

Committee: Housing Management and Almshouses Sub Community and Children's Services	Date: 20 November 2014 12 December 2014
Subject: HOUSING REVENUE ACCOUNT (HRA) AND CAPITAL BUDGETS 2015/16	Public
Report of: The Chamberlain and 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 2015/16, 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 very significant increase in the programme of planned cyclical repairs which is to be funded from balances held in reserves for this purpose.
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	Latest Approved Budget 2014/15 £000	Original Budget 2015/16 £000	Movement
Service Expenditure	10,683	15,744	5,061
Service Income	(14,612)	(16,638)	(2,026)
Other Movements	370	370	0
Transfer to Major Repairs Reserve	2,671	5,682	3,011
(Surplus)/deficit in year	(888)	5,158	6,046
Balance brought forward	(6,917)	(7,805)	(888)
Balance carried forward	(7,805)	(2,647)	5,158

6. Overall, the 2015/16 provisional budget indicates a reduction in the carried forward HRA surplus of £5,158,000. Revenue Reserves at 31 March 2016 are now expected to be £2.647m. The movement is a combination of

- An increase of £4,947,000 in the repairs and maintenance programme due to the adoption of a revised schedule of maintenance.
- An increase of £526,000 in tenant rental income resulting from the annual rent review which is based on the Government's rent formula.
- An increase of £1,500,000 in the estimated service charge income due to the increase in repairs and maintenance referred to above.

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

Table 2 Major Repairs Reserve	Latest Approved Budget 2014/15 £000	Original Budget 2015/16 £000	Movement
Transfer from General Housing Revenue Reserve (see contra Table 1)	(2,671)	(5,682)	(3,011)
Net capital expenditure	3,547	9,669	6,122
Movement in MRR in year	876	3,987	3,111
Balance brought forward	(4,863)	(3,987)	876
Balance carried forward	(3,987)	0	3,987

- The budgeted reduction in the Major Repairs Reserve reflects the significant investment in the capital programme for works at Avondale Estate and Great Arthur House.

Recommendations

8. The Committee is requested to:

- review the provisional 2015/16 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 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

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 2014/15 and 2015/16

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

Actual 2013-14 £000	Table 3 - HOUSING REVENUE ACCOUNT	Latest Budget 2014/15 £000	Original Budget 2015-16 £000	Movement 2014-15 to 2015-16 £000	Paragraph Ref
3,695	LOCAL RISK Expenditure Repairs, Maintenance & Improvements	4,132	9,079	4,947	Appendix 1
5,072	Supervision & Management	4,482	4,557	75	
	Specialised Support Services				
367	Central Heating	312	312	0	
240	Estate Lighting	243	243	0	
1,213	Caretaking & Cleaning	1,174	1,207	33	
33	Community Facilities	19	19	0	
106	Welfare Services	128	130	2	
188	Garden Maintenance	193	197	4	
2,147	TOTAL Specialised Support Services	2,069	2,108	39	
10,914	TOTAL Expenditure	10,683	15,744	5,061	
	Income				
	Rent				
(10,161)	Dwellings	(10,163)	(10,689)	(526)	6
(487)	Car Parking	(489)	(489)	0	
(105)	Baggage Stores	(113)	(113)	0	
(1,173)	Commercial	(1,173)	(1,173)	0	
	Charges for Services & Facilities				
(4)	Community Facilities	(4)	(4)	0	
(2,424)	Service Charges	(2,619)	(4,119)	(1,500)	6
(154)	Other	(51)	(51)	0	
(14,508)	TOTAL Income	(14,612)	(16,638)	(2,026)	
(3,594)	NET INCOME FROM SERVICES	(3,929)	(894)	3,035	
171	Loan Charges – Interest	170	170	0	
(104)	Interest Receivable	(100)	(100)	0	
(3,527)	NET OPERATING INCOME	(3,859)	(824)	3,035	
297	Loan Charges – Principal	300	300	0	
2,317	Transfer to Major Repairs Reserve	2,671	5,682	3,011	
(913)	(Surplus)/deficit for the year transferred to the Housing General Reserve	(888)	5,158	6,046	

Actual 2013-14 £000	HOUSING REVENUE ACCOUNT	Latest Budget 2014/15 £000	Original Budget 2015-16 £000	Movement 2014-15 to 2015-16 £000	Paragraph Ref
	MAJOR REPAIRS RESERVE (MRR)				
(2,317)	Transfer from HRA	(2,671)	(5,682)	(3,011)	
2,843	Capital Expenditure	7,489	19,425	11,936	
2,179	Section 106	(3,535)	(6,632)	(3,097)	
204	Reimbursements from homeowners	(407)	(3,124)	(2,717)	
2,909	Transfer from/(to) reserve for year	876	3,987	3,111	
(7,772)	Balance Brought Forward	(4,863)	(3,987)	876	
(4,863)	MRR BALANCE CARRIED FORWARD	(3,987)	0	3,987	15
	GENERAL RESERVE				
(6,004)	Balance Brought Forward	(6,917)	(7,805)	(888)	
(913)	Housing Revenue Account	(888)	5,158	6,046	
	GENERAL RESERVE BALANCE CARRIED FORWARD				14
(6,917)		(7,805)	(2,647)	5,158	
(11,780)	TOTAL RESERVES CARRIED FORWARD	(11,792)	(2,647)	9,145	13

12. 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.

