

<b>Committee(s):</b> Community and Children's Services	<b>Dated:</b> 23 January 2023
<b>Subject:</b> Housing Revenue Account (HRA) and Capital Budgets 2023/24	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	1,2,3,4,12.
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>Report of:</b> The Chamberlain and the Director of Community and Children's	<b>For Decision</b>
<b>Report author:</b> Goshe Munir, Senior Accountant, Chamberlain's Department	

### 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 2023/24, 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 very tight 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 had to be foregone.
4. The General Housing Revenue Reserve position is summarised below: -

Table 1 General Housing Revenue Reserve	<i>Original Budget 2022/23 £000</i>	Original Budget 2023/24 £000	Movement
Service Expenditure	(12,428)	(12,349)	79
Service Income	15,994	16,217	223
Other Movements	(366)	(291)	75
Transfer to Major Repairs Reserve	(2,953)	(3,281)	(328)
Surplus in year	247	296	49
Balance brought forward	593	49	(544)
Balance carried forward	840	345	(495)

5. Overall, the 2023/24 provisional budget indicates a surplus for the year of £296k an increase in expected rental income offset by increased transfers to the major repairs reserve as set out in Table 1 above. Revenue Reserves at 31 March 2024 are now expected to be £345k.

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

Table 2 Major Repairs Reserve	Original Budget 2022/23 £000	Original Budget 2023/24 £000	Movement
Transfer from General Housing Revenue Reserve (see contra Table 1)	2,953	3,281	328
Net capital expenditure after / grant funding	(21,934)	(23,356)	(1,422)
City Fund Loan	18,981	13,533	(5,448)
Movement in MRR in year	0	0	0
Balance brought forward	250	250	(0)
Balance carried forward	250	250	0

- The Major Repairs Reserve (MRR) funds a very significant investment in the capital programme for major works across the 5-year asset management plan, including the decent homes program, window renewal and roof replacements. In order to do so the MRR has started to borrow using a loan from City Fund. This borrowing requirement has been forecast and included in the Corporations Medium Term Financial Plan for a number of years.

### Recommendation(s)

7. The Committee is requested to:

- review the provisional 2023/24 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 alongside a more detailed 5-year plan presented separately. 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 2022/23 and 2023/24**

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

<b>Actual 2021-22 £000</b>	<b>Table 3 - HOUSING REVENUE ACCOUNT</b>	<b>Original Budget 2022-23 £000</b>	<b>Latest Budget 2022/23 £000</b>	<b>Original Budget 2023-24 £000</b>	<b>Movement 2022-23 to 2023-24 £000</b>	
	<b>LOCAL RISK Expenditure</b>					
(3,387)	Repairs, Maintenance & Improvements	(2,976)	(2,976)	(2,976)	0	Appendix 1 12
(120)	Supplementary Revenue Budgets	(671)	(154)	(323)	348	
(1,495)	Technical Services and City Surveyor's Costs	(1,539)	(1,539)	(1,495)	44	
(3,825)	Employee Cost	(4,431)	(4,473)	(4,541)	(110)	
(903)	Premises & Other Support Cost	(129)	(390)	(264)	(135)	
(2,563)	Specialised Support Services	(2,682)	(2,926)	(2,750)	(68)	15
<b>(12,293)</b>	<b>TOTAL Expenditure</b>	<b>(12,428)</b>	<b>(12,458)</b>	<b>(12,349)</b>	<b>79</b>	
	<b>Income</b>					
	Rent					
10,844	Dwellings	10,992	11,045	11,646	654	16
616	Car Parking	625	619	624	(1)	
128	Baggage Stores	127	127	127	0	
1,605	Commercial Charges for Services & Facilities	1,667	1,622	1,791	124	17
82	Community Facilities	99	99	79	(20)	
1,914	Service Charges	2,480	1,920	1,939	(541)	18
33	Other	4	21	11	7	
<b>15,221</b>	<b>TOTAL Income</b>	<b>15,994</b>	<b>15,453</b>	<b>16,217</b>	<b>223</b>	
<b>2,928</b>	<b>NET INCOME FROM SERVICES</b>	<b>3,566</b>	<b>2,995</b>	<b>3,868</b>	<b>302</b>	
0	Loan Charges – Interest	(122)	(55)	(125)	(3)	
0	Interest Receivable	0	0	0	0	
<b>2,928</b>	<b>NET OPERATING INCOME</b>	<b>3,444</b>	<b>2,940</b>	<b>3,743</b>	<b>299</b>	
0	Loan Charges – Principal	(244)	(90)	(166)	78	
(2,943)	Transfer to Major Repairs Reserve	(2,953)	(2,963)	(3,281)	(328)	
<b>(15)</b>	<b>(Surplus) / deficit FOR THE YEAR</b>	<b>247</b>	<b>(113)</b>	<b>296</b>	<b>49</b>	
177	Surplus brought forward	593	162	49	(544)	
<b>162</b>	<b>SURPLUS CARRIED FORWARD</b>	<b>840</b>	<b>49</b>	<b>345</b>	<b>(495)</b>	

