

Committee(s)	Dated:
Community and Children's Services Committee	24 July 2020
Subject: Housing Revenue Account - Outturn 2019/20	Public
Report of: The Chamberlain and the Director of Community and Children's Services	For Information
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Summary

- This report compares the outturn for the Housing Revenue Account (HRA) in 2019/20 with the final agreed budget for the year.
 - The total net transfer from reserves for the year was £3.630m, £0.938m higher than the final agreed budget of £2.692m, mainly as a result of a higher than expected repairs and maintenance costs expenditure and lower car parking and dwellings income than budgeted. As a result, Revenue Reserves ended the year with a balance of £0.140m.
 - The Major Repairs Reserve (MRR) ended the year with a balance of £3.417m, £2.745m higher than budgeted, mainly due to lower than expected net capital expenditure due to slippage in projects.

Table A - Summary Comparison of 2019/20 Outturn with Final Agreed Budget			
	Final Agreed Budget	Outturn	Variation Underspend / (Overspend)
	£000	£000	£000
HRA Revenue (see Table B)			
Expenditure	(14,431)	(14,842)	(411)
Income	14,833	14,354	(479)
Other	100	52	(48)
Transfer to MRR	(3,194)	(3,194)	(0)
(Deficit) in year	(2,692)	(3,630)	(938)
Opening Reserves	3,770	3,770	0
Closing Reserves	<u>1,078</u>	<u>140</u>	<u>(938)</u>
Major Repairs Reserve (see Table C)			
Opening reserve	3,253	3,253	0
Net Capital exp in year	(5,775)	(3,030)	2,745
Transfer from Revenue	<u>3,194</u>	<u>3,194</u>	<u>0</u>
Closing Reserves	<u>672</u>	<u>3,417</u>	<u>2,745</u>

Recommendation(s)

2. It is recommended that this outturn report for 2019/20 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 2019/20

4. The HRA revenue outturn has a net deficit of £3.630m, £0.938m higher than the expected deficit in the budget. This was mainly due to £411k higher than expected expenditure and £479k lower than expected income as set out in Table B below.

Table B

Table B	Original Budget 2019/20 £000	Final Agreed Budget 2019/20 £000	Revenue Outturn 2019/20 £000	Variation (Underspend) / Overspend 2019/20 £000	Paragraph Number
<u>Expenditure</u>					
Repairs, Maintenance & Improvements					
Breakdown and Emergency Repairs	(1,980)	(2,017)	(2,388)	(371)	5
Contract Servicing	(951)	(959)	(884)	75	5
Cyclical and Minor Improvements	(562)	(523)	(284)	239	5
Supplementary Revenue	(973)	(2,129)	(2,129)	(0)	
Technical Services and City Surveyor's Costs	(1,210)	(1,125)	(1,262)	(137)	6
Total Repairs, Maintenance & Improvements	(5,676)	(6,753)	(6,948)	(195)	
Supervision and Management	(4,843)	(4,943)	(5,077)	(134)	7
Specialised Support Services					
Central Heating	(316)	(279)	(396)	(117)	8
Estate Lighting	(272)	(264)	(398)	(134)	9
Caretaking and Cleaning	(1,617)	(1,695)	(1,576)	119	
Community Facilities	(154)	(207)	(226)	(19)	
Welfare Services	(43)	(51)	(42)	9	
Garden Maintenance	(246)	(239)	(180)	59	
Total Expenditure	(13,167)	(14,431)	(14,842)	(411)	
<u>Income</u>					
Rent					
Dwellings	10,440	10,673	10,511	(162)	10
Car Parking	631	653	469	(184)	11
Baggage Stores	128	130	124	(6)	
Commercial	1,481	1,511	1,489	(22)	
Community Facilities	118	112	130	18	
Service Charges	1,497	1,717	1,607	(110)	12
Other	53	37	23	(14)	
Total Income	14,348	14,833	14,354	(479)	
Loan Charges – Interest	(200)	0	0	0	
Interest Receivable	100	100	52	(48)	
Net Operating Income	1,081	502	(436)	(938)	
Transfer to Major Repairs Reserve	(3,682)	(3,194)	(3,194)	(0)	
	(2,601)	(2,692)	(3,630)	(938)	
Opening Reserves	4,121	3,770	3,770	0	
Closing Reserves	1,520	1,078	140	(938)	

