

<b>Committee:</b> Housing Management & Almshouses Sub Committee	<b>Date:</b> 27 November 2013
<b>Subject:</b> Housing Revenue Account (HRA) and Capital Budgets 2014/15	<b>Public</b>
<b>Report of:</b> The Chamberlain and The Director of Community & Children's Services	<b>For Decision</b>

### 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 2014/15, 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. Business priorities for the forthcoming year include how we deal with the effects of Welfare Benefit Reform. The planned changes will have a significant financial impact on many of our tenants and this may well affect income to the Housing Revenue Account. 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.
4. The General Housing Revenue Reserve position is summarised below:-

Table 1 General Housing Revenue Reserve	Latest Approved Budget 2013/14 £000	Original Budget 2014/15 £000	Movement
Service Expenditure	10,433	11,378	945
Service Income	(13,622)	(14,304)	(682)
Other Movements	75	68	(7)
Transfer to Major Repairs Reserve	2,453	2,453	0
Surplus in year	(661)	(405)	256
Balance brought forward	(5,999)	(6,660)	(661)
Balance carried forward	(6,660)	(7,065)	(405)

5. Overall, the 2014/15 provisional budget indicates an increase in the carried forward HRA surplus of £405,000. Revenue Reserves at 31 March 2015 are now expected to be £7.065m. The increase is a combination of
  - The brought forward balance from 2013/14 £661,000 being higher than expected due to deferral to 2014/15 of some repairs and maintenance

projects.

- An increase of £874,000 in the repairs and maintenance programme due to the change in projects.
- An increase of £363,000 in tenant rents resulting from the annual rent review which is based on the Governments rent formula plus new dwellings being completed at Middlesex St.
- An increase of £285,000 in service charge income mainly due to the increase in repairs and maintenance referred to in point one above.

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

Table 2 Major Repairs Reserve	Latest Approved Budget 2013/14 £000	Original Budget 2014/15 £000	Movement
Transfer from General Housing Revenue Reserve (see contra Table 1)	(2,453)	(2,453)	-
Net capital expenditure	749	5,056	4,307
Movement in MRR in year	(1,704)	2,603	4,307
Balance brought forward	(2,824)	(4,528)	(1,704)
Balance carried forward	(4,528)	(1,925)	2,603

- The budgeted reduction in the Major Repairs Reserve relates mainly to the significant investment in Great Arthur House windows/cladding due in the year.

### Recommendations

7. The Committee is requested to:

- review the provisional 2014/15 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. The budgets in this report are included as the first years element of the plan. Although the "capital account" is not ringfenced 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**

9. The key issue for Housing in 2014/15 will be how we deal with the effects of Welfare Benefit Reform. The planned changes will have a significant financial impact on many of our tenants and this may well affect income to the Housing Revenue Account. 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 2013/14 and 2014/15**