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 Supplementary Revenue Costs underspent by £348k due to the number of revenue related projects reducing in 2023/24.
13. The increase in Employee Costs of £110k is due to the overall pay settlement and an increase in temporary agency staffing cost that has been partly offset by the Target Operating Model revised structure.
14. Premises & Other Support Cost have increased by £135k due to higher central support & Insurance Cost charges.
15. Specialised Support Services Cost have increased by £68k due to a significant increase in Energy cost increases in unit prices (tariffs) and standing charges.
16. The increase in income for next year for Rents is due to the expected capped level of increases, a rise of 5% has been assumed in these estimates.
17. The increase in commercial income by £124k is based on the review by the external agents and new lettings that have been agreed for 2023/24.
18. The reduction in income for service charges of £541,000 is partly due to lower-than expected supplementary revenue projects being carried out in the year, which resulted in less amounts being recoverable and also previous over-estimates of recovery of on-going revenue costs in the budget. The service charge estimate is in line with previous years recovery.

Actual 2021/22 £'000	Table 4 - HOUSING REVENUE ACCOUNT	Original Budget 2022/23 £'000	Latest Budget 2022/23 £'000	Original Budget 2023/24 £'000	Movement 2022/23 to 2023/22 £'000	Paragraph Ref
	<b>MAJOR REPAIRS RESERVE (MRR)</b>					
2,944	Transfer from HRA (depreciation agreed by HRA)	2,953	2,963	3,281	328	
(24,843)	Capital Expenditure	(52,169)	(20,587)	(72,711)	(20,542)	
18,597	Section 106 / Grants	22,287	12,815	44,691	22,404	
1,371	Reimbursements from homeowners	6,948	2,101	4,163	(2,785)	
152	RTB Receipts	1,000	1,000	500	(500)	
1,050	GLA Grant	0	300	0	0	
81	City Fund Loan	18,982	271	13,533	(5,449)	
	City Fund Capital Receipt	0	0	6,543	6,543	
(649)	<b>Transfer from/to reserve for year</b>	0	(1,136)	(0)	(0)	
2,035	Balance Brought Forward	250	1,386	250	0	
<b>1,386</b>	<b>MRR BALANCE CARRIED FORWARD</b>	250	250	250	(0)	

19. 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 2022/23		Original Budget 2023/24	
	Manpower Full-time equivalent	Estimated cost £0	Manpower Full-time equivalent	Estimated cost £0
Supervision and Management	34	(1,930)	32	(1,863)
Estate Officers	10	(477)	9	(398)
Porter/Cleaners	24	(933)	24	(937)
Gardeners	6	(200)	5	(204)
Wardens	0	(16)	0	(17)
Technical Services	40	(2,528)	41	(2,719)
<b>TOTAL HOUSING REVENUE ACCOUNT</b>	<b>114</b>	<b>(6,084)</b>	<b>111</b>	<b>(6,138)</b>

### **Potential Further Budget Developments**

17. The provisional nature of the 2023/24 revenue budget recognises that further revisions may be required.

### **Revenue Budget 2023/24**

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 major works programme is indicated above, with the 2022/23 and 2023/24 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 2023.

