

<b>Committee(s)</b>	<b>Dated:</b>
Community and Children's Services Committee	14/9/2018
<b>Subject:</b> Housing Revenue Account - Outturn 2017/18	<b>Public</b>
<b>Report of:</b> Peter Kane, The Chamberlain and Andrew Carter, Director of Community and Children's Services	<b>For Information</b>
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### Summary

1. This report compares the outturn for the Housing Revenue Account (HRA) in 2017/18 with the final agreed budget for the year.
  - The total net transfer from reserves for the year was £3.671m, £0.827m higher than the final agreed budget of £2.844m, mainly as a result of a higher than expected repairs and maintenance costs and lower than expected service charge income. Revenue Reserves ended the year with a balance of £4.468m.
  - The Major Repairs Reserve (MRR) ended the year with a balance of £8.515m, £7.334m higher than budgeted, due to significant slippage in the capital expenditure programme.

<b>Table A - Summary Comparison of 2017/18 Outturn with Final Agreed Budget</b>			
	<b>Final Agreed Budget</b>	<b>Outturn</b>	<b>Variation Underspend / (Overspend)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>HRA Revenue (see Table B)</b>			
Expenditure	(13,026)	(13,484)	(458)
Income	15,082	14,743	(339)
Other	100	70	(30)
Transfer to MRR	(5,000)	(5,000)	0
(Deficit) for year	(2,844)	(3,671)	(827)
Opening Reserves	8,139	8,139	0
Closing Reserves	<u>5,295</u>	<u>4,468</u>	<u>(827)</u>
<b>Major Repairs Reserve (see Table C)</b>			

Opening reserve	6,497	6,497	0
Net Capital exp in year	(10,316)	(2,982)	7,334
Transfer from Revenue	<u>5,000</u>	<u>5,000</u>	<u>0</u>
Closing Reserves	<u>1,181</u>	<u>8,515</u>	<u>7,334</u>

#### **Recommendation(s)**

2. It is recommended that this outturn report for 2017/18 is noted.

### **Main Report**

#### **Housing Revenue Account**

3. The HRA is ringfenced by legislation which means that the account is financially self-supporting. Although the "Capital" Account is not ringfenced by law, the respective financial positions of the HRA and the City Fund has meant that capital expenditure is financed without placing a burden on the use of City Fund resources. All HRA related capital expenditure continues to be funded from the HRA, including the Major Repairs Reserve and certain capital receipts from sales of HRA assets, with homeowners making their appropriate contributions. In practice, therefore, the capital account is also ringfenced.

#### **HRA Revenue Outturn for 2017/18**

4. The HRA revenue outturn has a net deficit of £3.671m, £0.827m larger than the expected deficit in the budget, mainly due to higher than expected repair and maintenance cost and lower than expected service charge income. Comparison of the 2017/18 Outturn with Latest Revenue Budget is shown in Table B below.

Table B

	Original Budget 2017/18 £000	Final Agreed Budget 2017/18 £000	Revenue Outturn 2017/18 £000	Variation Underspend / (Overspend) 2017/18 £000	Paragraph Number
<u>Expenditure</u>					
Repairs, Maintenance & Improvements					
Breakdown and Emergency Repairs	(2,057)	(1,980)	(2,510)	(530)	
Contract Servicing	(962)	(921)	(874)	48	
Cyclical and Minor Improvements	(360)	(657)	(834)	(177)	
Supplementary Revenue	(1,936)	(1,158)	(518)	640	
Technical Services and City Surveyor's					
Costs	(762)	(762)	(1,152)	(390)	
Total Repairs, Maintenance & Improvements	(6,077)	(5,478)	(5,888)	(410)	5
Supervision and Management	(4,869)	(4,990)	(5,168)	(178)	6
Specialised Support Services					
Central Heating	(308)	(314)	(263)	51	
Estate Lighting	(241)	(246)	(268)	(22)	
Caretaking and Cleaning	(1,459)	(1,436)	(1,532)	(96)	
Community Facilities	(83)	(34)	(10)	24	
Welfare Services	(115)	(292)	(171)	121	
Garden Maintenance	(263)	(236)	(184)	52	
<b>Total Expenditure</b>	<b>(13,415)</b>	<b>(13,026)</b>	<b>(13,484)</b>	<b>(458)</b>	
<u>Income</u>					
Rent					
Dwellings	10,309	10,618	11,012	394	7
Car Parking	475	520	473	(47)	
Baggage Stores	116	127	128	1	
Commercial	1,080	1,263	1,212	(51)	
Community Facilities	65	84	97	13	
Service Charges	2,228	2,418	1,783	(635)	8
Other	52	52	38	(14)	

