October 2016 and 31st March 2017 alone.

13.10 This report also outlines the proposed HRA Housing Capital Programme for 2017/18 to 2021/22 (Appendix 3). The programme will be financed through available resources identified within the Authority's HRA 30 Year Financial Model, with a new capital estimate totalling £17.265 million being sought for works to the existing stock as detailed in paragraph 12.2.

13.11 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.

13.12 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.

13.13 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.

14. LEGAL COMMENTS

14.1 The report proposes that the Mayor approves the HRA budget for 2017/18. 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.

14.2 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.

14.3 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 and management fee 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.

14.4 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 section 15 of the report.

14.5 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.

14.6 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.

14.7 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. ONE TOWER HAMLETS CONSIDERATIONS

15.1 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 2017. 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, will 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.

16. BEST VALUE (BV) IMPLICATIONS

16.1 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.

17. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

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

18. RISK MANAGEMENT IMPLICATIONS

18.1 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.

18.2 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.

19. CRIME AND DISORDER REDUCTION IMPLICATIONS

19.1 This report includes a proposal to establish a budgetary provision of £2.458 million to be spent over a three year period to fund initiatives to reduce anti-social behaviour on the Authority's housing estates (see paragraph 10.10).

20. SAFEGUARDING STATEMENT

20.1 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 2017/18
- Appendix 2 – HRA Medium Term Financial Plan projections: 2017/18-2021/22
- Appendix 3 – Indicative HRA Capital Programme: 2017/18-2021/22
- Appendix 4 – Indicative THH five year capital programme: 2017/18–2021/22

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 2017/18

Housing Revenue Account	2016/17	2016/17	2017/18
	Budget	Projected Outturn	Draft Budget
	£'000	£'000	£'000
INCOME			
Dwelling Rents	(67,166)	(66,781)	(65,601)
Non-dwelling Rents	(3,763)	(4,228)	(4,050)
Tenant Charges for Services & Facilities	(6,415)	(6,167)	(7,105)
Leaseholder Charges for Services & Facilities	(13,240)	(13,440)	(13,625)
Contributions towards expenditure	(115)	(115)	(115)
GROSS INCOME	(90,699)	(90,731)	(90,496)
EXPENDITURE			
Repair & Maintenance	22,540	22,485	22,163
Supervision & Management	23,285	23,162	23,339
Special Services	12,262	12,185	11,711
Rents, Rates, Taxes and other charges	3,167	3,042	3,187
Provision for Bad Debts	600	600	600
Interest Payable - Item 8	4,275	4,275	3,500
Depreciation - HRA Dwellings	13,408	13,408	13,366
Depreciation - Non Dwellings	1,552	1,552	1,552
Debt Management Costs	83	83	78
Sale of High Value voids levy	8,400	-	-
Pay to Stay levy	-	-	-
GROSS EXPENDITURE	89,572	80,792	79,496
NET COST OF HRA SERVICES	(1,127)	(9,939)	(11,000)
Amortisation of Premiums & Discounts	-	-	-
Interest & Investment Income	(222)	(502)	(610)
(SURPLUS)/ DEFICIT ON HRA	(1,349)	(10,441)	(11,610)
Appropriations			
Revenue Contribution to Capital Expenditure	2,000	-	23,624
NET POSITION	651	(10,441)	12,014
Balances			
Opening balance	(23,844)	(32,619)	(43,060)
Net (Surplus)/ Deficit on HRA	651	(10,441)	12,014
Closing balance	(23,193)	(43,060)	(31,046)

APPENDIX 2

MEDIUM TERM FINANCIAL PLAN 2017/18 – 2021/22

INDICATIVE HRA BUDGETS

Housing Revenue Account	2017/18	2018/19	2019/20	2020/21	2021/22
	Draft Budget £'000	**Draft Budget £'000**	**Draft Budget £'000**	**Draft Budget £'000**	**Draft Budget £'000**
INCOME					
Dwelling & non dwelling rents	(69,651)	(70,504)	(70,623)	(72,025)	(73,503)
Tenant & Leaseholder service charges	(20,730)	(21,228)	(21,843)	(22,410)	(22,858)
General Fund contributions	(115)	(115)	(115)	(115)	(115)
GROSS INCOME	(90,496)	(91,847)	(92,581)	(94,550)	(96,476)
EXPENDITURE					
Repairs & Maintenance	22,163	22,307	22,717	23,159	23,507
Supervision & Management	23,339	24,905	25,180	24,729	26,117
Special Services, Rents rates & taxes	14,898	14,824	14,991	15,214	15,397
Increased/(Decrease) provision for bad debts	600	700	1,000	1,000	1,000
Capital Financing charges	18,496	19,486	21,102	22,184	22,899
Sale of High Value Voids levy	-	8,400	8,820	9,261	9,724
Pay to Stay levy	-	-	-	-	-
GROSS EXPENDITURE	79,496	90,622	93,810	95,547	98,644
NET COST OF HRA SERVICES	(11,000)	(1,225)	1,229	997	2,168
Investment Income received	(610)	(418)	(346)	(322)	(306)
Appropriations					
Revenue Contribution to Capital Outlay (RCCO)	23,624	14,267	-	-	-
NET POSITION	12,014	12,624	883	675	1,862
Balances					
Opening balance	(43,060)	(31,046)	(18,422)	(17,539)	(16,864)
(Surplus/ Deficit on HRA	12,014	12,624	883	675	1,862
Closing balance	(31,046)	(18,422)	(17,539)	(16,864)	(15,002)

