

Committee:	Dated:
Community and Children's Services	29 January 2021
Subject: HOUSING REVENUE ACCOUNT (HRA) AND CAPITAL BUDGETS 2020/21	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 2021/22, 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 planned investment in the next year in the major works capital programme to upgrade the fabric of existing HRA social housing. However, the Revenue Reserve position remains extremely difficult in the short term as a result of delays of up to two years in income generating new build projects, which has meant that more than £1.2m per annum in additional rental revenue has been foregone. In addition, the proportion of the major works programme charged to revenue (as supplementary revenue projects) was higher than anticipated, which has further reduced reserves. There is then in the year effect of COVID-19 causing a reduction in commercial rental income, including the quarter given rent free. These estimates have therefore had to assume that there will be a level of support from City Cash grant to make good any shortfall in the overall Reserve position at the year end.
4. The General Housing Revenue Reserve position is summarised below: -

Table 1 General Housing Revenue Reserve	Original Budget 2020/21 £000	Original Budget 2021/22 £000	Movement
Service Expenditure	(13,237)	(12,900)	337
Service Income	15,249	15,847	598
Other Movements	0	0	0
Transfer to Major Repairs Reserve	(2,878)	(3,064)	(186)
(Surplus)/deficit in year	(866)	(117)	749
Balance brought forward	1,978	134	(1,844)
Balance carried forward	1,112	17	(1,095)

5. Overall, the 2021/22 provisional budget indicates a deficit for the year of £117k a decrease of £749k over the 2020/21 budget. The decrease is mainly due to an increased estimate of service charge recovery costs, and reduced capital charges. Revenue Reserves at 31 March 2021 are now expected to be £17k.
6. The overall Major Repairs Reserve (MRR) position is summarised below: -

Table 2 Major Repairs Reserve	Original Budget 2020/21 £000	Original Budget 2021/22 £000	Movement
Transfer from General Housing Revenue Reserve (see contra Table 1)	2,878	3,064	186
Net capital expenditure after / grant funding City Fund Loan	(24,383) 22,000	(22,320) 19,228	2,063 (2,772)
Movement in MRR in year	495	(28)	(523)
Balance brought forward	674	278	(396)
Balance carried forward	1,169	250	(919)

- The planned reduction in the Major Repairs Reserve reflects the very significant investment in the capital programme for major works across the 5-year asset management plan, including the decent homes program, window renewal, roof replacements and fire doors. The City Fund loan is now forecast to begin at the end of 2021/22 rather than in 2020/21. The borrowing requirement has been expected and included in the Corporations Medium Term Financial Plan for a number of years.

Recommendations

7. The Committee is requested to:
- review the provisional 2021/22 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

8. 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 and a more detailed 5 year plan (attached as Appendix B). The budgets in this report are included as an 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, a city fund loan and homeowners making their appropriate contributions.

Business Planning Priorities

9. A number of development opportunities and major works 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 2020/21 and 2021/22