<b>Total Income</b>	14,325	15,082	14,743	(339)
Interest Receivable	100	100	70	(30)
Net Operating Income	1,010	2,156	1,329	(827)
Transfer to Major Repairs Reserve	(10,000)	(5,000)	(5,000)	0
	(8,990)	(2,844)	(3,671)	(827)
Opening Reserves	11,049	8,139	8,139	0
Closing Reserves	2,059	5,295	4,468	(827)

5. Repairs, Maintenance and Improvements costs were overspent by £410k. Increased expenditure was due to increased demand for breakdown and emergency repairs.
6. Supervision and Management had an adverse variance by £178k. This was mainly due to the fire risk assessments carried out after the Grenfell Tower fire.
7. Dwellings had a favourable variance in income mainly due to an under estimate of commercial estate income in the budget. This will be reviewed in the revised estimates for 2018/19.
8. Service Charge income had an adverse variance by £636k compared to the latest budget profiled, this is mainly due to overestimate of budgeted income and lower than budgeted supplementary revenue projects carried out in the year, which resulted in lower amounts recoverable.
9. Comparison of 2017/18 Major Repairs Reserves Outturn with Agreed Budget is set out in Table C below.

**Table C**

<b>Table C</b>	<b>Latest Budget</b>	<b>Revenue Outturn</b>	<b>Variation (Underspend)/ Overspend</b>	<b>Notes</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
<b>HRA Reserves</b>				
<b>Major Repairs Reserve</b>				
Balance Brought Forward	(6,497)	(6,497)	0	
Transfer from HRA	(5,000)	(5,000)	0	Table B
Capital Expenditure	23,382	6,974	(16,408)	Annex A
Section 106 funding	(9,062)	(1,517)	7,545	
Capital Receipts applied	(1,188)	(546)	642	
Community Infrastructure Levy	0	(407)	(407)	
Reimbursements from Homeowners	(2,816)	(1,522)	1,294	
<b>Major Repairs Reserve Balance Carried Forward</b>	<b>(1,181)</b>	<b>(8,515)</b>	<b>(7,334)</b>	

10. The net underspend of £7.334m in the balance on the Major Repairs Reserve was mainly due to significant slippage in capital expenditure, as detailed in Annex A.

