

Committee:	Dated:
Community and Children's Services	13 January 2017
Subject: HOUSING REVENUE ACCOUNT (HRA) AND CAPITAL BUDGETS 2017/18	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 2017/18, 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 increase in the capital programme 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 2016/17 £000	Original Budget 2017/18 £000	Movement
Service Expenditure	11,969	13,415	1,446
Service Income	(14,567)	(14,325)	242
Other Movements	54	(100)	(154)
Transfer to Major Repairs Reserve	3,000	10,000	7,000
Deficit in year	456	8,990	8,534
Balance brought forward	(11,505)	(11,049)	456
Balance carried forward	(11,049)	(2,059)	8,990

6. Overall, the 2016/17 provisional budget indicates a reduction in the carried forward HRA surplus of £8,990,000 due to an increased transfer to the Major Repairs Reserve. Revenue Reserves at 31 March 2017 are now expected to be £2,059,000. Service expenditure is expected to increase to cover concrete repairs at Golden Lane Estate.

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

Table 2 Major Repairs Reserve	Latest Approved Budget 2016/17 £000	Original Budget 2017/18 £000	Movement
Transfer from General Housing Revenue Reserve (see contra Table 1)	(3,000)	(10,000)	(7,000)
Net capital expenditure	5,441	13,071	7,630
Movement in MRR in year	2,441	3,071	630
Balance brought forward	(6,226)	(3,785)	2,441
Balance carried forward	(3,785)	(714)	3,071

- 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 and on the decent homes programme across a number of estates.

Recommendations

8. The Committee is requested to:

- review the provisional 2017/18 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 2015-16 £000	Table 3 - HOUSING REVENUE ACCOUNT	Original Budget 2016-17 £000	Latest Budget 2016/17 £000	Original Budget 2017-18 £000	Movement 2016-17 to 2017-18 £000	Paragraph Ref
	LOCAL RISK					
	Expenditure					
3,502	Repairs, Maintenance & Improvements	3,940	3,629	3,379	(250)	Appendix 1 & 14
0	Supplementary Revenue Property Projects	5,817	610	1,936	1,326	15
903	Technical Services and City Surveyor's Costs	762	762	762	0	
4,014	Supervision & Management	4,081	4,547	4,869	322	16
2,283	Specialised Support Services	2,376	2,421	2,469	48	
10,702	TOTAL Expenditure	16,976	11,969	13,415	1,446	
	Income					
	Rent					
(10,996)	Dwellings	(10,298)	(10,477)	(10,309)	168	17
(496)	Car Parking	(489)	(470)	(475)	(5)	
(129)	Baggage Stores	(113)	(115)	(116)	(1)	
(1,082)	Commercial	(1,159)	(1,070)	(1,080)	(10)	
	Charges for Services & Facilities					
(57)	Community Facilities	(106)	(71)	(65)	6	
(2,505)	Service Charges	(4,169)	(2,322)	(2,228)	94	18
(35)	Other	(7)	(42)	(52)	(10)	
(15,300)	TOTAL Income	(16,341)	(14,567)	(14,325)	242	
(4,598)	NET INCOME FROM SERVICES	635	(2,598)	(910)	1,688	
38	Loan Charges – Interest	30	30	0	(30)	
(97)	Interest Receivable	(100)	(100)	(100)	0	
(4,657)	NET OPERATING INCOME	565	(2,668)	(1,010)	1,658	
127	Loan Charges – Principal	124	124	0	(124)	
2,635	Transfer to Major Repairs Reserve	6,177	3,000	10,000	7,000	
(1,895)	(Surplus) / deficit FOR THE YEAR	6,866	456	8,990	8,534	
(9,610)	Surplus brought forward	(8,310)	(11,505)	(11,049)	456	
(11,505)	SURPLUS CARRIED FORWARD	(1,444)	(11,049)	(2,059)	8,990	