5. Repairs, Maintenance and Improvements costs were overspent overall by £57k. Increased expenditure was due to increased demand for breakdown and emergency repairs including fire safety work, was partially offset by underspending on cyclical and minor works expenditure and contract servicing.
6. The overspend in Technical Services is due to the recharges based on hours spend (worked) on HRA Supplementary Revenue Projects which were in excess of those budgeted for.
7. An increase amount of expenditure in Supervision and Management, due to Technical Services recharge as a result of small number of projects being underestimated for associated staffing cost.
8. Central Heating related gas cost increased at Gas at Golden Lane Estate & Middlesex Street Estate. Due to a technical problem with the system link meter readings as a result, the year end bills were based on estimates and are potentially higher the actual cost. This will be reviewed and rectified if necessary once we have submitted the actual meter readings in 2020/21.
9. Estate electricity costs also increased at Golden Lane and Middlesex Street estates. This is likely to be for several reasons, including increases in unit prices (tariffs) and standing charges, and the use of estimated, rather than actual, meter readings. Additionally, at Golden Lane Estate, several major works projects occurred on the estate which increased demand on the communal electricity supply, which will account for some additional costs.
10. The Dwellings income reduction is mainly due to the difference between estimated and actual service charges relating to heating and hot water, which is a variable charge. The actual cost of these services reduced significantly on some estates, resulting in a variance.
11. The reduction in Car Parking income is a direct result of the delay in the completion of the project to enable the City of London Police to take occupation of the basement car park at the Middlesex Street Estate. The project had been due for completion in 2019 but, Practical Completion was only achieved on 16 June 2020. The additional income was profiled in the estimates for 2019-20
12. Service Charge has an adverse variance by £110k compared to the latest budget profiled, this is due to the budget for tenant service charges for the Resident Estate Officer, Cleaning/Portering and Garden/Grounds Maintenance being overestimated. During the year, these costs reduced due to several staff leaving their posts and not being replaced, which will account for part of the variance.
13. Comparison of 2019/20 Major Repairs Reserves Outturn with Final Budget as set out in Table C below.

Table C

Table C	Latest Budget £000	Revenue Outturn £000	Variation (Underspend)/ Overspend £000	Notes
HRA Reserves				
Major Repairs Reserve				
Balance Brought Forward	(3,253)	(3,253)	(0)	Table B Annex A
Transfer from HRA	(3,194)	(3,194)	(0)	
Capital Expenditure	16,218	10,867	(5,351)	
Section 106 funding	(7,875)	(5,413)	2,462	
Capital Receipts applied	(1,000)	(1,000)	0	
GLA Grant	0	(270)	(270)	
Reimbursements from Homeowners	(1,568)	(1,154)	414	
Major Repairs Reserve Balance				
Carried Forward	(672)	(3,417)	(2,745)	

14. The net underspend of £2.745m in the balance on the Major Repairs Reserve was mainly due to significant slippage in capital expenditure.

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

Appendices

- Annex A - CAPITAL PROJECTS

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Annex A

	CAPITAL PROJECTS	Forecast Budget 2019/20 £000	Actual 2019/20 £000	Variance Overspend/ (Underspend) £000	Comments on main variations
	Avondale Square Estate				
29100070	Avondale Square Estate Window Overhaul	446,382	0	(446,382)	This project is complete, and the final account is in line with the forecast budget. Aborted Cost.
29100080	Avondale Square George Ellison & Eric Wilkins New Flats	0	(367,312)	(367,312)	
29100081	Avondale Square George Ellison & Eric Wilkins House Roofs & Windows	0	3,314	3,314	Consultancy cost for improvement works.
29100042	Avondale Square Estate - Redevelopment of the Community Centre	151,899	(175,725)	(327,624)	Project was completed 3 years ago, final release of retention payment.
29100036	Avondale Square Decent Homes Upgrade Works	0	244	244	Project complete, retention final payment. Additional works required.
29100083	Avondale Square Estate - Decent Homes Works (CAP)	37,132	32,193	(4,939)	
29100145	Avondale Sq Communal Lighting	5,000	8,216	3,216	
		640,413	(499,071)	(1,139,484)	
	Dron House				
29100131	Dron House - Renewal of Roof Coverings	374,664	399,984	25,320	Additional works required.
29100091	Dron House Decent Homes	11,132	4,605	(6,527)	Project complete, retention monies paid
29100090	Dron House Door Entry System	141,817	159,950	18,133	Project code is 11905, contract cost is £385,208. Project delivered under budget
29100105	Dron House Windows Replacement	53,187	14,618	(38,569)	Project being re-evaluated in light of higher than expected tender returns.
		580,800	579,158	(1,642)	
	Golden Lane Estate				
29100049	Lift Refurbishment - Golden Lane Estate	0	19	19	Project completed
29100086	Golden Lane Community Centre	17,361	0	(17,361)	
29100093	Golden Lane Decent Homes	70,930	48,843	(22,087)	Project complete, retention monies paid
29100102	Golden Lane Estate Windows Replacement Programme	317,215	61,156	(256,059)	Programme delayed due to extensive consultation with stakeholders.
29100085	Great Arthur House New Flats	564	0	(564)	Planning application fees
29100010	Golden Lane Gt Arthur Windows & Cladding	5,425	61,311	55,886	Additional cost incurred due to access issues.
29100050	Heating & Hot Water Systems Golden Lane Estate (CAP)	30,751	13,633	(17,118)	Crescent and Cullum Welch are 29800076 & 29100076, project combined and no further cost.
29100113	Fire Safety Doors Great Arthur	57,416	0	(57,416)	Project delayed due to requirement for further detailed surveys.
		499,662	184,961	(314,701)	
	Holloway Estate				
29100033	Electrical Rewiring	46,496	21,867	(24,629)	Project complete, retention paid in full. Can be closed.
29100103	Windows Replacement	133,008	30,639	(102,369)	Programme delayed due to extensive consultation with stakeholders.
		179,504	52,506	(126,998)	
	Isleden House				
29100079	Isleden House provision of Additional Social Housing	744	56,416	55,672	
		744	56,416	55,672	
	Middlesex Street Estate				
29100075	Middlesex St 9 Shops	58,641	22,704	(35,937)	Retention held back until snagging complete. Covid-19 delaying rectification work
29100071	Lift Refurb Middlesex St Est	1,251,572	976,510	(275,063)	Programme delayed.
29100056	Middlesex St Electrical Wks P1	0	5,391	5,391	Project complete
29100148	Middlesex St Electrical Wks P2	129,848	85,279	(44,569)	Project in progress, work delayed due to Covid-19
29100130	Middlesex Heating & Hot Water	479,839	13,108	(466,731)	Project in progress, work delayed due to Covid-19
		1,919,900	1,102,992	(816,908)	
	Richard Cloudesley Site				
29100098	Richard Cloudesley Residential Design	7,256,035	5,810,861	(1,445,174)	Project in progress, work delayed due to Covid-19

