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| Committee: | Dated: |
| Community and Children's Services | 7 February 2020 |
| Subject: Housing Revenue Account (HRA) and Capital Budgets 2020/21 | |
| Report of: The Chamberlain The Director of Community & Children's Services | |
| Report author: Goshe Munir/Mark Jarvis – Chamberlains Paul Murtagh – Community and 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 2020/21, 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 planned investment in the next year in the major works capital programme to upgrade the fabric of the HRA social housing.
4. The General Housing Revenue Reserve position is summarised below:-

| Table 1 General Housing Revenue Reserve | Original Budget 2019/20 £000 | Original Budget 2020/21 £000 | Movement |
|---|------------------------------|------------------------------|----------|
| Service Expenditure | (13,167) | (13,237) | (70) |
| Service Income | 14,348 | 15,249 | 901 |
| Other Movements | (100) | 0 | 100 |
| Transfer to Major Repairs Reserve | (3,682) | (2,878) | 804 |
| Deficit in year | (2,601) | (866) | 1,735 |
| Balance brought forward | 4,121 | 1,978 | (2,143) |
| Balance carried forward | 1,520 | 1,112 | (408) |

5. Overall, the 2020/21 provisional budget indicates a deficit for the year of £866k a decrease of £1,735k over the 2019/20 budget. The decrease is mainly due to an increased estimate of service charge recovery costs, increased commercial income and reduced capital charges. Revenue Reserves at 31 March 2021 are now expected to be £1,112,000.

6. The overall Major Repairs Reserve (MRR) position is summarised below:-

| Table 2 Major Repairs Reserve | Original Budget 2019/20 £000 | Original Budget 2020/21 £000 | Movement |
|--|---------------------------------|---------------------------------|----------|
| Transfer from General Housing Revenue Reserve (see contra Table 1) | 3,682 | 2,878 | (804) |
| Net capital expenditure after grant funding | (16,485) | (24,383) | (7,898) |
| City Fund Loan | 12,985 | 22,000 | 9,015 |
| Movement in MRR in year | 182 | 495 | 313 |
| Balance brought forward | 0 | 674 | 674 |
| Balance carried forward | 182 | 1,169 | 987 |

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

Recommendations

7. The Committee is requested to:

- a) review the provisional 2020/21 revenue budget to ensure that it reflects the Committee's objectives and, if so, approve the proposed budget for submission to the Finance Committee.
- b) review and approve the draft capital budget;
- c) 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

8. 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 an 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, a city fund loan and homeowners making their appropriate contributions.

Business Planning Priorities

9. A number of development opportunities and major works 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 2019/20 and 2020/21

