

Committee: Housing Management Sub Committee	Date: 22 November 2012
Subject: HOUSING REVENUE ACCOUNT (HRA) AND CAPITAL BUDGETS 2013/14	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 2013/14, 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. Business priorities for the forthcoming year include how we deal with the effects of Welfare Benefit Reform. The planned changes will have a significant financial impact on many of our tenants and this may well affect income to the Housing Revenue Account. 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.
4. The General Housing Revenue Reserve position is summarised below:-

Table 1 General Housing Revenue Reserve	Latest Approved Budget 2012/13 £000	Original Budget 2013/14 £000	Movement
Service Expenditure	10,046	10,208	162
Service Income	(13,128)	(13,571)	(443)
Other Movements	297	263	(34)
Transfer to Major Repairs Reserve	2,317	2,317	0
Surplus in year	(468)	(783)	(315)
Balance brought forward	(4,473)	(4,941)	(468)
Balance carried forward	(4,941)	(5,724)	(783)

5. Overall, the 2013/14 provisional budget indicates an HRA surplus of

£783,000. This is the combination of £468,000 brought forward balance from 2012/13 plus an increase in the surplus in year of £315,000 compared with the Latest Approved Budget for 2012/13. Main reasons for this increase are:-

- An increase of £429,000 increase in tenant rents based on the rent formula.
- An increase of £92,000 in the repairs and maintenance programme due to the change in projects.
- Other minor variances £22,000

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

Table 2 Major Repairs Reserve	Latest Approved Budget 2012/13 £000	Original Budget 2013/14 £000	Movement
Transfer from General Housing Revenue Reserve (see contra Table 1)	(2,317)	(2,317)	-
Net capital expenditure	1,616	2,017	401
Movement in MRR in year	(701)	(300)	401
Balance brought forward	(1,861)	(2,562)	(701)
Balance carried forward	(2,562)	(2,862)	(300)

Recommendations

7. The Committee is requested to:

- review the provisional 2013/14 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 and implications arising from Carbon Trading Allowances.

Main Report

Management of the Housing Revenue Account

8. The HRA is ring-fenced by legislation which means that the account must be financially self-supporting. To enable this, a 30year 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

9. The key issue for Housing in 2013/14 will be how we deal with the effects of Welfare Benefit Reform. The planned changes will have a significant financial impact on many of our tenants and this may well affect income to the Housing Revenue Account. 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 2012/13 and 2013/14

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

Actual 2011-12 £000	HOUSING REVENUE ACCOUNT	Latest Budget 2012/13 £000	Original Budget 2013-14 £000	Movement 2012-13 to 2013-14 £000	Paragraph Ref
	LOCAL RISK				
	Expenditure				
3,826	Repairs, Maintenance & Improvements	4,255	4,347	92	
3,710	Supervision & Management	3,311	3,344	33	
	Specialised Support Services				
498	Central Heating	551	565	14	
226	Estate Lighting	231	238	7	
1,302	Caretaking & Cleaning	1,291	1,302	11	
115	Community Facilities	86	87	1	
86	Welfare Services	128	129	1	
171	Garden Maintenance	162	164	2	
30	Tenants Grants & Compensation	31	32	1	
2,428	TOTAL Specialised Support Services	2,480	2,517	37	
	Payment to the DCLG in respect to Housing				
465	Subsidy	0	0	0	
10,429	TOTAL Expenditure	10,046	10,208	162	
	Income				
	Rent				
(8,168)	Dwellings	(8,777)	(9,206)	(429)	13
(493)	Car Parking	(492)	(504)	(12)	
(109)	Baggage Stores	(111)	(111)	0	
(1,089)	Commercial	(1,049)	(1,060)	(11)	
	Charges for Services & Facilities				
(94)	Community Facilities	(92)	(92)	0	
(2,477)	Service Charges	(2,497)	(2,485)	12	
(127)	Other	(110)	(113)	(3)	
(12,557)	TOTAL Income	(13,128)	(13,571)	(443)	
(2,128)	NET INCOME FROM SERVICES	(3,082)	(3,363)	(281)	
113	Loan Charges – Interest	193	162	(31)	
(318)	Interest Receivable	(120)	(118)	2	
(2,333)	NET OPERATING INCOME	(3,009)	(3,319)	(310)	
227	Loan Charges – Principal	224	219	(5)	
2,029	Transfer to Major Repairs Reserve	2,317	2,317	0	
(77)	Surplus for the year transferred to the Housing General Revenue Reserve	(468)	(783)	(315)	

