

<b>Committee(s):</b> Community and Children's Services	<b>Dated:</b> 17 December 2021
<b>Subject:</b> Housing Revenue Account (HRA) and Capital Budgets 2022/23	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	1,2,3,4,12.
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>Report of:</b> The Chamberlain and the Director of Community and Children's	<b>For Decision</b>
<b>Report author:</b> Goshe Munir, Senior Accountant, Chamberlain's Department	

### 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 2022/23, 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 existing HRA social housing. However, the Revenue Reserve position remains very tight in the short term as a result of delays of up to two years in income generating new build projects, which has meant that more than £1.2m per annum in additional rental revenue has been foregone..
4. The General Housing Revenue Reserve position is summarised below: -

Table 1 General Housing Revenue Reserve	<i>Original Budget 2021/22 £000</i>	<i>Original Budget 2022/23 £000</i>	Movement
Service Expenditure	(12,900)	(12,428)	472
Service Income	15,847	15,994	147
Loan charges & repayments	0	(366)	(366)
Transfer to Major Repairs Reserve	(3,064)	(2,953)	111
(Deficit)/Surplus in year	(117)	247	364
Balance brought forward	134	593	459
Balance carried forward	17	840	823

5. Overall, the 2022/23 provisional budget indicates a surplus for the year of £247k an increase of £364k over the 2021/22 budget. The increase is mainly due to a reduction in expected supplementary revenue costs, partly offset by loan charges and principal repayments beginning in 2022/23.. Revenue Reserves at 31 March 2022 are now expected to be £840k.

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

Table 2 Major Repairs Reserve	Original Budget 2021/22 £000	Original Budget 2022/23 £000	Movement
Transfer from General Housing Revenue Reserve (see contra Table 1)	3,064	2,953	(111)
Net capital expenditure after / grant funding	(22,320)	(21,934)	385
City Fund Loan	19,228	18,982	(246)
Movement in MRR in year	(28)	(0)	28
Balance brought forward	278	250	(28)
Balance carried forward	250	250	(0)

- The Major Repairs Reserve (MRR) will fund 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, sprinklers and fire doors. In order to do so the MRR will begin to borrow from a City Fund loan at the end of 2021/22. This borrowing requirement has been forecast and included in the Corporations Medium Term Financial Plan for a number of years.

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

7. The Committee is requested to:

- review the provisional 2022/23 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**

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 alongside a more detailed 5 year plan presented separately. 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 2020/21 and 2021/22**

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

<b>Actual 2020-21 £000</b>	<b>Table 3 - HOUSING REVENUE ACCOUNT</b>	<b>Original Budget 2021-22 £000</b>	<b>Latest Budget 2021/22 £000</b>	<b>Original Budget 2022-23 £000</b>	<b>Movement 2021-22 to 2022-23 £000</b>	<b>Paragraph Ref</b>
	<b>LOCAL RISK Expenditure</b>					
(3,275)	Repairs, Maintenance & Improvements	(2,976)	(2,976)	(2,976)	0	Appendix 1
(1,539)	Technical Services and City Surveyor's Costs	(1,262)	(1,539)	(1,539)	(277)	12
(4,095)	Employee Cost	(4,535)	(4,218)	(4,431)	104	13
(531)	Premises, Support & Supplementary Revenue Costs	(1,430)	(791)	(800)	630	14
(2,291)	Specialised Support Services	(2,697)	(2,618)	(2,682)	15	
<b>(11,730)</b>	<b>TOTAL Expenditure</b>	<b>(12,900)</b>	<b>(12,142)</b>	<b>(12,428)</b>	<b>472</b>	
	<b>Income</b>					
10,366	Rent					
	Dwellings	10,691	10,638	10,992	301	15
517	Car Parking	638	620	625	(13)	
129	Baggage Stores	126	127	127	1	
1,361	Commercial	1,626	1,592	1,667	41	
38	Community Facilities	110	69	99	(11)	
1,965	Service Charges	2,301	2,451	2,480	179	16
458	Other & Support from City Cash	355	4	4	(351)	17
<b>14,833</b>	<b>TOTAL Income</b>	<b>15,847</b>	<b>15,501</b>	<b>15,994</b>	<b>147</b>	
<b>3,103</b>	<b>NET INCOME FROM SERVICES</b>	<b>2,947</b>	<b>3,359</b>	<b>3,566</b>	<b>619</b>	
0	Loan Charges – Interest	0	0	(122)	(122)	
6	Interest Receivable	0	0	0	0	
<b>3,109</b>	<b>NET OPERATING INCOME</b>	<b>2,947</b>	<b>3,359</b>	<b>3,444</b>	<b>497</b>	
0	Loan Charges – Principal	0	0	(244)	(244)	
(3,072)	Transfer to Major Repairs Reserve	(3,064)	(2,943)	(2,953)	111	
<b>37</b>	<b>(Surplus) / deficit FOR THE YEAR</b>	<b>(117)</b>	<b>416</b>	<b>247</b>	<b>364</b>	
140	Surplus brought forward	134	177	593	459	
<b>177</b>	<b>SURPLUS CARRIED FORWARD</b>	<b>17</b>	<b>593</b>	<b>840</b>	<b>823</b>	

