

Committee(s)	Dated:
Community and Children's Services Committee	14 July 2017
Subject: Housing Revenue Account - Outturn 2016/17	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 2016/17 with the final agreed budget for the year.
 - The total net transfer from reserves for the year was £1.963m, whereas the final agreed budget assumed £0.236m, this was mainly a result of a £2.0m higher than budgeted transfer to the Major Repairs Reserve (MRR) to fund increased capital expenditure expected in 2017/18. Revenue Reserves ended the year with a balance of £8.139m.
 - The Major Repairs Reserve ended the year with a balance of £6.497m, £2.712 more than expected, mainly due to the increased transfer from the Revenue reserves of £2.0m and £0.7m lower capital expenditure.

Table A - Summary Comparison of 2016/17 Outturn with Final Agreed Budget			
	Final Agreed Budget	Outturn	Variation (Underspend) / Overspend
	£000	£000	£000
HRA Revenue (see Table B)			
Expenditure	11,749	11,373	(376)
Income	(14,567)	(14,471)	96
Other	54	61	7
Transfer to MRR	<u>3,000</u>	<u>5,000</u>	<u>2,000</u>
Deficit/(Surplus) for year	236	1,963	1,727
Opening Reserves	<u>(10,102)</u>	<u>(10,102)</u>	<u>0</u>
Closing Reserves	<u>(9,866)</u>	<u>(8,139)</u>	<u>1,727</u>
Major Repairs Reserve (see Table C)			
Opening reserve	(6,226)	(6,226)	0
Net Capital exp in year	5,441	4,729	(712)
Transfer from HRA	<u>(3,000)</u>	<u>(5,000)</u>	<u>(2,000)</u>
Closing Reserves	<u>(3,785)</u>	<u>(6,497)</u>	<u>(2,712)</u>

Recommendation(s)

2. It is recommended that this outturn report for 2016/17 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 2016/17

4. The HRA revenue outturn has a net deficit of £1.963m, £1.727m larger than the expected deficit in the budget, mainly due to an increased transfer to the Major Repairs Reserve. Comparison of the 2016/17 Outturn with Latest Revenue Budget is shown in Table B below. Income and underspend are indicated by brackets.

Table B

Table B	Original Budget 2016/17	Latest Budget with Virements for 2016/17	Revenue Outturn 2016/17	Variation (Underspend) / Overspend 2016/17	Paragraph Number
	£000	£000	£000	£000	
<u>Expenditure</u>					
Repairs, Maintenance & Improvements					
Breakdown and Emergency Repairs	2,047	2,073	2,260	187	
Contract Servicing	846	868	756	(112)	
Cyclical and Minor Improvements	6,714	688	393	(295)	
Supplementary Revenue	790	790	792	2	
Technical Services and City Surveyor's Costs	762	762	1,081	319	
Total Repairs, Maintenance & Improvements	11,159	5,181	5,282	101	6
Supervision and Management	4,231	4,147	3,683	(464)	7
Specialised Support Services					
Central Heating	313	303	271	(32)	
Estate Lighting	243	236	248	12	
Caretaking and Cleaning	1,365	1,409	1,378	(31)	
Community Facilities	86	83	81	(2)	
Welfare Services	116	123	235	112	
Garden Maintenance	253	267	195	(72)	
Total Expenditure	17,766	11,749	11,373	(376)	
<u>Income</u>					
Rent					
Dwellings	(10,298)	(10,477)	(10,973)	(496)	5
Car Parking	(489)	(470)	(481)	(11)	
Baggage Stores	(113)	(115)	(123)	(8)	
Commercial	(1,159)	(1,070)	(1,075)	(5)	
Charges for Services & Facilities				0	
Community Facilities	(106)	(71)	(77)	(6)	
Service Charges	(4,169)	(2,322)	(1,713)	609	8
Other	(7)	(42)	(30)	12	
Total Income	(16,341)	(14,567)	(14,471)	96	
Loan Charges – Interest	30	30	37	7	
Interest Receivable	(100)	(100)	(100)	(0)	
Net Operating Income	1,355	(2,888)	(3,161)	(273)	
Loan Charges – Principal	124	124	124	0	
Transfer to Major Repairs Reserve	6,177	3,000	5,000	2,000	
Deficit for Year transferred from General Reserve	7,656	236	1,963	1,727	
Opening Reserves	(2,011)	(10,102)	(10,102)	0	
Closing Reserves	5,645	(9,866)	(8,139)	1,727	

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 were overspent by £101k. Increased expenditure on technical services and breakdown and emergency repairs was partially offset by underspending on cyclical and minor works expenditure and contract servicing.
7. Supervision and Management had a favourable variance by £464k. This was mainly due to increased income from customer client receipts and decreased employee expenses.
8. Service charge income was below the expected level mainly as a direct result of lower than expected supervision and management costs.
9. Comparison of 2016/17 Major Repairs Reserves Outturn with Agreed Budget is set out in Table C below.

