

Committee(s): Community and Children's Services	Dated: 14 September 2023
Subject: Housing Revenue Account - Outturn 2022/23	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	1,2,3,4,12.
Does this proposal require extra revenue and/or capital spending?	N
Report of: The Director of Community and Children's Services and the Chamberlain	For Information
Report author: Goshe Munir, Senior Accountant, Chamberlain's Department	

Summary

1. This report compares the outturn for the Housing Revenue Account (HRA) in 2022/23 with the final agreed budget for the year.
 - The total net transfer to reserves for the year was £0.064m, £0.177m higher than the final agreed budgeted deficit of £0.113m, mainly as a result of higher than expected repairs and maintenance and supervision and management costs, offset by higher rent and service charge income than budgeted. As a result, Revenue Reserves ended the year with a balance of £0.226m.
 - The Major Repairs Reserve (MRR) ended the year with a balance of £1.018m, £0.768m higher than budgeted, mainly due to lower than expected net capital expenditure due to slippage on projects.

	Final Agreed Budget	Outturn	Variation Underspend / (Overspend)
	£000	£000	£000
HRA Revenue (see Table B)			
Expenditure	(12,958)	(14,185)	(1,227)
Income	15,953	17,215	1,262
Other	(145)	33	178
Transfer to MRR (see below)	(2,963)	(2,999)	(36)
(Deficit)/Surplus in year	(113)	64	177
Opening Reserves	163	163	0
Closing Reserves	50	226	177
Major Repairs Reserve (see Table C)			
Opening reserve	1,386	1,386	0
Net Capital expenditure in year	(4,099)	(3,368)	731
Transfer from Revenue (as above)	2,963	2,999	36
Closing Reserves	250	1,018	768

Recommendation(s)

2. It is recommended that this outturn report for 2022/23 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 2022/23

4. The HRA revenue outturn has a net surplus of £0.64m, £0.177m better than the expected deficit in the budget, for the reasons set out in detail in Table B below.

Table B

Table B	Original Budget 2022/23 £000	Final Agreed Budget 2022/23 £000	Revenue Outturn 2022/23 £000	Variation (Underspend) / Overspend 2022/23 £000	Paragraph Number
<u>Expenditure</u>					
Repairs, Maintenance & Improvements					
Breakdown and Emergency Repairs	(1,622)	(1,762)	(2,416)	(654)	5
Contract Servicing	(920)	(780)	(762)	18	5
Cyclical and Minor Improvements	(434)	(434)	(375)	59	5
Supplementary Revenue	(671)	(255)	(101)	154	6
Technical Services and City Surveyor's Costs	(1,539)	(1,539)	(1,472)	67	7
Total Repairs, Maintenance & Improvements	(5,186)	(4,770)	(5,127)	(357)	
Supervision and Management	(4,560)	(4,762)	(5,622)	(860)	8
Specialised Support Services					
Central Heating	(275)	(828)	(839)	(11)	9
Estate Lighting	(268)	(379)	(553)	(174)	10
Caretaking and Cleaning	(1,608)	(1,721)	(1,652)	69	11
Community Facilities	(185)	(185)	(177)	8	
Welfare Services	(39)	(46)	(2)	44	
Garden Maintenance	(307)	(267)	(213)	54	
Total Expenditure	(12,428)	(12,958)	(14,185)	(1,727)	
<u>Income</u>					
Rent					
Dwellings	10,992	11,045	11,664	619	12
Car Parking	625	619	552	(67)	13
Baggage Stores	127	127	127	(0)	
Commercial	1,667	1,622	1,617	(5)	
Community Facilities	99	99	108	9	
Service Charges	2,480	2,420	3,125	705	14
Other	4	21	23	2	
Total Income	15,994	15,953	17,215	1,262	
Loan Charges – Interest	(122)	(55)	0	55	
Interest Receivable	0	0	33	33	
Net Operating Income	3,444	2,940	3,063	123	
Loan Charges – Principal	(244)	(90)	0	90	
Transfer to Major Repairs Reserve	(2,953)	(2,963)	(2,999)	(36)	
	247	(113)	64	177	
Opening Reserves	593	163	163	0	
Closing Reserves	840	50	226	177	