## Draft Capital and Supplementary Revenue Projects

Estate	Exp. Pre 01/04/22	22/23	2023/24	2024/25	2025/26	2026/27	Later Years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Schemes at pre-implementation stage</b>								
L4-Avondale Square	81	60	1,915	70	-	-	-	2,127
L4-Dron House	-	-	0	0	-	-	-	0
L4-Golden Lane	549	619	6,113	4,498	-	-	-	11,779
L4-Holloway Estate	44	2,555	1,342	171	-	-	-	4,112
L4-Housing General HRA	388	1,081	8,325	5,136	2,000	-	-	16,931
L4-Middlesex Street	-	-	0	-	-	-	-	0
L4-Southwark Estates	321	666	4,223	282	-	-	-	5,492
L4-Sydenham Hill	28	297	972	67	-	-	-	1,364
L4-William Blake	57	15	1,945	-	-	-	-	2,016
L4-Windsor House	144	236	1,580	102	-	-	-	2,062
<b>Sub-total schemes at Pre-implementation stage</b>	<b>1,613</b>	<b>5,529</b>	<b>26,416</b>	<b>10,327</b>	<b>2,000</b>	<b>-</b>	<b>-</b>	<b>45,884</b>
<b>Authority to start work granted</b>	<b>Exp. Pre 01/04/22</b>	<b>22/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Later Years</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
L4-Avondale Square	10,522	360	559	-	-	-	-	11,440
L4-Dron House	2,213	-	-	-	-	-	-	2,213
L4-Golden Lane	16,028	38	832	-	-	-	-	16,898
L4-Holloway Estate	6	638	-	-	-	-	-	644
L4-Housing General HRA	39,632	6,369	2,597	0	-	-	-	48,598
L4-Isleden House	1,567	1,787	135	0	-	-	-	3,489
L4-Middlesex Street	7,767	618	1,455	0	-	-	-	9,840
L4-Southwark Estates	1,123	-	-	-	-	-	-	1,123
L4-Sydenham Hill	3,180	290	17,877	23,592	6,300	-	-	51,238
L4-William Blake	637	-	-	-	-	-	-	637
L4-Windsor House	429	2	-	-	-	-	-	431
L4-York Way Estate	5,349	5,110	23,163	20,717	2,325	-	-	56,664
<b>Sub-total Authority to Start Work</b>	<b>88,454</b>	<b>15,212</b>	<b>46,618</b>	<b>44,309</b>	<b>8,625</b>	<b>-</b>	<b>-</b>	<b>203,217</b>
	<b>Exp. Pre 01/04/22</b>	<b>22/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Later Years</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>TOTAL COMMUNITY &amp; CHILDREN'S SERVICES - HRA</b>	<b>90,067</b>	<b>20,741</b>	<b>73,033</b>	<b>54,635</b>	<b>10,625</b>	<b>-</b>	<b>-</b>	<b>249,101</b>
<b>Of this,</b>								
Capital	1,613	20,587	72,711	54,565	10,625	-	-	158,488
Supplementary Revenue	88,454	154	323	70	-	-	-	547
	90,067	20,741	73,033	54,635	10,625	-	-	159,034
<b>Funded by</b>								
Long Lessee contributions		2,101	4,163	350	-	-	-	6,615
External contributions (S106, grants)		13,180	44,873	44,309	8,625	-	-	110,987
CIL		-	-	-	-	-	-	-
Borrowing		271	13,533	4,232	-	-	-	18,036
Right to Buy Receipts		1,000	500	-	-	-	-	1,500
HRA balances		89	141	49	-	-	-	279
Major Repairs Reserve		4,100	3,281	3,884	2,000	-	-	13,264
City Fund Capital Receipt		-	6,543	1,811	-	-	-	8,354
		20,741	73,033	54,635	10,625	-	-	159,034

## **Appendices**

Appendix A: Schedule of Repairs, Maintenance and Improvements.

**Caroline Al-Beyerty**  
**Chamberlains**

**Clare Chamberlain**  
**Director of Community & Children Services**

Contacts:

Goshe Munir

Senior Accountant – Chamberlains

T: 020 7332-1571 E: [Goshe.Munir@Cityoflondon.gov.uk](mailto:Goshe.Munir@Cityoflondon.gov.uk)

Mark Jarvis

Head of Finance–Chamberlains:

020 7332-1223 E: [Mark.Jarvis@Cityoflondon.gov.uk](mailto:Mark.Jarvis@Cityoflondon.gov.uk)

Paul Murtagh

Assistant Director Barbican & Property Services– Community and Children's

Services T: 020 7332 3015 E: [Paul.Murtagh@cityoflondon.gov.uk](mailto:Paul.Murtagh@cityoflondon.gov.uk)

## Appendix A

REPAIRS, MAINTENANCE AND IMPROVEMENTS		<i>Original Budget 2022/23 £000</i>	<i>Revised Budget 2022/23 £000</i>	<i>Original Budget 2023/24 £000</i>
Responsible Officer is the Director of Community and Children's Services				
<b>GENERAL</b>				
<u>BREAKDOWN AND EMERGENCY REPAIRS</u>				
Building	E	(1,122)	(1,122)	(1,122)
Electrical	E	(240)	(280)	(280)
Lifts	E	(10)	(10)	(10)
Heating and Ventilation	E	(200)	(200)	(200)
Recharge and Insurance Claims	E	(50)	(150)	(150)
		<b>(1,622)</b>	<b>(1,762)</b>	<b>(1,762)</b>
<u>CONTRACT SERVICING</u>				
Building	E	(60)	(60)	(60)
Electrical	E	(270)	(250)	(250)
Lifts	E	(140)	(120)	(120)
Boilers	E	(250)	(250)	(250)
Ventilation	E	(450)	(350)	(350)
Heating	E			
		<b>(1,170)</b>	<b>(1,030)</b>	<b>(1,030)</b>
<u>CYCLICAL WORK AND MINOR IMPROVEMENTS</u>				
Elderly/Disabled - Internal Redecorations	E	(12)	(12)	(12)
Portable Appliance Testing	E	(2)	(2)	(2)
Asbestos Management Contingency	E	(60)	(60)	(60)
Fees for Feasibility Studies	A	(15)	(15)	(15)
Energy Performance Certification Work	E	(5)	(5)	(5)
Water supply works	E	(80)	(80)	(80)
Asset Management plan	A	(10)	(10)	(10)
		<b>(184)</b>	<b>(184)</b>	<b>(184)</b>
<b>TOTAL GENERAL</b>		<b>(2,976)</b>	<b>(2,976)</b>	<b>(2,976)</b>