Item 8 Tenant Council 19th September 2016

Heygate Disposal Briefing

1. This report is a response to the chair of the Tenant's Council request for information on the financial situation relating the Heygate disposal.

The first part of the request concerned information on receipts/income generated from the scheme.

2. Under the terms of the Regeneration Agreement with Lend Lease signed in 2010 the council is to receive £50 million for the Heygate site, paid in phases once the agreement became unconditional. The agreement became unconditional in 2013. To date £18.3 million has been received by the HRA with a further £10.7 million due in 2016/17 and £21 million over the period 2017/18 to 2019/20, totalling £50 million.

3. In addition under the terms of the agreement the council is entitled to 50% of any profit or planning overage. The sums payable under this heading will only be known when the scheme is fully complete in 2025 and all costs and receipts have been accounted for.

4. Finally in order to support the early delivery of the project the council forward funded the demolition of the estate on the basis of an agreement with Lend Lease which required the company to repay the amount with interest once the scheme went unconditional. This sum has been received by the council (£16.499 million income to the HRA against costs of £15.996 million).

The second part of the request concerned the value of any debt owned against the former stock (post government debt reallocation).

5. Debt is not specifically linked to individual capital assets, new borrowing is drawn down as required to fund the overall capital financing requirement each year (subject to the statutory borrowing limits that apply), and to re-finance maturing debt. Currently, the council's oldest debt dates back to 1989, whereas Heygate was built in the early seventies. However, it is possible that borrowing taken out at the time of Heygate may have been re-financed subsequently and remains part of the loan portfolio, but it is not possible to identify it.

6. In April 2012, the council received a debt reduction of £199.254 million as part of the Self-financing settlement. This was calculated by reference to a notional 30 year HRA business plan which determined the amount of debt that the council could support over that period. The council's loan portfolio (all PWLB loans) was top-sliced in proportion to the value of the individual loans with consequent revenue savings. The debt write-down cannot be attributed to individual assets.

The third part of the request concerned information on expenditure under the following headings.

7. ***Cost of security of site prior to disposal*** - These costs are associated with the security of the site, interventions at block level to prevent risks of squatting/anti social behaviour, and decommissioning works as units became vacant [removal of kitchens/bathrooms/welding for security] again to prevent squatting. Decommissioning costs including other estate security works totalled £8.315 million.

8. ***Cost of leaseholder buy outs etc.*** – The cost of acquisitions including the Crossways Church were £28.373 million with a further £5.097 million forecast.

9. ***Cost of re-housing tenants*** - Tenant relocation costs and Home loss payments were £5.779million.

10. ***All other costs relating to disposal of the estate/land*** - Other costs include council tax on voids (£1.819 million) and installation of the footway on Heygate Street and security fence (£0.419 million). Costs of demolition were £15.996 million with a further £1.635 million for demolition of Wingrave and Rodney Road.

The final part of the request was for information as to where the proceeds of the sale have gone/are going and where each of the costs in relation to the sale have gone/are going.

11. All costs incurred to date and future costs are attributable to the HRA/HIP. Similarly, all receipts/income (i.e. the reimbursement of the demolition contract) have been applied to the HRA/HIP and future receipts will be treated in the same way.