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

| Actual 2018-19 £000 | Table 3 - HOUSING REVENUE ACCOUNT | Original Budget 2019-20 £000 | Latest Budget 2019/20 £000 | Original Budget 2020-21 £000 | Movement 2019-20 to 2020-21 £000 | Paragraph Ref |
|---------------------------|--|---------------------------------------|-------------------------------------|---------------------------------------|---|------------------|
| | LOCAL RISK Expenditure | | | | | |
| (4,085) | Repairs, Maintenance & Improvements | (3,493) | (3,499) | (3,453) | 40 | Appendix 1 12 |
| (2,693) | Supplementary Revenue Budgets | (973) | (1,482) | (816) | 157 | |
| (1,125) | Technical Services and City Surveyor's Costs | (1,210) | (1,125) | (1,181) | 29 | |
| (3,730) | Employee Cost | (4,165) | (4,167) | (4,556) | (391) | 13 |
| (801) | Premises & Other Support Cost | (709) | (805) | (530) | 179 | 14 |
| (2,434) | Specialised Support Services | (2,617) | (2,706) | (2,701) | (84) | 15 |
| (14,868) | TOTAL Expenditure | (13,167) | (13,784) | (13,237) | (70) | |
| | Income | | | | | |
| | Rent | | | | | |
| 10,558 | Dwellings | 10,418 | 10,654 | 10,705 | 287 | 16 |
| 469 | Car Parking | 631 | 653 | 658 | 27 | |
| 129 | Baggage Stores | 128 | 130 | 130 | 2 | |
| 1,207 | Commercial | 1,503 | 1,530 | 1,609 | 106 | 17 |
| | Charges for Services & Facilities | | | | 0 | |
| 102 | Community Facilities | 118 | 112 | 112 | (6) | |
| 2,059 | Service Charges | 1,497 | 1,973 | 1,998 | 501 | 18 |
| 35 | Other | 53 | 37 | 37 | (16) | |
| 14,558 | TOTAL Income | 14,348 | 15,089 | 15,249 | 901 | |
| (310) | NET INCOME FROM SERVICES | 1,181 | 1,305 | 2,012 | 831 | |
| 0 | Loan Charges – Interest | (200) | 0 | 0 | 200 | |
| 114 | Interest Receivable | 100 | 100 | 0 | (100) | |
| (196) | NET OPERATING INCOME | 1,081 | 1,405 | 2,012 | 931 | |
| 0 | Loan Charges – Principal | 0 | 0 | 0 | 0 | |
| (3,204) | Transfer to Major Repairs Reserve | (3,682) | (3,195) | (2,878) | 804 | |
| (3,400) | Surplus / (deficit) FOR THE YEAR | (2,601) | (1,790) | (866) | 1,735 | |
| 7,168 | Surplus brought forward | 4,121 | 3,768 | 1,978 | (2,143) | |
| 3,768 | SURPLUS CARRIED FORWARD | 1,520 | 1,978 | 1,112 | (408) | |

11. 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.
12. The reduction of £157,000 in the Supplementary Revenue Property Projects cost reflects the change in the mix of the major projects due to be undertaken in 2020/21.
13. An increase of £391,000 in the Employee Cost is due to the annual salary increment of 2% for 2020/21 and higher temporary agency costs.
14. Premises & Other Support Cost has decreased due to the reduction in recharges cost within committee and across funds of £179,000.
15. An increase of £84,000 in the Specialised Support Services reflects changes to grade A posts where there is a new higher spinal salary point which has increased the cost of Caretaking and Cleaning services.
16. A favourable variance of £287,000 in tenant rental income is due to the additional Rent Fiscal week being charged to tenants for 53 weeks, instead of 52 weeks in 2019/20.
17. The increased income off £106,000 for Commercial properties is based on latest Estimated Rental Values (ERV) provided by our external agent following a rent review.
18. The increase in income for service charges of £501,000 is due to a revision to the estimates of cost recovery in the 2019/20 original budget. The revised estimates reflect actual levels of recovery in 2018/19 and the revised estimates for 2019/20.

| Actual 2018-19 £000 | Table 4 - HOUSING REVENUE ACCOUNT | Original Budget 2019-20 £000 | Latest Budget 2019/20 £000 | Original Budget 2020-21 £000 | Movement 2019-20 to 2020-21 £000 | Paragraph Ref |
|---------------------------|--|---------------------------------------|-------------------------------------|---------------------------------------|---|------------------|
| | MAJOR REPAIRS RESERVE (MRR) | | | | | |
| | Balance Brought Forward | | | | | |
| 3,204 | Transfer from HRA | 3,682 | 3,195 | 2,878 | (804) | |
| (10,855) | Capital Expenditure | (49,117) | (16,218) | (48,741) | 376 | |
| 2,429 | Section 106 / Grants | 26,912 | 7,875 | 18,218 | (8,694) | |
| 1,167 | Reimbursements from homeowners | 4,906 | 1,568 | 6,140 | 1,234 | |
| 1,000 | RTB Receipts | 814 | 1,000 | 0 | (814) | |
| 226 | Community Infrastructure Levy | 0 | | | | |
| 270 | GLA Grant | 0 | | | | |
| 0 | City Fund Loan | 12,985 | 0 | 22,000 | 9,015 | |
| (2,559) | Transfer from/(to) reserve for year | 182 | (2,580) | 495 | 313 | |
| 5,813 | Balance Brought Forward | 0 | 3,254 | 674 | 674 | |
| 3,254 | MRR BALANCE CARRIED FORWARD | 182 | 674 | 1,169 | 987 | |