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

<b>Actual</b>  <b>2012-13</b> <b>£000</b>	<b>Table 3 - HOUSING REVENUE ACCOUNT</b>	<b>Latest</b> <b>Budget</b> <b>2013/14</b> <b>£000</b>	<b>Original</b> <b>Budget</b> <b>2014-15</b> <b>£000</b>	<b>Movement</b> <b>2013-14 to</b> <b>2014-15</b> <b>£000</b>	<b>Paragraph</b>  <b>Ref</b>
	<b>LOCAL RISK</b>				
	<b>Expenditure</b>				
<b>3,302</b>	<b>Repairs, Maintenance &amp; Improvements</b>	<b>4,452</b>	<b>5,326</b>	<b>874</b>	13
<b>3,682</b>	<b>Supervision &amp; Management</b>	<b>3,473</b>	<b>3,489</b>	<b>16</b>	
	<b>Specialised Support Services</b>				
550	Central Heating	566	577	11	
211	Estate Lighting	238	243	5	
1,262	Caretaking & Cleaning	1,298	1,328	30	
119	Community Facilities	97	100	3	
140	Welfare Services	119	121	2	
191	Garden Maintenance	190	194	4	
<b>2,473</b>	<b>TOTAL Specialised Support Services</b>	<b>2,508</b>	<b>2,563</b>	<b>55</b>	
<b>9,457</b>	<b>TOTAL Expenditure</b>	<b>10,433</b>	<b>11,378</b>	<b>945</b>	
	<b>Income</b>				
	Rent				
(8,900)	Dwellings	(9,183)	(9,546)	(363)	13
(514)	Car Parking	(479)	(489)	(10)	
(111)	Baggage Stores	(113)	(113)	0	
(1,093)	Commercial	(1,070)	(1,092)	(22)	
	Charges for Services & Facilities				
(100)	Community Facilities	(104)	(106)	(2)	
(2,401)	Service Charges	(2,570)	(2,855)	(285)	13
(258)	Other	(103)	(103)	(0)	
<b>(13,377)</b>	<b>TOTAL Income</b>	<b>(13,622)</b>	<b>(14,304)</b>	<b>(682)</b>	
<b>(3,920)</b>	<b>NET INCOME FROM SERVICES</b>	<b>(3,189)</b>	<b>(2,926)</b>	<b>263</b>	
76	Loan Charges – Interest	55	54	(1)	
(154)	Interest Receivable	(198)	(200)	(2)	
<b>(3,998)</b>	<b>NET OPERATING INCOME</b>	<b>(3,332)</b>	<b>(3,072)</b>	<b>260</b>	
223	Loan Charges – Principal	218	214	(4)	
2,249	Transfer to Major Repairs Reserve	2,453	2,453	0	
<b>(1,526)</b>	<b>Surplus for the year transferred to the Housing General Revenue Reserve</b>	<b>(661)</b>	<b>(405)</b>	<b>256</b>	

<b>Actual</b>  <b>2012-13</b> <b>£000</b>	<b>HOUSING REVENUE ACCOUNT</b>	<b>Latest</b> <b>Budget</b> <b>2013/14</b> <b>£000</b>	<b>Original</b> <b>Budget</b> <b>2014-15</b> <b>£000</b>	<b>Movement</b> <b>2013-14 to</b> <b>2014-15</b> <b>£000</b>	<b>Paragraph</b>  <b>Ref</b>
	<b>MAJOR REPAIRS RESERVE (MRR)</b>				
(2,249)	Transfer from HRA	(2,453)	(2,453)	0	
3,502	Capital Expenditure	6,766	7,302	536	14
(1,978)	Section 106	(5,818)	(190)	5,628	14
(238)	Reimbursements from homeowners	(199)	(2,056)	(1,857)	14
(963)	<b>Transfer from/(to) reserve for year</b>	(1,704)	2,603	4,307	
(1,861)	Balance Brought Forward	(2,824)	(4,528)	(1,704)	
(2,824)	<b>MRR BALANCE CARRIED FORWARD</b>	(4,528)	(1,925)	2,603	
	<b>GENERAL RESERVE</b>				
(4,473)	Balance Brought Forward	(5,999)	(6,660)	(661)	
(1,526)	Housing Revenue Account	(661)	(405)	256	
(5,999)	<b>GENERAL RESERVE BALANCE CARRIED FORWARD</b>	(6,660)	(7,065)	(405)	
<b>(8,823)</b>	<b>TOTAL RESERVES CARRIED FORWARD</b>	<b>(11,188)</b>	<b>(8,990)</b>	2,198	

11. Income and favourable variances are presented in brackets. Only significant variances (generally those greater than £50,000) have been commented on in the following paragraphs.
12. Overall there is a decrease in reserves of £2,198,000. This is the combination of an increase of £405,000 in the General Housing Revenue Reserve and a decrease of £2,603,000 in the Major Repairs Reserve.
13. The main elements which make up the £405,000 increase in the General Housing Revenue Reserve is the increase in repairs and maintenance expenditure £874,000, partly offset by increases in dwelling rents, £363,000 and service charge income, £285,000 plus the £661,000 brought forward balance from 2013/14.
14. The main elements which make up the £2,603,000 decrease in the Major Repairs Reserve is the net increase in capital expenditure of £4,307,000 which is partly offset by higher than budgeted surplus brought forward balance from 2013/14, £1,704,000. A list of the capital projects for the two years is set out in table 5 below, the most significant item of capital expenditure in 2014/15 relates to a £3.943m investment in Great Arthur House window/cladding.