Actual 2015-16 £000	Table 4 - HOUSING REVENUE ACCOUNT	Original Budget 2016-17 £000	Latest Budget 2016/17 £000	Original Budget 2017-18 £000	Movement 2016-17 to 2017-18 £000	Paragraph Ref
	MAJOR REPAIRS RESERVE (MRR)					
(2,635)	Transfer from HRA	(6,177)	(3,000)	(10,000)	(7,000)	
8,995	Capital Expenditure	30,878	9,903	36,615	26,712	
(3,878)	Section 106 / Grants	(13,206)	(1,566)	(18,893)	(17,327)	
(494)	Reimbursements from homeowners	(3,825)	(2,263)	(4,007)	(1,744)	
(1,166)	RTB Receipts	(882)	(633)	(644)	(11)	
822	Transfer from/(to) reserve for year	6,788	2,441	3,071	630	
(7,048)	Balance Brought Forward	(7,053)	(6,226)	(3,785)	2,441	
(6,226)	MRR BALANCE CARRIED FORWARD	(265)	(3,785)	(714)	3,071	

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 £8,990,000

14. A reduction of £250,000 in repair and maintenance programme due to a reduction in planned minor improvements, as set out in Appendix A.

15. An increase in the Supplementary Revenue Property Projects cost is mainly due to the expected cost of concrete repairs on the Golden Lane Estate.

16. An increase of £322,000 in the Supervision & Management is mainly due to all vacant posts being expected to be filled 2017/18 compared to 2016/17, as set out in table 5.

17. A decrease of £168,000 in tenant rental income mainly resulting from the 1% annual rent reduction as directed by Central Government.

18. A decrease of £94,000 in the estimated service charge income due to the decrease in repairs and maintenance referred to above.

19. The main elements which make up the £3,071,000 reduction in the Major Repairs Reserves are the significant net increases in capital expenditure. A list of the capital projects for the two years is set out in Table 6 below.

20. 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 2016/17		Original Budget 2017/18	
	Manpower Full-time equivalent	Estimated cost £000	Manpower Full-time equivalent	Estimated cost £000
Supervision and Management	31	1,525	36	1,685
Estate Officers	13	441	13	457
Porter/Cleaners	22	715	24	750
Gardeners	4	118	4	120
Wardens	1	41	1	38
Technical Services	31	1,542	34	1,688
TOTAL HOUSING REVENUE ACCOUNT	102	4,382	112	4,738

Potential Further Budget Developments

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

Revenue Budget 2016/17

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

Draft Capital and Supplementary Revenue Budgets

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

Estate	Project	Exp. Pre 01/04/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Later Years £'000	Total £'000
Pre-implementation								
Multiple Estates:	Windows renewals	26	95	54				175
	CCTV	11	8	4				23
	Heating/hot water feasibility	17	88					105
	Internal/external refurbishment & repairs	11	29	24				64
	Gullies & drainage clearing		20	6				26
	Concrete repairs		30	36				66
	Water system testing	2	25					27
Avondale Square Estate:	George Elliston / Eric Wilkins roofs, windows	189	6					195
	Repairs/redecorations/windows	3	35					38
Golden Lane Estate:	Cullum Welch Concrete & window repairs			25	75			100
Holloway Estate	Electrical wiring	30						30
Isleden House	Social housing	18						18
Middlesex St Estate	Shop conversions		35					35
	Lift refurbishments		8					8
Sydenham Hill Estate:	Landlord's electricity supply		12	12				24
Other areas:	Sheltered Units future use & refurbishment feasibility	15		12				27
	Islington Arts Factory	166	65					231
	Richard Cloudesley School	51	437					488
Authority to start work granted								
Multiple Estates:	Decent Homes	2,789	2,086					4,875
	Lift refurbishments	153	748	1,050				1,951
	Boiler replacement programme	117	56					173
	Door entry systems	107	369					476
	Concrete repairs	180	154					334
	Internal/external refurbishment & repairs		17	152				169
Avondale Square Estate:	Community Centre	5,025	2,063	165				7,253
Dron House:	New flat & windows S.106	199	30					229
Golden Lane Estate:	Great Arthur House windows / cladding	1,978	3,789	2,568				8,335
Southwark Estate:	Horace Jones House	4,402	45	45				4,492
Sub-total excluding indicative costs of schemes awaiting further approval		15,489	10,250	4,153	75	-	-	29,967

