

Committee:	Dated:
Community and Children's Services	11 January 2019
Subject: HOUSING REVENUE ACCOUNT (HRA) AND CAPITAL BUDGETS 2019/20	Public
Report of: The Chamberlain The Director of Community & Children's Services	For Decision

Summary

1. This report is the annual submission of the revenue and capital budgets overseen by your Committee. In particular it seeks approval for the provisional revenue budget for 2019/20, for subsequent submission to the Finance Committee. Details of the HRA draft capital budget are also provided.
2. The provisional nature of the revenue budgets particularly recognises that further revisions might arise from the necessary budget adjustments resulting from corporate projects.
3. There is a significant increase in the capital programme which is to be funded from use of balances held in reserves for this purpose and a City Fund Loan.
4. A number of development opportunities and major projects will require considerable resource input but will result in increased social housing capacity and improvements to our properties, particularly in terms of energy efficiency
5. The General Housing Revenue Reserve position is summarised below:-

Table 1 General Housing Revenue Reserve	<i>Original Budget 2018/19</i> £000	Original Budget 2019/20 £000	Movement 2018-19 to 2019/20 £000
Service Expenditure	(14,160)	(11,373)	2,787
Service Income	14,992	14,348	(644)
Other Movements	(100)	(100)	0
Transfer to Major Repairs Reserve	(6,000)	(3,682)	2,318
Deficit in year	(5,268)	(807)	4,461
Balance brought forward	5,295	1,419	(3,876)
Balance carried forward	27	612	585

6. Overall, the 2019/20 provisional budget indicates a deficit for the year of £807k a decrease of £4,461k over the 2018/19 budget. The decrease is due to a reduction in major revenue repairs costs and reduced capital charges. Revenue Reserves at 31 March 2020 are now expected to be £612,000.
7. The overall Major Repairs Reserve (MRR) position is summarised below:-

Table 2 Major Repairs Reserve	<i>Original Budget 2018/19</i>	Original Budget 2019/20	Movement 2018-19 to 2019/20
	£000	£000	£000
Transfer from General Housing Revenue Reserve (see contra Table 1)	6,000	3,682	2,318
Net capital expenditure	(6,974)	(3,500)	3,474
Movement in MRR in year	(974)	182	1,156
Balance brought forward	1,181	0	(1,181)
Balance carried forward	207	182	25

- The planned reduction in the Major Repairs Reserve reflects the very significant investment in the capital programme for works across the 5-year asset management plan, including the decent homes program, window renewal, roof replacements and fire doors.

Recommendations

8. The Committee is requested to:
- review the provisional 2019/20 revenue budget to ensure that it reflects the Committee's objectives and, if so, approve the proposed budget for submission to the Finance Committee.
 - review and approve the draft capital budget;
 - authorise the Chamberlain to revise these budgets to allow for further implications arising from departmental reorganisations and other reviews.

Main Report

Management of the Housing Revenue Account

9. The HRA is ring-fenced by legislation which means that the account must be financially self-supporting. To enable this, a 30-year plan has been produced. The budgets in this report are included as the first years element of the plan. Although the “capital account” is not ring fenced by law, the respective financial positions of the HRA and the City Fund have meant that capital expenditure is financed without placing a burden on the use of City Fund resources. 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 ring-fenced.

Business Planning Priorities

10. A number of development opportunities and major projects will require considerable resource input but will result in increased social housing capacity and improvements to our properties, particularly in terms of energy efficiency.