13. Overall there is a decrease in reserves of £9,145,000.

14. The main elements which make up the £5,158,000 decrease in the General Housing Revenue Reserve is the increase in repairs and maintenance expenditure of £4,947,000, partly offset by increases in dwelling rents of £526,000 and service charge income of £1,500,000. The increase in repairs and maintenance is due to the enhanced programme of repairs and redecorations at a number of estates as well as the cost of concrete testing and repairs. See Appendix A for details. There has been an increased transfer to the Major Repairs Reserve of £3,011,000.

15. The main elements which make up the £3,987,000 decrease in the Major Repairs Reserve is the net increase in capital expenditure of £11,936,000 which is partly offset by higher than budgeted surplus brought forward balance from 2013/14 and a higher transfer from revenue reserves. 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 2015/16 relates to a £5.289m investment in Great Arthur House window/cladding and schemes at Avondale Square Estate.

16. 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 2014/15		Original Budget 2015/16	
	Manpower Full-time equivalent	Estimated cost £000	Manpower Full-time equivalent	Estimated cost £000
Supervision and Management	31	949	31	992
Estate Officers	11	344	11	356
Porter/Cleaners	21	949	21	982
Gardeners	4	114	4	118
Wardens	3	80	3	82
Technical Services	26	1,177	29	1,294
TOTAL HOUSING REVENUE ACCOUNT	96	3,613	99	3,824

Potential Further Budget Developments

17. The provisional nature of the 2015/16 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.

Revenue Budget 2014/15

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

Draft Capital and Supplementary Revenue Budgets

19. The latest estimated costs of the Committee's draft capital and supplementary revenue projects are summarised in Table 5 below.

Table 5

Estate	Project	Exp. Pre 01/04/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	Later Years £'000	Total £'000
<u>Pre-implementation</u>							
Multiple Estates	Lift refurbishments		77	5			82
Multiple Estates	Windows renewals feasibility		175				175
Multiple Estates	CCTV		13				13
Avondale Square Estate	Community Centre S.106	137	375	2			514
Avondale Square Estate	Windows/roofs/redecoration excluding blocks below		28				28
Avondale Square Estate	George Elliston/Eric Wilkins windows/roofs/redecoration S106	112	72	16			200
Dron House	Flats/windows S106	9	22				31
Golden Lane Estate	Heating/hot water feasibility		26				26
Holloway Estate	Electrical rewiring		30				30
Middlesex Street Estate	Sustainability project	38	37				75
Sydenham Hill Estate	Landlord's electricity supply		24				24
Other areas	Islington Arts Factory S106	44	141				185
Other areas	Richard Cloudesley School S106	44	11				55
<u>Authority to start work granted</u>							
Multiple Estates	Decent Homes	142	463	200	150		955
Golden Lane Estate	Great Arthur House windows/cladding	461	708	5,289	120		6,578
Middlesex Street Estate	Affordable housing S106	3,182	88				3,270
Southwark Estate	Door entry systems (Pakeman/Sumner)	31	163				194
Other areas	Horace Jones House	1,065	3,463				4,528
Total budget costs		5,265	5,916	5,512	270	0	16,963
<u>Indicative implementation costs for schemes which have not yet received authority to start work</u>							
Multiple Estates	Lifts & CCTV			1,190	1,196		2,386
Avondale Square Estate	Externally funded		1,812	6,616	2,690		11,118
	Decent Homes 2			4,804			4,804
Golden Lane Estate	Door entry		70	158			228
Holloway Estate	Electrical rewiring		90	600			690
Southwark Estate	Stopher House door entry system		78				78
William Blake Estate	Decent Homes 2			545			545
Total indicative implementation costs		0	2,050	13,913	3,886	0	19,849
TOTAL COMMUNITY & CHILDREN'S SERVICES - HRA		5,265	7,966	19,425	4,156	0	36,812
Of this,	Capital	5,016	7,489	19,425	4,156	0	36,086
	Supplementary Revenue	249	477	0	0	0	726

20. 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.

21. The implementation phases of these projects are due to be commence in 2015/16, with the exception of Avondale Square Estate Community Centre which is due to commence in late 2014, along with the work to the flats at Dron House and the electrical wiring at Holloway Estate.
22. The door entry project at Southwark Estate (Pakeman House and Sumner Buildings) is due for completion in the current financial year. In addition, the handover of 43 new affordable housing units at Horace Jones House in Tower Bridge Road is imminent.
23. Potential schemes in the pipeline include windows renewals on most estates, concrete repairs at Golden Lane and Middlesex Street estates and the development of new social housing units at Islington Arts Factory.
24. The latest Capital and Supplementary Revenue Project budgets will be presented to the Court of Common Council for formal approval in March 2015.