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

Actual 2019-20 £000	Table 3 - HOUSING REVENUE ACCOUNT	Original Budget 2020-21 £000	Latest Budget 2020/21 £000	Original Budget 2021-22 £000	Movement 2020-21 to 2021-22 £000	Paragraph Ref
	LOCAL RISK Expenditure					
(3,556)	Repairs, Maintenance & Improvements	(3,453)	(2,976)	(2,976)	477	Appendix 1
(3,085)	Supplementary Revenue Budgets	(816)	(460)	(530)	286	12
(1,262)	Technical Services and City Surveyor's Costs	(1,181)	(1,262)	(1,262)	(81)	
(3,906)	Employee Cost	(4,556)	(4,231)	(4,535)	21	
(274)	Premises & Other Support Cost	(530)	(962)	(900)	(370)	13
(2,771)	Specialised Support Services	(2,701)	(2,688)	(2,697)	4	
(14,853)	TOTAL Expenditure	(13,237)	(12,579)	(12,900)	337	
	Income					
10,679	Rent Dwellings	10,705	10,265	10,691	(14)	
469	Car Parking	658	634	638	(20)	
135	Baggage Stores	130	126	126	(4)	
1,322	Commercial	1,609	1,291	1,626	17	
	Charges for Services & Facilities				0	
130	Community Facilities	112	60	110	(2)	
1,607	Service Charges	1,998	2,272	2,301	303	14
23	Other & Support from City Cash	37	455	355	318	15
14,365	TOTAL Income	15,249	15,103	15,847	598	
(488)	NET INCOME FROM SERVICES	2,012	2,524	2,947	935	
0	Loan Charges – Interest	0	0	0	0	
52	Interest Receivable	0	52	0	0	
(436)	NET OPERATING INCOME	2,012	2,576	2,947	935	
0	Loan Charges – Principal	0	0	0	0	
(3,194)	Transfer to Major Repairs Reserve	(2,878)	(3,080)	(3,064)	(186)	
(3,630)	(Surplus) / deficit FOR THE YEAR	(866)	(504)	(117)	749	
4,268	Surplus brought forward	1,978	638	134	(1,844)	
638	SURPLUS CARRIED FORWARD	1,112	134	17	(1,095)	

11. Expenditure and unfavourable variances are presented in brackets. Only significant variances (generally those greater than £50,000) have been commented on in the following paragraphs.
12. The reduction of £286,000 in the Supplementary Revenue Property Projects cost reflects the change in the mix of the major works projects due to be undertaken in 2021/22 as the purely Capital element of the programme comes to the fore.
13. Premises Cost has increased by £370,000 mainly due to increases in support costs and the ending of the process of deducting commission charges from the cost of water rates.
14. The increase in income for service charges of £303,000 is due to a revision to the estimates of cost recovery in the 2020/21 original budget which was understated. The revised estimates reflect both actual levels of recovery and the revised estimates for 2021/22.
15. These budget estimates have had to include an expected level of City Cash grant revenue support to make good lost revenue income.

Actual 2019-20 £000	Table 4 - HOUSING REVENUE ACCOUNT	Original Budget 2020-21 £000	Latest Budget 2020/21 £000	Original Budget 2021-22 £000	Movement 2020-21 to 2021-22 £000	Paragraph Ref
	MAJOR REPAIRS RESERVE (MRR)					
3,194	Balance Brought Forward	2,878	3,080	3,064	186	
(10,867)	Transfer from HRA	(48,741)	(30,874)	(65,125)	(16,384)	
5,413	Capital Expenditure	18,218	22,338	35,321	17,103	
1,154	Section 106 / Grants					
	Reimbursements from homeowners	6,140	1,941	7,109	969	
1,000	RTB Receipts	0	375	375	375	
270	GLA Grant					
0	City Fund Loan	22,000	0	19,228	(2,772)	
164	Transfer from/(to) reserve for year	495	(3,139)	(28)	(523)	
3,253	Balance Brought Forward	674	3,417	278	(396)	
3,417	MRR BALANCE CARRIED FORWARD	1,169	278	250	(919)	

16. Analysis of the movement in manpower and related staff costs are shown in Table 5 below. These costs are spread across Direct Employee Cost, Technical Services and Specialised Support Services.

Table 5 Manpower statement	Original Budget 2020/21		Original Budget 2021/22	
	Manpower Full-time equivalent	Estimated cost £000	Manpower Full-time equivalent	Estimated cost £000
Supervision and Management	36	(1,968)	35	(1,974)
Estate Officers	13	(504)	11	(481)
Porter/Cleaners	24	(919)	22	(939)
Gardeners	4	(127)	3	(117)
Wardens	0	(20)	0	(20)
Technical Services (Revenue and Capital)	42	(2,628)	42	(2,603)
TOTAL HOUSING REVENUE ACCOUNT	119	(6,166)	113	(6,134)

Potential Further Budget Developments

17. The provisional nature of the 2020/21 revenue budget recognises that further revisions may be required.

Revenue Budget 2021/22

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

1. The latest estimated costs for the Committee's draft capital and supplementary revenue projects are summarised in the tables below.
2. 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.
3. The anticipated funding of this significant programme is indicated above, with the 2020/21 and 2021/22 financial impact on HRA resources being reflected in the revenue estimates figures included elsewhere in this report. In addition, the HRA will need to borrow from the City Fund in order to finance its current capital programme.
4. The latest Capital and Supplementary Revenue Project budgets will be presented to the Court of Common Council for formal approval in March 2021.