Proposed Budget Position 2018/19 and 2019/20

11. The detailed budgets are set out in table 3 over the page.

Actual 2017-18 £000	Table 3 - HOUSING REVENUE ACCOUNT	Original Budget 2018-19 £000	Latest Budget 2018/19 £000	Original Budget 2019-20 £000	Movement 2018-19 to 2019-20 £000	Paragraph Ref
	LOCAL RISK					
	Expenditure					
(4,218)	Repairs, Maintenance & Improvements	(3,481)	(3,493)	(2,793)	688	Appendix 1
(518)	Major Repairs - Supplementary Revenue Budgets	(2,048)	(2,045)	(973)	1,075	13
(1,152)	Technical Services and City Surveyor's Costs	(762)	(760)	(760)	2	
(3,317)	Employee Cost	(3,593)	(3,754)	(3,744)	(151)	14
(1,851)	Premises & Other Support Cost	(1,707)	(932)	(486)	1,221	15
(2,428)	Specialised Support Services	(2,569)	(2,637)	(2,617)	(48)	16
(13,484)	TOTAL Expenditure	(14,160)	(13,621)	(11,373)	2,787	
	Income					
	Rent					
11,010	Dwellings	10,559	10,531	10,418	(141)	17
473	Car Parking	526	493	631	105	18
129	Baggage Stores	129	128	128	(1)	
1,214	Commercial	1,276	1,249	1,503	227	19
	Charges for Services & Facilities					
97	Community Facilities	91	97	118	27	
1,782	Service Charges	2,359	1,479	1,497	(862)	20
38	Other	52	53	53	1	
14,743	TOTAL Income	14,992	14,030	14,348	(644)	
1,259	NET INCOME FROM SERVICES	832	409	2,975	2,143	
0	Loan Charges – Interest	(200)	(200)	(200)	0	
70	Interest Receivable	100	100	100	0	
1,329	NET OPERATING INCOME	732	309	2,875	2,143	
(5,000)	Transfer to Major Repairs Reserve	(6,000)	(3,358)	(3,682)	2,318	
(3,671)	(Surplus) / deficit FOR THE YEAR	(5,268)	(3,049)	(807)	4,461	
8,139	Surplus brought forward	5,295	4,468	1,419	(3,876)	
4,468	SURPLUS CARRIED FORWARD	27	1,419	612	585	

12. Expenditure and unfavourable variances are presented in brackets. Only significant variances (generally those greater than £50,000) have been commented on in the following paragraphs.
13. The variance in the Supplementary Revenue Property Projects cost is due to the majority of major works been classified as capital rather than revenue projects in 2019/20.
14. An increase of £151,000 in the Employee Cost this is due to annual salary increment and pay awards for 2019/20.
15. Premises & Other Support Cost have decreased due to Thames Water now directly billing tenants rather than billing the City and the City reclaiming monies via the service charge (£585,000). There is also a decrease in capital and recharges within the fund of £636,000.
16. An increase of £48,000 in the Specialised Support Services is due to an increment charge for Caretaking and Cleaning services.
17. A decrease of £141,000 in tenant rental income mainly resulting from the 1% annual rent reduction as directed by Central Government.
18. The increased income of £105,000 in Car Parking is the additional income for 2019/20 from the COL Police to utilise spare car park spaces on Middlesex St.
19. The increased income off £227,000 for Commercial properties is based on latest Estimated Rental Values (ERV) provided by our external agent following a rent review.
20. A decrease of £862,000 in the estimated service charge income is due to Thames Water now billing tenants directly (£585,000) and the correction of an over estimate of cost recovery in the original budget.
21. The Major Repairs Reserves is expected to have a small final balance of £182,000 after the receipt of £12,985 city fund loan in 2019/20.

Actual 2017- 18 £000	Table 4 - HOUSING REVENUE ACCOUNT	Original Budget 2018-19 £000	Latest Budget 2018/19 £000	Original Budget 2019-20 £000	Movement 2018-19 to 2019-20 £000	Paragraph Ref
	MAJOR REPAIRS RESERVE (MRR)					
5,000	Transfer from HRA	6,000	3,358	3,682	(2,318)	
(6,974)	Capital Expenditure	(31,971)	(28,131)	(49,117)	(17,146)	
1,517	Section 106 / Grants	9,112	5,690	26,912	17,800	
1,522	Reimbursements from homeowners	4,224	3,013	4,906	682	
546	RTB Receipts	2,161	2,424	814	(1,347)	
407	Community Infrastructure Levy	0	225	0	0	
0	City Fund Loan	9,500	4,906	12,985	3,485	
2,018	Transfer from/(to) reserve for year	(974)	(8,515)	182	1,156	
6,497	Balance Brought Forward	1,181	8,515	0	(1,181)	
8,515	MRR BALANCE CARRIED FORWARD	207	0	182	25	21

22. Analysis of the movement in manpower and related staff costs are shown in Table 5 below. These costs are spread across Direct Employee Cost, Repairs Maintenance and Improvements, Specialised Support Services.

