

Committee:	Dated:
Community and Children's Services	11 December 2015
Subject: HOUSING REVENUE ACCOUNT (HRA) AND CAPITAL BUDGETS 2016/17	Public
Report of: The Chamberlain 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 2016/17, 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 2015/16 £000	Original Budget 2016/17 £000	Movement
Service Expenditure	11,984	16,723	4,739
Service Income	(15,561)	(16,341)	(780)
Other Movements	58	54	(4)
Transfer to Major Repairs Reserve	2,635	6,177	3,542
(Surplus)/deficit in year	(884)	6,613	7,497
Balance brought forward	(7,715)	(8,599)	(884)
Balance carried forward	(8,599)	(1,986)	6,613

6. Overall, the 2015/16 provisional budget indicates a reduction in the carried forward HRA surplus of £6,613,000. Revenue Reserves at 31 March 2016 are now expected to be £1,986,000. The movement is a combination of

- An increase of £4,563,000 in the repairs and maintenance programme due to the adoption of a more intensive schedule of maintenance for the year.
- A decrease of £351,000 in tenant rental income mainly resulting from the annual rent review which is based on the Government's rent formula.
- An increase of £1,145,000 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 2015/16 £000	Original Budget 2016/17 £000	Movement
Transfer from General Housing Revenue Reserve (see contra Table 1)	(2,635)	(6,177)	(3,542)
Net capital expenditure	2,630	12,965	10,335
Movement in MRR in year	(5)	6,788	6,793
Balance brought forward	(7,048)	(7,053)	(5)
Balance carried forward	(7,053)	(265)	6,788

- The planned 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 2016/17 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 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 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 2015/16 and 2016/17

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

Actual 2014-15 £000	Table 3 - HOUSING REVENUE ACCOUNT	Latest Budget 2015/16 £000	Original Budget 2016-17 £000	Movement 2015-16 to 2016-17 £000	Paragraph Ref
	LOCAL RISK				
	Expenditure				
3,995	Repairs, Maintenance & Improvements	5,194	9,757	4,563	Appendix 1
760	Technical Services and City Surveyor's Costs	762	762	0	
4,163	Supervision & Management	3,712	3,828	116	
2,176	Specialised Support Services	2,316	2,376	60	
11,094	TOTAL Expenditure	11,984	16,723	4,739	
	Income				
	Rent				
(10,439)	Dwellings	(10,649)	(10,298)	351	6
(492)	Car Parking	(489)	(489)	0	
(123)	Baggage Stores	(113)	(113)	0	
(1,195)	Commercial	(1,173)	(1,159)	14	
	Charges for Services & Facilities			0	
(66)	Community Facilities	(106)	(106)	0	
(2,521)	Service Charges	(3,024)	(4,169)	(1,145)	6
(31)	Other	(7)	(7)	0	
(14,867)	TOTAL Income	(15,561)	(16,341)	(780)	
(3,773)	NET INCOME FROM SERVICES	(3,577)	382	3,959	
127	Loan Charges – Interest	31	30	(1)	
(117)	Interest Receivable	(100)	(100)	0	
(3,763)	NET OPERATING INCOME	(3,646)	312	3,958	
291	Loan Charges – Principal	127	124	(3)	
2,671	Transfer to Major Repairs Reserve	2,635	6,177	3,542	
(801)	(SURPLUS)/DEFICIT FOR THE YEAR	(884)	6,613	7,497	
(6,914)	Surplus brought forward	(7,715)	(8,599)	(884)	
(7,715)	SURPLUS CARRIED FORWARD	(8,599)	(1,986)	6,613	

Actual 2014-15 £000	HOUSING REVENUE ACCOUNT	Latest Budget 2015/16 £000	Original Budget 2016-17 £000	Movement 2015-16 to 2016-17 £000	Paragraph Ref
	MAJOR REPAIRS RESERVE (MRR)				
(2,671)	Transfer from HRA	(2,635)	(6,177)	(3,542)	
4,522	Capital Expenditure	10,690	30,878	20,188	
(3,816)	Section 106 / Grants	(6,431)	(13,206)	(6,775)	
(220)	Reimbursements from homeowners	(312)	(3,825)	(3,513)	
0	RTB Receipts	(1,317)	(882)	435	
(2,185)	Transfer from/(to) reserve for year	(5)	6,788	6,793	
(4,863)	Balance Brought Forward	(7,048)	(7,053)	(5)	
(7,048)	MRR BALANCE CARRIED FORWARD	(7,053)	(265)	6788	15

