

Committee(s)	Dated:
Community and Children's Services Committee	08 July 2016
Subject: Housing Revenue Account - Outturn 2015/16	Public
Report of: The Chamberlain and the Director of Community and Children's Services	For Information
Report author: Mark Jarvis, Head of Finance, Chamberlains	

Summary

- This report compares the outturn for the Housing Revenue Account (HRA) in 2015/16 with the final agreed budget for the year.
 - The total net transfer to reserves for the year was £1.895m, whereas the final agreed budget assumed £0.577m, representing a reduced requirement of £1.318m. Revenue Reserves ended the year with a balance of £9.610m.
 - The Major Repairs Reserve ended the year with a balance of £6.226m, £0.845m less than expected, mainly due to the Avondale decent homes improvements program, progressing ahead of original schedule.

Table A - Summary Comparison of 2015/16 Outturn with Final Agreed Budget			
	Final Agreed Budget	Outturn	Variation (Underspend) / Overspend
	£000	£000	£000
HRA Revenue (see Table B)			
Expenditure	12,273	10,701	(1,572)
Income	(15,561)	(15,299)	262
Other	<u>2,711</u>	<u>2,703</u>	<u>(8)</u>
(Surplus) for year	(577)	(1,895)	(1,318)
Opening Reserves	<u>(7,268)</u>	<u>(7,715)</u>	<u>(447)</u>
Closing Reserves	<u>(7,845)</u>	<u>(9,610)</u>	<u>(1,765)</u>
Major Repairs Reserve (see Table C)			
Opening reserve	(7,048)	(7,048)	0
Movement in year	<u>(23)</u>	<u>822</u>	<u>845</u>
Closing Reserves	<u>(7,071)</u>	<u>(6,226)</u>	<u>845</u>

Recommendation(s)

2. It is recommended that this outturn report for 2015/16 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 2015/16

4. The HRA revenue outturn was a net revenue surplus of £1.895m, £1.318m higher than expected in the budget. Comparison of the 2015/16 Outturn with Latest Revenue Budget is shown in Table B below. Income and underspend are indicated by brackets.

Table B

Table B	Original Budget 2015/16 £000	Latest Budget 2015/16 £000	Revenue Outturn 2015/16 £000	Variation (Underspend) / Overspend 2015/16 £000	Paragraph Number
<u>Expenditure</u>					
Repairs, Maintenance & Improvements					
Breakdown and Emergency Repairs	1,987	1,988	2,207	219	
Contract Servicing	848	834	808	(26)	
Cyclical and Minor Improvements	5,944	2,202	486	(1,716)	
Technical Services and City Surveyor's Costs	762	762	903	141	
Total Repairs, Maintenance & Improvements	9,541	5,786	4,405	(1,381)	7
Supervision and Management	3,575	4,171	4,014	(157)	8
Specialised Support Services					
Central Heating	313	333	312	(21)	
Estate Lighting	243	243	245	2	
Caretaking and Cleaning	1,203	1,288	1,346	58	
Community Facilities	80	86	92	6	
Welfare Services	128	123	97	(26)	
Garden Maintenance	197	243	190	(53)	
Total Expenditure	15,280	12,273	10,701	(1,572)	
<u>Income</u>					
Rent					
Dwellings	(10,400)	(10,649)	(10,995)	(346)	6
Car Parking	(489)	(489)	(496)	(7)	
Baggage Stores	(113)	(113)	(129)	(16)	
Commercial	(1,173)	(1,173)	(1,082)	91	
Charges for Services & Facilities					
Community Facilities	(106)	(106)	(57)	49	
Service Charges	(3,787)	(3,024)	(2,505)	519	
Other	(7)	(7)	(35)	(28)	
Total Income	(16,075)	(15,561)	(15,299)	262	
Loan Charges – Interest	170	31	38	7	
Interest Receivable	(100)	(100)	(97)	3	
Net Operating Income	(725)	(3,357)	(4,657)	(1,300)	
Loan Charges – Principal	300	127	127	0	
Transfer to Major Repairs Reserve	5,682	2,653	2,635	(18)	
Surplus for Year transferred to General Reserve	5,257	(577)	(1,895)	(1,318)	
Opening Reserves	(7,268)	(7,268)	(7,715)	(447)	
Closing Reserves	(2,011)	(7,845)	(9,610)	(1,765)	

5. The main reason for the favourable variance on income was improved rent collection from residential and commercial properties following the implementation of a management initiative to tackle rent arrears.
6. Repairs, Maintenance and Improvements costs was significantly under budget overall, due to delays in programming projects (extended consultation, specification and tender processes). Overall increased expenditure on breakdown and emergency repairs was offset by underspending on cyclical and minor works expenditure and contract servicing.
7. Supervision and Management had a favourable variance by £157k. This was mainly due to a much lower than expected capitalisation of revenue salaries due to the significant slippage in the capital programme and a decrease in the provision for bad debts.
8. Service charge income was below the expected level as a direct result of lower than expected repairs and maintenance costs.
9. Comparison of 2015/16 Major Repairs Reserves Outturn with Agreed Budget is set out in Table C below.