Table 5 Manpower statement	Original Budget 2018/19		Original Budget 2019/20	
	Manpower	Estimated	Manpower	Estimated
	Full-time equivalent	cost £000	Full-time equivalent	cost £000
Supervision and Management	33	(1,753)	37	(1,876)
Estate Officers	12	(432)	13	(497)
Porter/Cleaners	25	(842)	23	(817)
Gardeners	3	(105)	4	(125)
Wardens	2	(67)	0	(18)
Technical Services (Revenue and Capital)	34	(1,840)	40	(2,338)
TOTAL HOUSING REVENUE ACCOUNT	109	(5,039)	117	(5,671)

Potential Further Budget Developments

23. The provisional nature of the 2017/18 revenue budget recognises that further revisions may be required, including in relation to:

Revenue Budget 2018/19

24. The forecast outturn for the current year is in line with the Latest Approved Budget.

Draft Capital and Supplementary Revenue Budgets

Estate	Project	Exp. Pre 01/04/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Later Years £'000	Total £'000
<u>Pre-implementation</u>									
Multiple Estates:	Windows renewals feasibility	48	127						175
	CCTV	30	16						46
	Gullies & drainage clearing	13	25						38
	600 units on housing estates	188	123						311
	Door entry systems - William Blake & Dron House	1	38	18					57
	Heating & hot water - York Way & Middlesex St Estates	29	6						35
	Water system testing	6							6
Avondale Square Estate:	Windows	3	3						6
	Decent Homes - Harman Close		16						16
Dron House:	Windows		23	23	12	12			70
Golden Lane Estate:	Lighting feasibility	5	13						18
	Fire safety doors - Great Arthur House		7	32					39
	Heating & Hot Water - Crescent / Cullum Welxh	14	7	7					28
	Windows		112	112	112	112			448
	4 new flats - Great Arthur House	8	12						20
Holloway Estate	Windows replacement		43	43	23	23			132
Isleden House	Social housing	38	22						60
Middlesex St Estate	Lift refurbishment	1	16						17
	Fire safety doors - Petticoat Tower		12	1					13
	Stairwells - Petticoat Tower	7	4	19					30
Southwark Estate	Windows		81	81	43	43			248
	Sumner Buildings proposals		18	41					59
Sydenham Hill Estate:	Provision of Social Housing	115	1,401	34					1,550
	Windows		11	11	6	6			34
William Blake Estate	Blake House roof coverings		11						11
	Windows		27	27	14	14			82
Windsor House	Windows		22	22	12	12			68
Other areas:	Islington Art Centre S.106	225	5						230
	Sheltered Units future use & refurbishment feasibility		10						10

Estate	Project	Exp. Pre 01/04/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Later Years £'000	Total £'000
<u>Authority to start work granted</u>									
Multiple Estates:	Decent Homes	110	240	226					576
	Tenants & Landlord Electricity	10	550						560
	Adaptions, redecorations	408	282	154					844
Avondale Square Estate:	George Elliston / Eric Wilkins new flats	155	615	2,943					3,713
	Community Centre	6,990	155						7,145
	Redecorations	7		668					675
	Decent Homes	3,611	641	40					4,292
Dron House:	Decent Homes	2	22						24
Golden Lane Estate:	Great Arthur House windows / cladding	8,649	1,759						10,408
	Community Centre	834	1,037						1,871
	Concrete testing/repair - Cullum Welch	81	23	542					646
	Concrete testing/repair - Other blocks	289	698	10					997
	Decent Homes	2	593						595
	Redecorations - external & common parts		306						306
	Lifts	1,036	366						1,402
	Heating/hot water	198	174						372
Holloway Estate	Electrical rewiring	210	405	19					634
Middlesex St Estate:	Concrete Testing & Repairs	35	123	1					159
	Windows/doors - Petticoat Tower	1	377						378
	Shop conversions	85	778	751					1,614
	Redecorations - external & common parts		241						241
Southwark Estate	Door entry systems - Pakeman House	23	30						53
	Door entry systems - Sumner Buildings	8	52						60
	Decent Homes	2	1,205						1,207
Sydenham Hill Estate	Decent Homes	2	164						166
Windsor House	Decent Homes	20	458						478
York Way Estate	Decent Homes	390	194						584
	Redecorations - external & common parts		594						594
Other areas:	Horace Jones House	4,480	2						4,482
	COLPAI (Housing)	1,695	1,019	12,354	18,350	7			33,425
Sub-total excluding indicative costs of schemes awaiting further approval		30,064	15,314	18,179	18,572	229	-	-	82,358