Contacts:

Chamberlain's Department – Mark Jarvis (1221) or Alison Elam (1081)

Community and Children's Services – Jacquie Campbell, Assistant Director,
Housing and Neighbourhoods
020 7332 3785
jacquie.campbell@cityoflondon.gov.uk

Appendix A

REPAIRS, MAINTENANCE AND IMPROVEMENTS		Revised Budget 2014/15 £000	Original Budget 2015/16 £000
Responsible Officer is the Director of Community and Children's Services			
GENERAL			
BREAKDOWN AND EMERGENCY REPAIRS			
Building	E	1,344	1,350
Electrical	E	357	364
Lifts	E	9	10
Heating and Ventilation	E	204	208
Recharge and Insurance Claims	E	55	55
		1,969	1,987
CONTRACT SERVICING			
Building	E	151	154
Electrical	E	137	140
Lifts	E	110	112
Boilers	E	100	100
Ventilation	E	100	50
Plant	E	14	14
Heating	E	420	428
		1,032	998
CYCLICAL WORK AND MINOR IMPROVEMENTS			
Elderly/Disabled - Internal Redecorations	E	50	50
- Decoration Allowance	E	50	50
Portable Appliance Testing	E	2	2
Asbestos Management Contingency	E	50	50
Adaptations for the Disabled	E	120	120
Fees for Feasibility Studies	A	40	40
Energy Performance Certification Work	E	15	15
Estates' External and Internal Redecoration (Consultant Fees)	E	50	50
Health and Safety Contingency	E	50	50
CCTV Various Estates	A	40	284
Water Tank Works - Various Estates	A	140	100
Water supply works	A	80	80
Drainage and gullies	A	150	150
		837	1,041
TOTAL GENERAL		3,838	4,026

Appendix A continued

ESTATE SPECIFIC CYCLICAL WORKS AND MINOR IMPROVEMENTS		Revised Budget 2014/15 £000	Original Budget 2015/16 £000
AVONDALE SQUARE ESTATE:-			
Various Blocks External and Internal Repairs and Redecoration	A	0	714
5 Year Electrical Test and Inspections (Tenants' Flats)	E	40	0
5 Year Electrical Test and Inspections (Landlords' Installations)	E	15	0
Door Entry Repairs	E	3	0
Avondale Replacement Heating Scope Study	E	0	5
TOTAL AVONDALE SQUARE ESTATE		58	719
DRON HOUSE:-			
5 Year Electrical Test and Inspections (Tenants' Flats)	E	2	0
5 Year Electrical Test and Inspections (Landlords' Installations)	E	2	0
TOTAL DRON HOUSE		4	0
GOLDEN LANE ESTATE:-			
<i>Curtain Wall Monitoring (Including Repairs) - Gt Arthur House</i>	E	2	0
Great Arthur Redecs (Part of Curtain Wall Project)	E	0	200
Door Entry Replacement	E	0	228
Various Blocks External & Internal Repairs & Redecoration	A	0	608
Replacement Heating & Associated Components Scope Study	E	33	
Concrete Testing and Repairs	E	50	1,750
TOTAL GOLDEN LANE ESTATE		85	2,786
HOLLOWAY ESTATE:-			
Door Entry Replacement	A	0	148
Internal and External Redecorations	A	0	320
TOTAL HOLLOWAY ESTATE		0	468
ISLEDEN HOUSE:-			
Fire Alarm and warden call out works	E	28	0
TOTAL ISLEDEN HOUSE		28	0
MIDDLESEX STREET ESTATE:-			
Concrete Testing and Repairs	E	0	500
Consultants fees	E	50	50
TOTAL MIDDLESEX STREET ESTATE		50	550
SYDENHAM HILL ESTATE:-			
Fire Alarm and Warden Call Out Works - Mais House	E	40	0
TOTAL SYDENHAM HILL ESTATE		40	0

Appendix A continued

ESTATE SPECIFIC CYCLICAL WORKS AND MINOR IMPROVEMENTS continued		Revised Budget 2014/15 £000	Original Budget 2015/16 £000
WILLIAM BLAKE ESTATE:-			
External and internal redecorations & repairs - various blocks	A	0	152
<i>5 Year Electrical Test & Inspections (Tenants' Flats)</i>	E	5	0
<i>5 Year Electrical Test & Inspections (Landlords' Installations)</i>	E	3	0
TOTAL WILLIAM BLAKE ESTATE		8	152
WINDSOR HOUSE			
Internal and External Redecorations	A	0	70
TOTAL WINDSOR HOUSE		0	70
YORK WAY ESTATE:-			
<i>5 Year Electrical Test & Inspections (Tenants' Flats)</i>	E	15	0
<i>5 Year Electrical Test & Inspections (Landlords' Installations)</i>	E	6	0
Communal Heating & Ventilation Replacement Feasibility	E	0	22
Door Entry Replacement		0	136
Internal and External Redecorations	A	0	150
TOTAL YORK WAY ESTATE		21	308
Total Repairs and Maintenance		4,132	9,079

Key

E = Essential

A = Advisable