15. Analysis of the movement in manpower and related staff costs are shown in Table 4 below. These costs are spread across repairs, maintenance and improvements, supervision and management, caretaking and cleaning, welfare services and garden maintenance in table 3.

Table 4 - Manpower statement	Latest Approved Budget 2013/14		Original Budget 2014/15	
	Manpower Full-time equivalent	Estimated cost £000	Manpower Full-time equivalent	Estimated cost £000
Supervision and Management	31	1,201	31	1,225
Estate Officers	12	417	12	425
Porter/Cleaners	22	585	22	598
Gardeners	5	128	5	131
Wardens	2	74	2	75
Technical Services	27	1,098	27	1,146
<b>TOTAL HOUSING REVENUE ACCOUNT</b>	<b>99</b>	<b>3,503</b>	<b>99</b>	<b>3,600</b>

### **Potential Further Budget Developments**

16. The provisional nature of the 2014/15 revenue budget recognises that further revisions may be required, including in relation to:
- Budget reductions to capture savings arising from the on-going PP2P reviews; and
  - Budget adjustments relating to the implementation of the City of London Procurement Service;

### **Revenue Budget 2013/14**

17. During the year a budget exercise was undertaken on all estates and sections of the HRA to align budgets with current pattern of service provision and expenditure. The forecast outturn for the current year is in line with the Latest Approved Budget.

### **Draft Capital and Supplementary Revenue Budgets**

18. The Committee's draft capital and supplementary revenue project latest estimated costs are summarised in the Tables below. All of these schemes are contractually committed apart from the Avondale Estate windows and roofs project, which is due to commence its implementation phase in 2014/15.

<b>Table 5 - Draft Capital Budget</b>								
	Exp. Pre 01/04/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	Later Years £'000	Total £'000
Decent Homes	117	380	1,926					2,423
Great Arthur House windows/cladding	292	174	3,943	1,669	110			6,188
Avondale Estate windows/roofs - George Elliston/Eric Wilkins		45	285	1,115	510			1,955
Holloway - Electrical rewiring			650					650
Golden Lane - Door Entry			460					460
Externally Funded:	2,492	1,060						3,552
Avondale Square Estate lifts	1,684	61						1,745
Other	13	318	38					369
Bridgemaster's Car Park	21	4,728						4,749
<b>Total</b>	<b>4,619</b>	<b>6,766</b>	<b>7,302</b>	<b>2,784</b>	<b>620</b>	<b>0</b>	<b>0</b>	<b>22,091</b>

<b>Table 6 - Draft Supplementary Revenue Budget</b>								
	Exp. Pre 01/04/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	Later Years £'000	Total £'000
Externally funded:								
Avondale Estate Community Centre S.106	89	62						151
Islington Arts Factory S.106		45						45
Richard Cloudesley School S106		55						55
Middlesex Street affordable housing S.106 Option Appraisal Costs	19	11						30
Other	20	30						50
<b>Total</b>	<b>128</b>	<b>203</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>331</b>

19. In addition to approved items the above includes a number of Decent Homes projects planned within the next few years, together with general CCTV upgrades, electrical rewiring on Holloway Estate and an upgraded door entry system on Golden Lane Estate .

20. The latest Capital and Supplementary Revenue Project budgets will be presented to the Court of Common Council for formal approval in March 2014.

21. HRA related capital expenditure continues to be funded from within the HRA, including the Major Repairs Reserve, the 25% element of HRA right to buy capital receipts that do not have to be pooled and homeowners' contributions. No subsidy is currently being received (nor presently anticipated) from the City Fund towards HRA related capital expenditure.

22. Details of the repairs, maintenance & improvements are set out in Appendix A.

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