Indicative implementation costs for schemes which have not yet received authority to start work:								
Estate	Project	Exp. Pre 01/04/16	2016/17	2017/18	2018/19	2019/20	Later Years	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Multiple Estates:	Concrete repairs (Golden Lane / Middlesex Street)			1,869	375			2,244
	CCTV			254				254
	Decent Homes			3,500	1,490			4,990
	Water system testing		150	300	113			563
	Gullies & drainage clearing			130				130
	Window renewals				2,167	2,167		4,334
	Communal heating & hot water			4,000	1,125			5,125
	Door entry systems		78					78
Avondale Square Estate:	George Elliston / Eric Wilkins roofs, windows		55	4,240	499			4,794
	Repairs/redecorations/windows		360	1,397	375	114		2,246
Golden Lane Estate:	Cullum Welch concrete & window repairs			600	1,258			1,858
	Heating & hot water			1,279				1,279
Holloway Estate	Electrical wiring		220	420				640
Isleden House	Social housing		60	793				853
Middlesex St Estate	Shop conversions			800		650		1,450
	Lift refurbishments			502	502			1,004
	Internal/external refurbishment			1,000	1,000	900		2,900
Sydenham Hill Estate:	Landlords elec supply			650	849			1,499
Other areas:	Sheltered Units			2,000	4,000	2,000		8,000
	Islington Arts Factory			2,750	3,250	1,500		7,500
	Richard Cloudesley School (Housing units only)			9,996	9,996			19,992
Total indicative implementation costs		-	923	36,480	26,999	7,331	-	71,733

Of this,	Capital	14,989	9,903	36,615	25,254	7,331	-	94,092
	Supplementary Revenue	500	1,270	4,016	1,822	-	-	7,608
		15,489	11,173	40,631	27,076	7,331	-	101,700

Funded by	Long Lessee contributions	1,008	2,379	5,295	1,586	242		10,510
	External contributions (S106, grants)	9113	2,110	19,683	16,695	2,150		49,751
	Right to Buy Receipts	920	633	644				2,197
	HRA balances	176	610	1,936	975			3,697
	Major Repairs Reserve	4272	5,441	13,073	7,820	4,939		35,545
		15,489	11,173	40,631	27,076	7,331	-	101,700

24. The latest estimated costs for the Committee's draft capital and supplementary revenue projects are summarised in the tables above.
25. 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.
26. The indicative costs of implementing these schemes are shown in the relevant section of the above table.
27. The anticipated funding of this significant programme is indicated above, with the 2016/17 and 2017/18 financial impact on HRA resources being reflected in the revenue estimates figures included elsewhere in this report.
28. The latest Capital and Supplementary Revenue Project budgets will be presented to the Court of Common Council for formal approval in March 2017.
29. The City anticipates receiving a total balance of £14.0m in relation to the sale of the former YMCA at Fann Street for the purpose of supporting HRA Capital projects. £10.0m is expected to be receivable in 2017/18 with a further £4.0m to be allocated over the lifetime of the lease of the property in accordance with accounting principles. There may additionally be an overage payment but this has yet to be, quantified or agreed.

Appendices:

Appendix A: Schedule of Repairs, Maintenance and Improvements.

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Appendix A

REPAIRS, MAINTENANCE AND IMPROVEMENTS		<i>Original Budget 2016/17 £000</i>	<i>Revised Budget 2016/17 £000</i>	<i>Original Budget 2017/18 £000</i>
Responsible Officer is the Director of Community and Children's Services				
GENERAL				
BREAKDOWN AND EMERGENCY REPAIRS				
Building	E	1,390	1,406	1,390
Electrical	E	374	374	374
Lifts	E	10	20	20
Heating and Ventilation	E	218	218	218
Recharge and Insurance Claims	E	55	55	55
		2,047	2,073	2,057
CONTRACT SERVICING				
Building	E	154	110	110
Electrical	E	140	140	140
Lifts	E	112	118	112
Boilers	E	100	100	100
Ventilation	E	50	0	0
Heating	E	440	500	500
		996	968	962
CYCLICAL WORK AND MINOR IMPROVEMENTS				
Elderly/Disabled - Internal Redecorations	E	50	50	0
- Decoration Allowance	E	50	50	50
Portable Appliance Testing	E	2	2	2
Asbestos Management Contingency	E	60	60	60
Adaptations for the Disabled	E	120	120	0
Fees for Feasibility Studies	A	50	100	50
Energy Performance Certification Work	E	15	15	15
Estates' External and Internal Redecoration (Consultant Fees)				
Health and Safety Contingency	E	30	30	30
Extract Fans	E	150	65	65
Water supply works	E	220	88	88
Drainage and gullies	A	150	0	0
Asset Management plan	A	0	8	0
		897	588	360
TOTAL GENERAL		3,940	3,629	3,379