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

| Table 5 Manpower statement | Original Budget 2019/20 | | Original Budget 2020/21 | |
|--|----------------------------|----------------|----------------------------|----------------|
| | Manpower | Estimated | Manpower | Estimated |
| | Full-time equivalent | cost £000 | Full-time equivalent | cost £000 |
| Supervision and Management | 37 | (1,876) | 36 | (1,968) |
| Estate Officers | 13 | (497) | 13 | (504) |
| Porter/Cleaners | 23 | (817) | 24 | (919) |
| Gardeners | 4 | (125) | 4 | (127) |
| Wardens | 0 | (18) | 0 | (20) |
| Technical Services (Revenue and Capital) | 40 | (2,338) | 42 | (2,628) |
| TOTAL HOUSING REVENUE ACCOUNT | 117 | (5,671) | 119 | (6,166) |

Potential Further Budget Developments

20. The provisional nature of the 2019/20 revenue budget recognises that further revisions may be required, including in relation to:

Revenue Budget 2019/20

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

Draft Capital and Supplementary Revenue Projects

| Estate | Exp. Pre 01/04/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | Later Years £'000 | Total £'000 |
|--|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------------------------------|------------------------|
| Pre-implementation | | | | | | | | |
| | | | | | | | | - |
| Avondale | | 5 | 394 | | | | | 399 |
| Cullum | 18 | 132 | 1,498 | 1,498 | | | | 3,146 |
| Dron | 8 | 57 | 888 | | | | | 952 |
| Golden Lane | 41 | 389 | 2,963 | 3,145 | 2,593 | | | 9,131 |
| Holloway | 1 | 133 | 1,602 | 23 | | | | 1,759 |
| Isleden | 60 | 1 | 6 | | | | | 67 |
| Southwark | 61 | 363 | 3,136 | | | | | 3,560 |
| Sydenham | 725 | 1,582 | 1,589 | 24,752 | 14,618 | | | 43,266 |
| Various | 141 | 639 | 13,417 | 4,976 | 1,200 | | | 20,373 |
| William Blake | 5 | 70 | 1,031 | | | | | 1,106 |
| Windsor | 0 | 41 | 838 | | | | | 879 |
| Sub-total Pre- implementation Costs | 1,061 | 3,412 | 27,361 | 34,394 | 18,410 | 0 | 0 | 84,638 |

| Authority to start work granted | Exp. Pre 01/04/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | Later Years £'000 | Total £'000 |
|--|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------------------------------|------------------------|
| Avondale | 7,930 | 1,649 | 30 | | | | | 9,609 |
| Cullum | 101 | 680 | 19 | | | | | 800 |
| Dron | 168 | 528 | 9 | | | | | 705 |
| Golden Lane | 14,042 | 253 | | | | | | 14,295 |
| Holloway | 595 | 51 | | | | | | 646 |
| Isleden | | 2 | | | | | | 2 |
| Middlesex | 2,030 | 2,948 | 2,573 | 615 | | | | 8,166 |
| COLPAI Housing | 3,221 | 7,305 | 17,063 | 8,887 | | | | 36,475 |
| Southwark | | 24 | 35 | | | | | 59 |
| Sydenham | 75 | 74 | | | | | | 149 |
| Various | 535 | 382 | 549 | | | | | 1,466 |
| William Blake | 110 | 541 | 10 | | | | | 661 |
| Windsor | 386 | 28 | | | | | | 414 |
| York Way | 581 | 476 | 2,030 | 615 | | | | 3,702 |
| Sub-total Authority to Start Work | 29,774 | 14,939 | 22,317 | 10,117 | 0 | 0 | 0 | 77,147 |