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 increase in Technical Services charges by £277k to a total of £1,539k reflects the actual charges for the level of activity supported by these services in previous years .
13. The reduction in Employee Costs of £104k is due to expected Target Operating Model savings which will assist in bringing the revenue account into balance in the longer term.
14. Premises, Support & Supplementary Revenue Costs reduction of £630k to a total of £800k is largely due to a significant reduction in forecast one-off supplementary revenue project expenditure compared to the original budget for 2021-22. as well as a fall in expected supervision and management charges from DCCS..
15. The increase in income for next year for Rents is due to the additional Income expected from the new COLPAI Units of £155,000 from December 2022 and the Rent increases (1% & CPI 0.5% Uplift on 2022-23)
16. The increase in income for service charges of £179,000 reflect revised estimates based on previous years actual levels of recovery.
17. The Original Budget for 2021/22 included £350k of unidentified additional income or unidentified savings which are not required in the 2022/23 budget estimates.

Actual 2020-21 £000	Table 4 - HOUSING REVENUE ACCOUNT	Original Budget 2021-22 £000	Latest Budget 2021/22 £000	Original Budget 2022-23 £000	Movement 2021-22 to 2022-23 £000	Parag raph Ref
	<b>MAJOR REPAIRS RESERVE (MRR)</b>					
3,072	Balance Brought Forward					
(13,233)	Transfer from HRA	3,064	2,943	2,953	(111)	
7,173	Capital Expenditure	(65,125)	(52,561)	(52,169)	12,955	
1,141	Section 106 / Grants	35,321	36,466	22,287	(13,034)	
375	Reimbursements from homeowners	7,109	4,286	6,948	(161)	
0	RTB Receipts	375	1,000	1,000	625	
90	Community Infrastructure Levy	0	0	0	0	
0	GLA Grant	0	0	0	0	
0	City Fund Loan	19,228	6,081	18,981	(247)	
(1,382)	<b>Transfer from/(to) reserve for year</b>	(28)	(1,785)	(0)	28	
3,417	Balance Brought Forward	278	2,035	250	(28)	
<b>2,035</b>	<b>MRR BALANCE CARRIED FORWARD</b>	<b>250</b>	<b>250</b>	<b>250</b>	<b>(0)</b>	

18. 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 2021/22		Original Budget 2022/23	
	Manpower Full-time equivalent	Estimated cost £0	Manpower Full-time equivalent	Estimated cost £0
Supervision and Management	34	(1,974)	35	(1,930)
Estate Officers	11	(481)	10	(452)
Porter/Cleaners	22	(939)	24	(958)
Gardeners	3	(117)	6	(200)
Wardens	0	(20)	0	(16)
Technical Services	42	(2,603)	40	(2,528)
<b>TOTAL HOUSING REVENUE ACCOUNT</b>	<b>114</b>	<b>(6,134)</b>	<b>114</b>	<b>(6,084)</b>

### **Potential Further Budget Developments**

17. The provisional nature of the 2022/23 revenue budget recognises that further revisions may be required.

### **Revenue Budget 2022/23**

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

1. The latest estimated costs for the Committee's draft capital and supplementary revenue projects are summarised in the tables below.
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 2021/22 and 2022/23 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 2022.