11. Members note the reasons for the underspend set out in the report above.

## Appendices

- Annex A - CAPITAL PROJECTS

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	<b>CAPITAL PROJECTS</b>	Forecast Budget 2017/18 £000	Actual 2017/18 £000	Variance Overspend/ (Underspend) £000	Comments on main variations
29100036	<b>Avondale Square Estate</b> Decent Homes Upgrade works	34	2	(32)	Delayed planning permission for the development. Works on site at present so this spend will increase. Delayed as forms part of development project
29100042	Avondale Sq Redevelopment of Community Centre	0	65	65	
29100070	Avondale repairs/Redecs/Windows	335	0	(335)	
29100080	George Ellison & Eric Wilkins New flats	3,685	155	(3,530)	
29100083	Decent Homes Avondale	537	41	(496)	
29100081	George Ellison & Eric Wilkins Windows	246	0	(246)	
		4,837	263	(4,574)	
	<b>Dron House</b>				
29100043	Conversion - New Flat	1	0	(1)	
29100091	Dron House Decent Homes	93	2	(91)	
		94	2	(92)	
	<b>Golden Lane Estate</b>				40 properties on hold as Great Arthur House cladding contractor still on site  Completion of community centre in July 2018 and so some capital expenditure occurred 18/19 Delayed on site work to start in Sept 2018
29100010	Great Arthur House Windows & Cladding	2,792	2,734	(58)	
29100032	Door Entry	17	19	2	
29100049	Refurbishment of Lifts	753	680	(73)	
29100050	Heating & Hot Water Golden Lane Estate	440	198	(242)	
29100085	Great Arthur House New Flats	30	8	(22)	
29100086	Golden Lane Community Centre	1,083	834	(249)	
29100093	Golden Lane Decent Homes	313	2	(311)	
		5,428	4,475	(953)	
	<b>Holloway Estate</b>				
29100033	Electrical Rewiring	566	180	(386)	Final valuation and account being agreed August 2018
29100038	Decent Homes Upgrade Works	37	33	(4)	
29100047	Refurbishment Works to Door Entry Systems	11	7	(4)	
		614	220	(394)	
	<b>Isleden House</b>				
29100079	Isleden House provision of Additional Social Housing	30	37	7	
		30	37	7	
	<b>Middlesex Street Estate</b>				
29100060	Middlesex St External/Internal Refurbishment	1,000	0	(1,000)	
29100071	Refurbishment of Lifts	511	1	(510)	
29100074	Petticoat Tower Replacement Windows & Balcony Doors	788	1	(787)	Works out to tender August 2018
29100075	Middlesex Street Shop Conversion	450	42	(408)	Work to start on site on 20 august 2018
		2,749	44	(2,705)	

29100078	<b>Richard Cloudesley Site</b>	3,759	51	(3,708)	Delays in project.
29100098	Richard Cloudesley Site (Affordable Housing)	0	1,178	1,178	
	Richard Cloudesley Residential Design	3,759	1,229	(2,530)	
	<b>Southwark Estate</b>				Works carried out as revenue cost.
29100019	Door Entry Sumner Buildings	104	0	(104)	
29100020	Pakeman Door Entry	59	0	(59)	
29100058	Refurbishment of Lifts	31	11	(20)	Delays in project.
29100046	Door Entry Stopher House	78	0	(78)	
29100094	Decent Homes Southwark	635	2	(633)	
		907	13	(894)	
	<b>Sydenham Hill</b>				
29100067	Sydenham Hill Provision of Social Housing	0	100	100	
29100095	Sydenham Hill Decent Homes	87	2	(85)	
		87	102	15	
	<b>William Blake Estate</b>				
29100037	Decent Homes Upgrade Works	53	46	(7)	
29100059	Refurbishment of Lifts	30	12	(18)	
29100088	William Blake CCTV	19	11	(8)	
		102	69	(33)	
	<b>Windsor House</b>				Delays in works on site.
29100097	Windsor House Decent Homes	250	20	(230)	
		250	20	(230)	
	<b>York Way Estate</b>				
29100048	York Way Estate Refurbishment Works to Door Entry Systems	8	4	(4)	
29100092	York Way Decent Homes	304	390	86	
		312	394	82	
	<b>Decent Homes (various estates)</b>				Delays in the Gateway process.
29100035	CCTV	127	0	(127)	
29100044	Boiler Replacement Programme 2014/15	53	0	(53)	
29100062	Decent Homes Various Estates	7	18	11	Delays within the Design team, the project is now proceeding
29100082	Decent Homes Additional Properties	241	88	(153)	
29100084	Sydenham Hill Social Housing	1,535	0	(1,535)	
	Roof Replacements	2,000	0	(2,000)	Delays in the Gateway process.
29100087	Golden Lane Lighting	250	0	(250)	
		4,213	106	(4,107)	
	<b>Total 2017/18</b>	<b>23,382</b>	<b>6,974</b>	<b>(16,408)</b>	