APPENDIX 3

INDICATIVE HRA CAPITAL PROGRAMME 2017/18 – 2021/22

	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	Total £m
Agreed Schemes - Anticipated Expenditure						
Housing Capital Programme	26.285					**26.285**
ECO scheme	0.043	0.550				**0.593**
Extensions scheme	1.173					**1.173**
Ashington East		13.376				**13.376**
Watts Grove	0.630					**0.630**
Jubilee/ Baroness/ Locksley/ Hereford/ Tent St/ Arnold Rd new build schemes	37.099	37.881	12.436			**87.416**
Leasehold buybacks	19.880					**19.880**
RP grant scheme	3.425	2.140				**5.565**
Assumed additional spend on ‘one for one’			7.531	7.531		**15.062**
Purchase property out of borough for use as Temporary Accommodation (using Right to Buy ‘one for one’ receipts)	4.500	4.500				**9.000**
	93.035	**58.447**	**19.967**	**7.531**		**178.980**
Capital Estimates sought in this report						
Housing Capital Programme	17.265					**17.265**
Capital Estimates sought elsewhere on this agenda						
Grant money to a charitable Community Benefit Society (using Right to Buy ‘one for one’ receipts)	4.500	4.500				**9.000**
Assumed capital estimates to be adopted at future Cabinet						
Housing Capital Programme		32.815	33.104	31.827	30.327	**128.073**
Indicative HRA Capital Programme	**114.800**	**95.762**	**53.071**	**39.358**	**30.327**	**333.318**
Summarised Assumed Financing						
Major Repairs Reserve	14.968	15.016	15.099	15.097	15.107	**75.287**
Major Works cash	15.288	4.500	4.500	4.500	4.500	**33.288**
Revenue Contribution to Capital (RCCO)/ HRA reserve	20.803	13.115				**33.918**
Use of HRA Borrowing		35.127	23.782	14.102	10.720	**83.731**
Right to Buy ‘one for one’ receipts	29.519	22.504	5.990	2.259		**60.273**
Other capital receipts	26.722	5.500	3.700	3.400		**39.322**
New Homes Bonus	7.500					**7.500**
Total Assumed Financing	**114.800**	**95.762**	**53.071**	**39.358**	**30.327**	**333.318**

APPENDIX 4

INDICATIVE THH CAPITAL PROGRAMME 2017/18 – 2021/22

Budget Areas	2017/18 (000's)	2018/19 (000's)	2019/20 (000's)	2020/21 (000's)	2021/22 (000's)
Better Neighbourhoods Programme	30,700	13,177	12,966	12,899	12,608
Fire Safety	1,500	2,000	2,500	3,000	3,500
Fencing and security	230	600	600	600	600
Lifts	3,450	1,950	1,950	1,950	1,950
Door Entry	1,950	2,114	2,114	2,114	2,114
Mechanical (Boosted Water, Comm Vent, Water Tanks)	540	888	888	888	888
Communal Heating	300	5,129	5,129	3,419	1,710
Electrical	250	1,500	1,500	1,500	1,500
Electrical heat metering	250	100	100	100	100
Communal Play Areas	30	50	50	50	50
Aerials/IRS		90	90	90	90
Planned Domestic Boiler Replacement		1,467	1,467	1,467	1,467
Capitalised Voids	1,500	1,500	1,500	1,500	1,500
Emergency Domestic Boilers	200	100	100	100	100
Disabled Adaptations	500	500	500	500	500
Capitalised Salaries	650	650	650	650	650
Overcrowding Initiatives	1,000	1,000	1,000	1,000	1,000
Contingency	500				
Total	**43,550**	**32,815**	**33,104**	**31,827**	**30,327**