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 the General Housing Revenue Account of £6,613,000
14. The main elements which make up the £6,613,000 decrease in the General Housing Revenue Reserve is the increase in repairs and maintenance expenditure of £4,563,000, partly offset by an increase in service charge income of £1,145,000. 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.
15. A reduction in dwelling income of £351,000 has been estimated in the 2016/17 original budget as a result of property sales and the 1% reduction in rent charges.
16. The main elements which make up the £6,788,000 reduction in the Major Repairs Reserve are the significant net increase in capital expenditure. A list of the capital projects for the two years is set out in Table 6 below.
17. Analysis of the movement in manpower and related staff costs are shown in Table 5 below. These costs are spread across repairs, maintenance and improvements, supervision and management, specialised support services in Table 3.

Table 5 Manpower statement	Latest Approved Budget 2015/16		Original Budget 2016/17	
	Manpower Full-time equivalent	Estimated cost £000	Manpower Full-time equivalent	Estimated cost £000
Supervision and Management	38	1,448	39	1,669
Estate Officers	12	399	14	443
Porter/Cleaners	20	665	22	699
Gardeners	4	122	4	131
Wardens	3	74	3	71
Technical Services	28	1,150	29	1,377
TOTAL HOUSING REVENUE ACCOUNT	106	3,858	109	4,390

Potential Further Budget Developments

18. The provisional nature of the 2016/17 revenue budget recognises that further revisions may be required, including in relation to:

- Budget reductions to capture savings arising from the on-going Service Based Review.

Revenue Budget 2015/16

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

Draft Capital and Supplementary Revenue Budgets

20. The latest estimated costs of the Committee's draft capital and supplementary revenue projects are summarised in Table 6 below.

Estate	Project	Exp. Pre						
		01/04/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Pre-implementation</u>								
Multiple Estates:	Windows renewals		175					175
	CCTV		13					13
	Heating/hot water feasibility		68					68
	Decent Homes		10					10
	Gullies & drainage clearing		21					21
	Adaptations, redecoration, condensation		1					1
	Concrete repairs		261	4				265
Avondale Square Estate	Roofs/windows/flats GE/EW	139	57					196
	Windows/roofs/redecorations	2	26					28
Middlesex Street Estate	Phase 3 Improvements		25					25
	Internal/external refurbishment		10					10
Sydenham Hill Estate:	Landlord's electricity supply			24				24
Other areas:	Sheltered Units future use & refurbishment feasibility		20	2	5			27
	Islington Arts Factory	144	41					185
	Richard Cloudesley School	51		4				55
<u>Authority to start work granted</u>								
Multiple Estates:	Decent Homes	63	1,243	3,558				4,864
	Lift refurbishments	77	-	1,053	821			1,951
	Boiler replacement programme	117	56					173
Avondale Square Estate	Community Centre	568	5,240	1,271				7,079
	40 Tovy House re-purchase		246					246
Dron House:	New flat & windows S.106	20	227					247
Golden Lane Estate:	Great Arthur House windows/cladding	885	127	5,566				6,578
Southwark Estate:	Door entry systems (Pakeman/Sumner)	31	163					194
	Horace Jones House	4,309	216	75				4,600
Sub-total excluding indicative costs of schemes								
	awaiting further approval	6,406	8,246	11,557	826	-	-	27,035

Indicative implementation costs for schemes which have not yet received authority to start work:								
Estate	Project	Exp. Pre						
		01/04/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Multiple Estates:	CCTV		127	127				254
	Decent Homes			696	4,294			4,990
	Concrete repairs (GL/M'sex)		339	3,396				3,735
	Water system testing		100	300	200	200	200	1,000
	Adaptation, redecs, condensation		122	544	283			949
	Windows renewals				1,850	2,484		4,334
	Communal H&V/Hot water			2,000	3,000	125		5,125
Avondale Estate:	Windows/roofs/decs		300	1,007				1,307
	GE/EW roofs etc		1,765	3,955				5,720
Golden Lane Estate:	Door entry		84	144				228
	Heating/hot water				1,279			1,279
Holloway Estate:	Elec rewiring		220	420				640
	Door entry		49	99				148
Middlesex Street Estate	Internal/external refurbishment		328	1,272	800	500		2,900
Southwark Estate:	Door entry (Stopher)		78					78
Sydenham Hill Estate:	Landlords elec supply				899	250		1,149
York Way:	Door entry		45	91				136
Other areas:	Sheltered Units				5,000	3,000		8,000
	Richard Cloudesley School (Housing units only)			9,000	8,500			17,500
Total indicative implementation costs		-	3,557	23,051	26,105	6,559	200	59,472
TOTAL COMMUNITY & CHILDREN'S SERVICES - HRA		6,406	11,803	34,608	26,931	6,559	200	86,507
Of this,	Capital	6,183	10,690	30,878	26,726	6,559	200	81,236
	Supplementary Revenue	223	1,113	3,730	205	-	-	5,271
		6,406	11,803	34,608	26,931	6,559	200	86,507
Funded by	Long Lessee contributions		417	4,380	1,578	236	30	
	External contributions (S106, grants)		6,475	13,210	8,500	-	-	
	Right to Buy Receipts		1,317	882	-	-	-	
	HRA balances		964	3,622	175	170	170	
	Major Repairs Reserve		2,630	12,514	16,678	6,153	-	
			11,803	34,608	26,931	6,559	200	