Draft Capital and Supplementary Revenue Projects

Estate	Exp. Pre 01/04/20	2020/21	2021/22	2022/23	2023/24	2024/25	Later Years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pre-implementation								
Avondale	-	-	-	-	-	-	-	-
Dron	22	272	1,300	-	-	-	-	1,594
Golden Lane	72	738	4,991	6,194	-	-	-	11,995
Holloway	32	425	1,370	1,370	-	-	-	3,197
HRA General - Various	158	684	7,823	8,103	-	-	-	16,768
Southwark	192	596	3,148	3,313	-	-	-	7,249
Sydenham	24	24	828	-	-	-	-	876
William Blake	53	49	1,915	-	-	-	-	2,017
Windsor	21	61	1,528	-	-	-	-	1,610
York Way	-	768	450	195	-	-	-	1,413
Sub-total Pre-implementation Costs	574	3,617	23,353	19,175	-	-	-	46,719
Authority to start work granted	Exp. Pre 01/04/20	2020/21	2021/22	2022/23	2023/24	2024/25	Later Years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Avondale	8,730	894	-	-	-	-	-	9,624
Dron	737	41	-	-	-	-	-	778
Golden Lane	14,223	718	2,970	-	-	-	-	17,911
Holloway	621	25	-	-	-	-	-	646
HRA General - Various	14,696	19,300	9,206	106	-	-	-	43,308
Isleden	118	593	947	-	-	-	-	1,658
Middlesex	3,925	2,269	3,112	-	-	-	-	9,306
Southwark	1,023	37	-	-	-	-	-	1,060
Sydenham	2,133	2,526	24,762	13,117	-	-	-	42,538
William Blake	1,036	51	-	-	-	-	-	1,087
Windsor	386	27	-	-	-	-	-	413
York Way	658	1,434	1,610	-	-	-	-	3,702
Sub-total Authority to Start Work	48,286	27,915	42,607	13,223	-	-	-	132,031
	Exp. Pre 01/04/19	2020/21	2021/22	2022/23	2023/24	2024/25	Later Years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
TOTAL COMMUNITY & CHILDREN'S SERVICES - HRA	48,860	31,532	65,960	32,398	-	-	-	178,750
Of this,								
Capital	45,371	30,874	65,125	32,398	-	-	-	173,768
Supplementary Revenue	3,489	658	835	-	-	-	-	4,982
	48,860	31,532	65,960	32,398	-	-	-	178,750
Funded by								
Long Lessee contributions		2,160	7,414	4,540	-	-	-	14,114
External contributions (S106, grants)		22,341	35,321	13,313	-	-	-	70,975
CIL		-	-	-	-	-	-	-
Borrowing		-	19,228	11,481	-	-	-	30,709
Right to Buy Receipts		375	375	-	-	-	-	750
HRA balances		460	530	-	-	-	-	990
Major Repairs Reserve		6,196	3,092	3,064	-	-	-	12,352
		31,532	65,960	32,398	-	-	-	129,890

Appendices:

Appendix A: Schedule of Repairs, Maintenance and Improvements.