Indicative implementation costs for schemes which have not yet received authority to start work:									
Estate	Project	Exp. Pre 01/04/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Later Years £'000	Total £'000
	Sprinklers in social housing tower blocks		40	3,160					3,200
Multiple Estates:	CCTV		194	254					448
	Tenants & Landlord Electricity		300	538	322				1,160
	Heating & hot water - York Way & Middlesex St Estates		2,634	2,600					5,234
	Water system testing		563						563
	Fire door replacements		4,000						4,000
	Roof replacements		2,000	2,667	2,667	2,666			10,000
Avondale Square Estate:	Windows		137	137					274
	Decent Homes - Harman Close		495	512					1,007
Dron House	Windows			880					880
Golden Lane Estate:	Fire safety doors - Great Arthur House			318	318				636
	Heating/hot water Crescent/Cullum Welch Houses			4,308					4,308
	Windows replacement			1,968	1,968	1,968	1,968		7,872
Holloway Estate	Windows replacement			1,626					1,626
Isleden House	Social housing		816						816
Middlesex St Estate	Stairwells - Petticoat Tower		404						404
	Fire safety doors - Petticoat Tower		92	92					184
	Windows / doors - Petticoat Tower		411						411
	Lift refurbishment		500	900					1,400
Southwark Estate	Windows				3,060				3,060
Sydenham Hill Estate:	Provision of Social Housing		99	8,789	19,467	6,550	1,000		35,905
	Windows					429			429
Windsor House	Windows						820		820
William Blake Estate	Windows						1,010		1,010
	Blake House roof coverings		96	234					330
Other areas:	Islington Arts Factory		3,300	3,375					6,675
Total indicative implementation costs			16,081	32,358	27,802	11,613	4,798	-	92,652

		Exp. Pre 01/04/18	2018/19	2019/20	2020/21	2021/22	2022/23	Later Years	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
TOTAL COMMUNITY & CHILDREN'S SERVICES - HRA		30,064	31,395	50,537	46,374	11,842	4,798	-	175,010
Of this,	Capital	28,076	28,131	49,117	46,374	11,842	4,798	-	168,338
	Supplementary Revenue	1,988	3,264	1,420	-	-	-	-	6,672
		30,064	31,395	50,537	46,374	11,842	4,798	-	175,010

Funded by	Long Lessee contributions	4,051	5,308	3,144	2,212	1,701	-
	External contributions (S106, grants)	5,871	26,957	37,817	6,557	1,000	-
	CIL	225	-	-	-	-	-
	Borrowing	3,906	12,985	731	-	-	-
	Right to Buy Receipts	2,424	814	-	-	-	-
	HRA balances	2,045	973	-	-	-	-
	Major Repairs Reserve	12,873	3,500	4,682	3,073	2,097	-
		31,395	50,537	46,374	11,842	4,798	-

25. The latest estimated costs for the Committee's draft capital and supplementary revenue projects are summarised in the tables above.

26. Pre-implementation costs comprise feasibility and option appraisal expenditure which has been approved in accordance with the project procedure, prior to authority to start work.

27. The indicative costs of implementing these schemes are shown in the relevant section of the above table.

28. The anticipated funding of this significant programme is indicated above, with the 2018/19 and 2019/20 financial impact on HRA resources being reflected in the revenue estimates figures included elsewhere in this report.

29. The latest Capital and Supplementary Revenue Project budgets will be presented to the Court of Common Council for formal approval in March 2019.

Appendices:

Appendix A: Schedule of Repairs, Maintenance and Improvements.

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Appendix A

REPAIRS, MAINTENANCE AND IMPROVEMENTS				
Responsible Officer is the Director of Community and Children's Services			Original Budget 2018/19 £000	Revised Budget 2018/19 £000
				Original Budget 2019/20 £000
GENERAL				
BREAKDOWN AND EMERGENCY REPAIRS				
Building	E	(1,407)	(1,407)	(1,107)
Electrical	E	(285)	(285)	(185)
Lifts	E	(20)	(20)	(20)
Heating and Ventilation	E	(218)	(218)	(118)
Recharge and Insurance Claims	E	(50)	(50)	(50)
		(1,980)	(1,980)	(1,480)
CONTRACT SERVICING				
Building	E	(72)	(70)	(72)
Electrical	E	(235)	(235)	(235)
Lifts	E	(144)	(144)	(144)
Boilers	E	(100)	(100)	(100)
Heating	E	(500)	(500)	(400)
		(1,051)	(1,051)	(951)
CYCLICAL WORK AND MINOR IMPROVEMENTS				
Elderly/Disabled - Internal Redecorations	E	0	(12)	(12)
- Decoration Allowance	E	0	0	0
Portable Appliance Testing	E	(2)	(2)	(2)
Asbestos Management Contingency	E	(250)	(250)	(150)
Fees for Feasibility Studies	A	(40)	(40)	(40)
Energy Performance Certification Work	E	(15)	(15)	(15)
Health and Safety Contingency	E	(30)	(30)	(30)
Water supply works	E	(88)	(88)	(88)
Asset Management plan	A	(25)	(25)	(25)
		(450)	(462)	(362)
TOTAL GENERAL		(3,481)	(3,493)	(2,793)