| | Exp. Pre 01/04/19 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | Later Years £'000 | Total £'000 |
|--|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------------------------------|------------------------|
| TOTAL COMMUNITY & CHILDREN'S SERVICES - HRA | 30,835 | 18,351 | 49,678 | 44,510 | 18,410 | 0 | - 0 | 161,786 |

| Of this, | | | | | | | | |
|-----------------------|--------|--------|--------|--------|--------|---|---|---------|
| Capital | 29,774 | 16,218 | 48,741 | 44,510 | 18,410 | - | - | 157,653 |
| Supplementary Revenue | 1,061 | 2,133 | 937 | 1 | - | - | - | 4,132 |
| | 30,835 | 18,351 | 49,678 | 44,511 | 18,410 | - | - | 161,786 |

| Funded by | | | | | | | | |
|---------------------------------------|--|--------|--------|--------|--------|---|---|---------|
| Long Lessee contributions | | 2,168 | 6,249 | 2,897 | 1,836 | - | - | 13,150 |
| External contributions (S106, grants) | | 7,926 | 18,230 | 33,638 | 14,618 | - | - | 74,412 |
| CIL | | - | - | - | - | - | - | - |
| Borrowing | | - | 22,000 | 5,000 | - | - | - | 27,000 |
| Right to Buy Receipts | | 1,000 | - | - | - | - | - | 1,000 |
| HRA balances | | 1,482 | 816 | - | - | - | - | 2,298 |
| Major Repairs Reserve | | 5,776 | 2,383 | 2,975 | 1,956 | - | - | 13,090 |
| | | 18,352 | 49,678 | 44,510 | 18,410 | - | - | 130,950 |

1. The latest estimated costs for the Committee's draft capital and supplementary revenue projects are summarised in the tables above.
2. 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.
3. The anticipated funding of this significant programme is indicated above, with the 2019/20 and 2020/21 financial impact on HRA resources being reflected in the revenue estimates figures included elsewhere in this report. In addition, the HRA will need to borrow from the City Fund in order to finance its current capital programme.
4. The latest Capital and Supplementary Revenue Project budgets will be presented to the Court of Common Council for formal approval in March 2020.

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 | | | <i>Original Budget 2019/20 £000</i> | <i>Revised Budget 2019/20 £000</i> |
| | | | | <i>Original Budget 2020/21 £000</i> |
| GENERAL | | | | |
| BREAKDOWN AND EMERGENCY REPAIRS | | | | |
| Building | E | (1407) | (1,407) | (1,407) |
| Electrical | E | (285) | (285) | (285) |
| Lifts | E | (20) | (15) | (15) |
| Heating and Ventilation | E | (218) | (260) | (260) |
| Recharge and Insurance Claims | E | (50) | (50) | (50) |
| | | (1,980) | (2,017) | (2,017) |
| CONTRACT SERVICING | | | | |
| Building | E | (72) | (72) | (72) |
| Electrical | E | (235) | (235) | (200) |
| Lifts | E | (144) | (152) | (152) |
| Boilers | E | (100) | (150) | (150) |
| Heating | E | (500) | (500) | (500) |
| | | (1051) | (1,109) | (1,074) |
| CYCLICAL WORK AND MINOR IMPROVEMENTS | | | | |
| Elderly/Disabled - Internal Redecorations | E | (12) | (12) | (12) |
| Portable Appliance Testing | E | (2) | (2) | (2) |
| Asbestos Management Contingency | E | (250) | (200) | (200) |
| Redecorations for Elderly/Disabled | E | | (1) | |
| Fees for Feasibility Studies | A | (40) | (30) | (30) |
| Energy Performance Certification Work | E | (15) | (5) | (5) |
| Health and Safety Contingency | E | (30) | | |
| Water supply works | E | (88) | (88) | (88) |
| Electrical Testing | A | | (10) | |
| Asset Management plan | A | (25) | (25) | (25) |
| | | (462) | (373) | (362) |
| TOTAL GENERAL | | | (3,493) | (3,453) |