Table C

Table C	Latest Budget	Revenue Outturn	Variation (Underspend)/ Overspend	Notes
	£000	£000	£000	
HRA Reserves				
Major Repairs Reserve				
Balance Brought Forward	(6,226)	(6,226)	0	
Transfer from HRA	(3,000)	(5,000)	(2,000)	Table B
Capital Expenditure	9,903	8,775	(1,128)	Annex A
Section 106 funding	(1,566)	(994)	572	
Capital Receipts applied	(633)	(1,157)	(524)	
Reimbursements from Homeowners	(2,263)	(1,895)	368	
Major Repairs Reserve Balance Carried Forward	(3,785)	(6,497)	(2,712)	

10. The net increase of £2.712m in the balance on the Major Repairs Reserve was mainly attributable to the increased transfer from Revenue Reserves of £2.0m as well as a £0.7m net reduction in capital expenditure.
11. Members note the reasons for the underspend set out in the report above.

Appendices

- Annex A - CAPITAL PROJECTS

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Annex A

		Forecast Budget 2016/17 £000	Actual 2016/17 £000	Variance Overspend/ (Underspend) £000	Comments on variations exceeding £100,000
	CAPITAL PROJECTS Responsible officer is the Director of Community and Children's Services				
29100034	Avondale Square Estate George Elliston & Eric Wilkins Houses - New Flats, Roofs & Windows	61	6	(55)	
29100036	Decent Homes Upgrade works	1,552	1,476	(76)	
29100042	Redevelopment of the Community Centre	2,063	1,900	(163)	Final account lower than anticipated
29100053	Windows/Roofs/Decs	270	0	(270)	Delayed implementation of scheme
		3,946	3,382	(564)	
	Dron House				
29100043	Conversion - New Flat	30	38	8	
		30	38	8	
	Golden Lane Estate				
29100010	Great Arthur House Windows & Cladding	3,789	3,940	151	Reflects project cost increases that emerged during the year
29100032	Door Entry	127	104	(23)	
29100049	Refurbishment of Lifts	376	297	(79)	
		4,292	4,341	49	
	Holloway Estate				
29100033	Electrical Rewiring	220		(220)	Delayed implementation of scheme
29100038	Decent Homes Upgrade Works	197	159	(38)	
29100047	Refurbishment Works to Door Entry Systems	40	27	(13)	
		457	186	(271)	
	Middlesex Street Estate				
29100039	New Affordable Housing Units	0	3	3	
29100071	Refurbishment of Lifts	8	0	(8)	
		8	3	(5)	
	Richard Cloudesley Site				
29100078	Richard Cloudesley Site (Affordable Housing)	0	123	123	Capital costs incurred earlier than anticipated
		0	123	123	
	Southwark Estate				
29100019	Door Entry Sumner Buildings	104	0	(104)	Delayed implementation of scheme
29100020	Pakeman Door Entry	59	0	(59)	
29100058	Refurbishment of Lifts	204	157	(47)	
29100027	Horace Jones House	45	80	35	
29100046	Door Entry Stopher House	78	0	(78)	
		490	237	(253)	
	William Blake Estate				
29100037	Decent Homes Upgrade Works	118	66	(52)	
29100059	Refurbishment of Lifts	168	176	8	
		286	242	(44)	
	York Way Estate				
29100048	York Way Estate Refurbishment Works to Door Entry Systems	39	34	(5)	
		39	34	(5)	
	Decent Homes (various estates)				
29100044	Boiler Replacement Programme 2014/15	56	3	(53)	
29100051	Decent Homes Callbacks	209	182	(27)	
29100062	Decent Homes Various Estates	0	4	4	
29100069	Adaptations, Redecoration, Condensation	90		(90)	
		355	189	(166)	
	Total 2016/17	9,903	8,775	(1,128)	