Actual	HOUSING REVENUE ACCOUNT	Latest	Original	Movement	Paragraph
2011-12		Budget	Budget	2012-13 to	Ref
£000		2012/13	2013-14	2013-14	
		£000	£000	£000	
	MAJOR REPAIRS RESERVE (MRR)				
(2,029)	Transfer from HRA	(2,317)	(2,317)	0	
10,912	Payment of Debt to DCLG	0	0	0	
1,998	Capital Expenditure	4,681	7,724	3,043	14
(1,649)	Section 106	(2,743)	(5,126)	(2,383)	14
384	Reimbursements from homeowners	(322)	(581)	(259)	14
(63)	Capital Receipts	0	0	0	
9,553	Transfer from/(to) reserve for year	(701)	(300)	401	
(11,414)	Balance Brought Forward	(1,861)	(2,562)	(701)	
(1,861)	MRR BALANCE CARRIED FORWARD	(2,562)	(2,862)	(300)	
	GENERAL RESERVE				
(4,396)	Balance Brought Forward	(4,473)	(4,941)	(468)	
(77)	Housing Revenue Account	(468)	(783)	(315)	
(4,473)	GENERAL RESERVE BALANCE CARRIED FORWARD	(4,941)	(5,724)	(783)	
(6,334)	TOTAL RESERVES CARRIED FORWARD	(7,503)	(8,586)	(1,083)	

11. Income and favourable variances are presented in brackets. Only significant variances (generally those greater than £100,000) have been commented on in the following paragraphs.

12. Overall there is an increase in reserves of £1,083,000. This is the combination of an increase of £783,000 in the General Housing Revenue Reserve and an increase of £300,000 in the Major Repairs Reserve.

13. The main elements which make up the £783,000 increase in the General Housing Revenue Reserve is the increase in rental income £429,000 resulting from the yearly rent increase plus the £468,000 brought forward balance from 2012/13.

14. The main elements which make up the £300,000 increase in the Major Repairs Reserve is the £701,000 higher than budgeted surplus brought forward balance from 2012/13. This is partly offset by a net increase in capital expenditure of £401,000. A list of the capital projects for the two years is set out in Annex B.

15. Analysis of the movement in manpower and related staff costs are shown in Table 4 below.

Table 4 - Manpower statement	Latest Approved Budget 2012/13		Original Budget 2013/14	
	Manpower Full-time equivalent	Estimated cost £000	Manpower Full-time equivalent	Estimated cost £000
Supervision and Management	31	1,171	34	1,171
Estate Officers	13	372	13	378
Porter/Cleaners	20	534	20	541
Gardeners	5	124	5	126
Wardens	2	79	2	80
Technical Services	25	1,105	25	1,138
TOTAL COMMUNITY & CHILDREN'S SERVICES	96	3,385	99	3,434

The increase in manpower is due to the inclusion of 7 one year contract apprentice posts in 2012/13 and 10 in 2013/14.

Potential Further Budget Developments

16. The provisional nature of the 2013/14 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; and
- Budget adjustments relating to the implementation of the City of London Procurement Service;

Revenue Budget 2012/13

17. During the year a budget exercise was undertaken on all estates and sections of the HRA to align budgets with current pattern of service provision and expenditure. The forecast outturn for the current year is in line with the Latest Approved Budget.

Draft Capital Budget

18. No new bids were submitted recently by the Committee to the Policy and Resources Committee for resources to evaluate new capital or supplementary revenue projects.

19. The Committee's draft capital and supplementary revenue project budgets are summarised in the Tables below. Estimated expenditure is analysed as follows:

- Committed – Projects which are contractually committed.
- Uncommitted – Projects which have been the subject of an options appraisal report but are not yet contractually committed.
- Option Appraisal costs – The costs of evaluating all other schemes approved to proceed to that stage.

	Exp. Pre 01/04/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	Later Years £'000	Total £'000
<u>Evaluated schemes</u>								
- Committed	1,030	3,801	309	2	0	0	0	5,142
- Uncommitted	82	733	5,313	199	0	0	0	6,327
<u>Un-evaluated Schemes</u>								
Pre-evaluation costs	0	147	2,102	6,297	0	0	0	8,546
Total	1,112	4,681	7,724	6,498	0	0	0	20,015

	Exp. Pre 01/04/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	Later Years £'000	Total £'000
<u>Unevaluated schemes</u>								
Option Appraisal Costs	34	102						136
Total	34	102	0	0	0	0	0	136

The latest updated information on the capital project budgets is being submitted in a progress monitoring report to the Finance Committee on 11 December 2012. Summaries of these budgets will subsequently be used to determine overall financing, with the full capital and supplementary revenue project budgets being presented to the Court of Common Council for approval in March 2013.

20.HRA related capital expenditure continues to be funded from within the HRA, including the Major Repairs Reserve, the 25% element of HRA right to buy capital receipts that do not have to be pooled and homeowners' contributions. No subsidy is currently being received (nor presently anticipated) from the City Fund towards HRA related capital expenditure.

21.Details of the capital programme are set out in Annex B.

22.Details of the repairs, maintenance & improvements are set out in Annex A.

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