Appendix B: 5 Year HRA Financial Forecast

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Appendix A

REPAIRS, MAINTENANCE AND IMPROVEMENTS		Original Budget 2020/21 £000	Revised Budget 2020/21 £000	Original Budget 2021/22 £000
Responsible Officer is the Director of Community and Children's Services				
GENERAL				
BREAKDOWN AND EMERGENCY REPAIRS				
Building	E	(1,407)	(1,000)	(1,000)
Electrical	E	(285)	(200)	(240)
Lifts	E	(15)	(10)	(10)
Heating and Ventilation	E	(260)	(130)	(130)
Recharge and Insurance Claims	E	(50)	(50)	(50)
		(2,017)	(1,390)	(1,430)
CONTRACT SERVICING				
Building	E	(72)	(72)	(72)
Electrical	E	(200)	(350)	(340)
Lifts	E	(152)	(160)	(140)
Boilers	E	(150)	(250)	(250)
Ventilation	E	(500)	(500)	(500)
Heating	E			
		(1,074)	(1,332)	(1,302)
CYCLICAL WORK AND MINOR IMPROVEMENTS				
Elderly/Disabled - Internal Redecorations	E	(12)	(12)	(12)
- Decoration Allowance	E			
Portable Appliance Testing	E	(2)	(2)	(2)
Asbestos Management Contingency	E	(200)	(130)	(120)
Redecorations for Elderly/Disabled	E			
Fees for Feasibility Studies	A	(30)	(30)	(30)
Energy Performance Certification Work	E	(5)	(5)	(5)
Water supply works	E	(88)	(60)	(60)
Asset Management plan	A	(25)	(15)	(15)
		(362)	(254)	(244)
TOTAL GENERAL		(3,453)	(2,976)	(2,976)

HRA 5 Year Projections						
	Actual 2019-20	Revised OB 2020-21	OB 2021-22	OB 2022-23	OB 2023-24	OB 2024-25
Income						
Rent	10,511	10,265	10,691	12,155	12,898	13,156
	469	634	638	549	560	571
	124	126	126	129	131	134
	1,489	1,291	1,626	1,659	1,692	1,726
Community Facilities	130	60	110	112	114	117
Service Charge	1,607	2,272	2,301	2,347	2,394	2,442
Other - Support from City Cash Grant (or further savings)	23	455	355	350	350	350
TOTAL	14,353	15,103	15,847	17,300	18,139	18,495
Expenditure						
Repairs & Maintenance	(3,556)	(2,976)	(3,176)	(3,200)	(3,200)	(3,200)
Supp revenue projects	(2,129)	(460)	(530)	(250)	(250)	(250)
Tech services + CS costs	(1,262)	(1,262)	(1,262)	(1,250)	(1,250)	(1,250)
Employee Cost	(4,803)	(4,231)	(4,535)	(4,626)	(4,718)	(4,813)
Premises & Other Support Cost	(274)	(962)	(900)	(900)	(900)	(900)
Revenue Savings/Efficiencies to be identified	0	0	200	200	200	200
Specialised Support Service	(2,818)	(2,688)	(2,697)	(2,700)	(2,700)	(2,700)
TOTAL	(14,842)	(12,579)	(12,900)	(12,726)	(12,818)	(12,913)
Loan Charges - Interest	0	0	0	(96)	(599)	(535)
Capital Repayment (4% Minimum Revenue Provision)	0	0	0	(769)	(1,198)	(1,123)
Int Receivable	52	52	0	0	0	0
	52	52	0	(865)	(1,796)	(1,658)
TOTAL NET INCOME	(437)	2,576	2,947	3,709	3,524	3,924
TSFR TO MRR (Depreciation)	(3,195)	(3,080)	(3,064)	(3,100)	(3,200)	(3,300)
Surplus/ Deficit	(3,632)	(504)	(117)	609	324	624
Bal b/f	3,768	636	132	15	624	948
Bal c/f	136	132	15	624	948	1,572
Capitalisation Adjustment		500				
MAJOR REPAIRS RESERVE						
MRR			278	250	286	1,486
Depn/tsfr from Rev			3,064	3,100	3,200	3,300
Capital Financing			(22,320)	(14,545)		
Loan Required			19,228	11,481	(2,000)	(3,000)
MRR			250	286	1,486	1,786
LOAN						
B/F			0	19,228	29,940	26,742
In Year			19,228	11,481	(2,000)	(3,000)
Repayments			0	(769)	(1,198)	(1,123)
C/F			19,228	29,940	26,742	22,619