21. 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.
22. The indicative costs of implementing these schemes are shown in the relevant section of the above table.
23. Schemes which have received authority to start work are anticipated to be largely completed before the end of 2016/17, with the exception of the lift refurbishment programme.
24. The anticipated funding of this significant programme is indicated above, with the 2015/16 and 2016/17 financial impact on HRA resources being reflected in the revenue estimates figures included elsewhere in this report.
25. The latest Capital and Supplementary Revenue Project budgets will be presented to the Court of Common Council for formal approval in March 2016.

Appendices:

Appendix A: Schedule of Repairs, Maintenance and Improvements

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Appendix A

REPAIRS, MAINTENANCE AND IMPROVEMENTS		Revised Budget 2015/16 £000	Original Budget 2016/17 £000
Responsible Officer is the Director of Community and Children's Services			
GENERAL			
BREAKDOWN AND EMERGENCY REPAIRS			
Building	E	1,351	1,390
Electrical	E	364	374
Lifts	E	10	10
Heating and Ventilation	E	208	218
Recharge and Insurance Claims	E	55	55
		1,988	2,047
CONTRACT SERVICING			
Building	E	154	154
Electrical	E	140	140
Lifts	E	112	112
Boilers	E	100	100
Ventilation	E	75	50
Heating	E	428	440
		1,009	996
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	60	60
Adaptations for the Disabled	E	120	120
Fees for Feasibility Studies	A	120	50
Energy Performance Certification Work	E	15	15
Estates' External and Internal Redecoration (Consultant Fees)	E		
Health and Safety Contingency	E	20	30
CCTV Various Estates	A	150	150
Water Tank Works - Various Estates	A		
Water supply works	A	180	220
Drainage and gullies	A	150	150
Asset Management plan	A	5	
		922	897
TOTAL GENERAL		3,919	3,940

Appendix A continued

ESTATE SPECIFIC CYCLICAL WORKS AND MINOR IMPROVEMENTS		Revised Budget 2015/16 £000	Original Budget 2016/17 £000
AVONDALE SQUARE ESTATE:-			
Various Blocks External and Internal Repairs and Redecoration	A	200	514
Avondale Replacement Heating Scope Study	E		5
TOTAL AVONDALE SQUARE ESTATE		200	519
DRON HOUSE:-			
GOLDEN LANE ESTATE:-			
Door Entry Replacement	E	70	70
Various Blocks External & Internal Repairs & Redecoration	A	205	1,220
TOTAL GOLDEN LANE ESTATE		275	1,290
HOLLOWAY ESTATE:-			
Door Entry Replacement		45	45
Internal and External Redecorations	A	160	160
TOTAL HOLLOWAY ESTATE		205	205
MIDDLESEX STREET ESTATE:-			
Consultants fees	E	0	50
TOTAL MIDDLESEX STREET ESTATE		0	50
WILLIAM BLAKE ESTATE:-			
External and internal redecorations & repairs - various blocks		0	304
5 Year Electrical Test & Inspections (Tenants' Flats)	E	0	0
TOTAL WILLIAM BLAKE ESTATE		0	304
WINDSOR HOUSE			
Internal and External Redecorations	A	0	70
TOTAL WINDSOR HOUSE		0	70
YORK WAY ESTATE:-			
Communal Heating & Ventilation Replacement Feasibility	E	0	22
Door Entry Replacement		0	62
Internal and External Redecorations	A	0	150
TOTAL YORK WAY ESTATE		0	234
Supplementary Revenue Expenditure (Mainly concrete & testing and repairs)		595	3,145
Total Repairs and Maintenance		5,194	9,757