## Draft Capital and Supplementary Revenue Projects

Estate	Exp. Pre 01/04/21	2021/22	2022/23	2023/24	2024/25	2025/26	Later Years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Schemes at pre-implementation stage</b>								
Avondale	67	626	1,610	1,570	-	-	-	3,873
Dron	-	-	-	-	-	-	-	-
Golden Lane	376	1,327	6,207	5,778	-	-	-	13,688
Holloway	44	1,136	2,017	-	-	-	-	3,197
HRA General - Various	447	1,783	7,915	2,305	-	-	-	12,450
Southwark	268	879	5,665	426	-	-	-	7,238
Sydenham	28	320	528	-	-	-	-	876
William Blake	56	960	1,000	-	-	-	-	2,016
Windsor	144	824	785	-	-	-	-	1,753
York Way	1,014	862	146	66				2,088
<b>Sub-total schemes at Pre-implementation stage</b>	<b>2,444</b>	<b>8,717</b>	<b>25,873</b>	<b>10,145</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,179</b>
<b>Authority to start work granted</b>	<b>Exp. Pre 01/04/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>Later Years</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Avondale	13,806	1,202	893	-	-	-	-	15,901
Dron	736	1,590	-	-	-	-	-	2,326
Golden Lane	16,555	773	870	-	-	-	-	18,198
Holloway	930	3	-	-	-	-	-	933
HRA General - Various	22,361	20,914	3,488	-	-	-	-	46,763
Isleden	304	2,115	3	-	-	-	-	2,422
Middlesex	6,166	2,213	1,552	-	-	-	-	9,931
Southwark	1,375	-	-	-	-	-	-	1,375
Sydenham	2,716	14,064	19,796	5,420	560	-	-	42,556
William Blake	1,227	-	-	-	-	-	-	1,227
Windsor	386	74	-	-	-	-	-	460
York Way	2,756	1,352	365	-	-	-	-	4,473
<b>Sub-total Authority to Start Work</b>	<b>69,318</b>	<b>44,300</b>	<b>26,967</b>	<b>5,420</b>	<b>560</b>	<b>-</b>	<b>-</b>	<b>146,565</b>
	<b>Exp. Pre 01/04/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>Later Years</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>TOTAL COMMUNITY &amp; CHILDREN'S SERVICES - HRA</b>	<b>71,762</b>	<b>53,017</b>	<b>52,840</b>	<b>15,565</b>	<b>560</b>	<b>-</b>	<b>-</b>	<b>193,744</b>
<b>Of this,</b>								
Capital	65,007	52,561	52,169	15,068	560	-	-	185,365
Supplementary Revenue	6,755	457	671	496	-	-	-	8,379
	71,762	53,018	52,840	15,564	560	-	-	193,744
<b>Funded by</b>								
Long Lessee contributions		4,371	7,112	2,612	-	-	-	14,095
External contributions (S106, grants)		36,636	22,493	5,486	560	-	-	65,175
CIL		-	-	-	-	-	-	-
Borrowing		6,081	18,982	4,193	-	-	-	29,256
Right to Buy Receipts		1,000	1,000	-	-	-	-	2,000
HRA balances		203	300	320	-	-	-	823
Major Repairs Reserve		4,727	2,953	2,953	-	-	-	10,633
		53,018	52,840	15,564	560	-	-	121,982

## **Appendix**

Appendix A: Schedule of Repairs, Maintenance and Improvements.

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## Appendix A

<b>REPAIRS, MAINTENANCE AND IMPROVEMENTS</b>		<b>Original Budget 2021/22 £000</b>	<b>Revised Budget 2021/22 £000</b>	<b>Original Budget 2022/23 £000</b>
Responsible Officer is the Director of Community and Children's Services				
<b>GENERAL</b>				
<b>BREAKDOWN AND EMERGENCY REPAIRS</b>				
Building	E	(1,000)	(1,100)	(1,122)
Electrical	E	(240)	(240)	(240)
Lifts	E	(10)	(10)	(10)
Heating and Ventilation	E	(130)	(200)	(200)
Recharge and Insurance Claims	E	(50)	(50)	(50)
		<b>(1,430)</b>	<b>(1,600)</b>	<b>(1,622)</b>
<b>CONTRACT SERVICING</b>				
Building	E	(72)	(60)	(60)
Electrical	E	(340)	(270)	(270)
Lifts	E	(140)	(140)	(140)
Boilers	E	(250)	(250)	(250)
Ventilation	E	(500)	(450)	(450)
Heating	E			
		<b>(1,302)</b>	<b>(1,170)</b>	<b>(1,170)</b>
<b>CYCLICAL WORK AND MINOR IMPROVEMENTS</b>				
Elderly/Disabled - Internal Redecorations	E	(12)	(12)	(12)
- Decoration Allowance	E			
Portable Appliance Testing	E	(2)	(2)	(2)
Asbestos Management Contingency	E	(120)	(60)	(60)
Redecorations for Elderly/Disabled	E			
Fees for Feasibility Studies	A	(30)	(15)	(15)
Energy Performance Certification Work	E	(5)	(5)	(5)
Estates' External and Internal Redecoration (Consultant Fees)				
Water supply works	E	(60)	(80)	(80)
Electrical Testing	A			
Asset Management plan	A	(15)	(32)	(10)
		<b>(244)</b>	<b>(206)</b>	<b>(184)</b>
<b>TOTAL GENERAL</b>		<b>(2,976)</b>	<b>(2,976)</b>	<b>(2,976)</b>