Annex A

29100078	Richard Cloudesley Housing	0	3,241	3,241	Consultancy Fees
		7,256,035	5,814,102	(1,441,933)	
	Southwark Estate				
29100020	Pakeman Door Entry	0	135,967	135,967.21	Project completed.
29100104	Windows Replacement	153,446	37,709	(115,737)	Programme delayed.
29100094	Decent Homes Southwark	0	(19,364)	(19,364)	Project complete, retention monies paid
29100019	Door Entry Sumner Bldgs 10/11	0	91,296	91,296	Project complete.
		153,446	245,609	92,163	
	Sydenham Hill				
29100067	Sydenham Hill Provision of Social Housing	1,558,733	1,314,200	(244,533)	Delay in programme due to longer than expected planning process.
29100095	Sydenham Hill Decent Homes	73,743	33,767	(39,976)	Project complete, retention monies paid
29100106	Sydenham Hill Windows Replacement Programme	23,557	23,583	26	Programme delayed
		1,656,033	1,371,550	(284,483)	
	William Blake Estate				
29100107	William Blake Windows Replacement	50,324	52,049	1,725	Programme delayed
29100088	William Blake CCTV	292	0	(292)	
29100037	William Blake Decent Homes Upgrade Works	1	21	20	Project complete, retention monies paid
29100121	Blake House Renew Roof Coverings	264,050	293,580	29,530	Additional works required.
29100089	William Blake Door Entry System	268,142	213,387	(54,755)	Project code is 11905, contract cost is £385,208. Project delivered under budget.
		582,809	559,038	(23,771)	
	Windsor House				
29100097	Windsor House Decent Homes	27,941	576	(27,365)	Project complete, retention monies paid
29100108	Windsor House Windows Replacement Programme	41,212	20,949	(20,263)	Programme delayed due to possible regeneration project.
		69,153	21,526	(47,627)	
	York Way Estate				
29100092	York Way Decent Homes	5,000	(363)	(5,363)	Project complete, retention monies paid
29100121	York Way - Heating & Hot Water	417,940	28,178	(389,762)	Programme delayed.
		422,940	27,814	(395,126)	
	Decent Homes (various estates)				
29100082	Decent Homes Call Backs	0	9,963	9,963	Call backs carried out on properties where access was previously not available
29100146	Decent Homes Call-backs 20-22	0	43,752	43,752	Call backs carried out on properties where access was previously not available
29100062	Decent Homes various estates	5,002	1,725	(3,277)	Project in progress, work delayed due to Covid-19
29100125	Install Sprinklers Tower Blks	214,500	27,310	(187,190)	Programme delayed for further intrusive surveys.
29100112	Petticoat Tr Fire Safety Doors	172,492	72,492	(100,000)	Programme delayed due to first and second contractors withdrawing from contract.
29100074	Petticoat Tower Windows/Doors	349,146	135,379	(213,767)	Programme delayed due to abortive procurement process.
29100073	Petticoat Tower Panels.	393,570	278,000	(115,570)	Programme delayed due to abortive procurement process.
29100111	Harman Close - Decent Homes	990,385	775,533	(214,852)	Programme delayed.
29100076	Crescent/Cullum Heating Repl	132,000	6,640	(125,360)	Programme delayed.
29100046	Stopher House Door Entry	1	0	(1)	
29100027	Bridge Masters House Phase 1	9	0	(9)	
		2,257,105	1,350,794	(906,311)	
	Total 2019/20	16,218,544	10,867,393	(5,351,151)	