Table C

<u>Table C</u>	Latest Budget	Revenue Outturn	Variation (Underspend)/ Overspend	Notes
	£000	£000	£000	
HRA Reserves				
Major Repairs Reserve				
Balance Brought Forward	(7,048)	(7,048)	0	
Transfer from HRA	(2,653)	(2,635)	18	Table B
Capital Expenditure	10,690	8,995	(1,695)	Annex A
Section 106 funding	(6,431)	(3,878)	2,553	
Capital Receipts applied	(1,317)	(1,166)	151	
Reimbursements from Homeowners	(312)	(494)	(182)	
Major Repairs Reserve Balance				
Carried Forward	(7,071)	(6,226)	845	

10. The net decrease of £0.845m in the balance on the Major Repairs Reserve was mainly attributable to the Avondale decent homes improvements program, progressing ahead of original schedule.
11. Members note the reasons for the underspend set out in the report above.

Appendices

- Annex A – CAPITAL PROJECTS

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		Final Agreed Budget 2015/16 £000	Actual 2015/16 £000	Variance Overspend/ (Underspend) £000	Comments on variations exceeding £100,000
CAPITAL PROJECTS					
Responsible officer is the Director of Community and Children's Services					
Avondale Square Estate					
29100034	George Elliston & Eric Wilkins Houses - New Flats, Roofs & Windows	1,822	49	(1,773)	Programme delays - linked to redevelopment opportunities. Tenders due 03/06/16 Works carried out ahead of programme Party Wall issues, the Thames Water diversion and Osborne's buildability and labour problems have delayed the project by around 11.6 weeks and will result in a forecasted overspend of £81,884.
29100036	Decent Homes Upgrade works	926	2,092	1,166	
29100042	Redevelopment of the Community Centre	5,240	4,457	(783)	
29100053	Windows/Roofs/Decs	300	0	(300)	Programme delays.
29100065	40 Toy House Re-Purchase	246	246	0	
Dron House					
29100043	Conversion - New Flat	224	199	(25)	
Golden Lane Estate					
29100009	Kitchens & Bathrooms	0	(17)	(17)	Works ahead of the programme assumed for estimates. Overspend of some £0.5m anticipated due to more complex installation than anticipated. An issues report is under preparation.
29100010	Great Arthur House Windows & Cladding	127	1,092	965	
29100032	Door Entry	84	3	(81)	
29100049	Refurbishment of Lifts	0	2	2	
Holloway Estate					
29100033	Electrical Rewiring	220	0	(220)	Behind anticipated programme due to Section 20 post tender consultations. Confirmation of prices quoted by the contractor is awaited.
29100038	Decent Homes Upgrade Works	0	117	117	Works carried out ahead of the programme
29100047	Refurbishment Works to Door Entry Systems	49	56	7	
Middlesex Street Estate					
29100039	New Affordable Housing Units	0	(1)	(1)	Delay due to agreement of the specification and consultation.
29100060	Internal/External Refurbishment	328	0	(328)	
Southwark Estate					
29100019	Door Entry Sumner Buildings	104	0	(104)	Programme delays
29100020	Pakeman Door Entry	59	0	(59)	
29100058	Refurbishment of Lifts	0	73	73	Savings against estimated residual costs
29100027	Horace Jones House	216	93	(123)	
29100046	Door Entry Stopher House	78	0	(78)	
William Blake Estate					
29100037	Decent Homes Upgrade Works	0	289	289	Works commenced ahead of the programme
29100059	Refurbishment of Lifts	0	1	1	
York Way Estate					
29100048	York Way Estate Refurbishment Works to Door Entry Systems	45	17	(28)	
Decent Homes (various estates)					
29100030	Decent Homes: Kitchen & Bathroom Contingency	0	(1)	(1)	Programme delays. Procurement to commence in June 2016
29100035	CCTV	127	0	(127)	
29100044	Boiler Replacement Programme 2014/15	56	0	(56)	
29100051	Decent Homes Callbacks	317	228	(89)	Programme delays.
29100069	Adaptations, Redecoration, Condensation	122	0	(122)	
		622	227	(395)	
Total 2015/16		10,690	8,995	(1,695)	