5. Repairs, Maintenance and Improvements costs were overspent by £654k. The increased expenditure was driven by increased demand for breakdown and emergency repairs including significant fire safety work. However this overspend was partially offset by a total of £77k underspend on contract servicing and cyclical and minor Improvements works.
6. Supplementary Revenue Projects underspent by £154k due to projects coming in under budget and some slippage in planned works.
7. The underspend of £67k in Technical Services and City Surveyor costs is due to the technical recharge cost, based on hours spend (worked) on HRA Projects being lower than anticipated.
8. Supervision and Management costs had an overspend of £860k mainly due to adverse variances on energy and water rates of £300k. In addition, Legal Fees were over-budget by £96k, Management Fees by £172k, Professional Fees by £256k, and Surveyor's Valuers Fees by £36k.
9. Central Heating had an overspend of £11k which was related to the higher gas cost at Golden Lane Estate & Middlesex Street Estate.
10. Estate Lighting actual cost was £174k more than budgeted at William Blake, Golden Lane, Middlesex and York Way Estates. This is due to higher than increases in unit prices (tariffs) and standing charges, and the use of estimated, rather than actual, meter readings.
11. Caretaking and Cleaning has an underspend of £69k mainly due to reduced charges on the refuse collection and window cleaning.
12. Dwellings rental income had a favourable variance of £619k, mainly due to higher than budgeted income from Golden Lane Estate & Isledon House Estate as well as additional rent in the form of damages related to COLPAI due to delayed completion.
13. The Car Parking has an underspend of 67k mainly due to reduced income from Middlesex Street Estate and York Way Estate.
14. The Service Charge has a favourable variance by £705k compared to the latest budget profiled, this is mainly due to the recovery of higher than expected expenditure in the year and additional reimbursements from long lessees.

15. Comparison of 2022/23 Major Repairs Reserves Outturn with Final Budget as set out in Table C below.

Table C

Table C	Latest Budget	Revenue Outturn	Variation (Underspend)/	Notes
	£000	£000	£000	
HRA Reserves				
Major Repairs Reserve				
Balance Brought Forward	(1,386)	(1,386)	0	
Transfer from HRA	(2,963)	(2,999)	(36)	Table B
Capital Expenditure	20,587	17,086	(3,501)	Annex A
Section 106 funding	(1,639)	0	1,639	
Capital Receipts applied	(1,000)	(568)	432	
GLA and City Cash Grants	(11,747)	(11,879)	(132)	
Reimbursements from Homeowners	(2,101)	(1,271)	830	
Major Repairs Reserve Balance Carried Forward	(250)	(1,018)	(768)	

16. The net underspend of £0.768m in the balance on the Major Repairs Reserve was mainly due to significant slippage in capital expenditure.

17. Members note the reasons for the underspend set out in the report above.

Appendices

- Annex A - CAPITAL PROJECTS

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	CAPITAL PROJECTS	Latest Budget 2022/23	Actual 2022/23	Variance Overspend/ (Underspend)	Comments on main variations
29100160	L4-Avondale Square L5-Avondale Square Play & Ball Games Areas Refurbishment	12,124	6,589	(5,535)	Retention
29100156	L5-George Elliston & Eric Wilkins Houses Refurbishment	15,000	0	(15,000)	Awaiting design award
29100111	L5-Harman Close Decent Homes	12,892	0	(12,892)	Retention
29100159	L5-Installation of Sprinklers - Avondale Square Estate	334,850	1,063,919	729,069	Awaiting budget update
29100168	Buyback - 7C Petticoat Tower S106	0	359,200	359,200	Project completed Jan 23
29100167	Fire Door Replacement - Avondale	0	12,210	12,210	Capital budget with a larger budget.
		374,866	1,441,919	1,067,053	
29100105	L4-Dron House L5-Dron House Windows Replacement	0	76,803	76,803	Retention (awaiting H&S File before release)
		-	76,803	76,803	
29100076	L4-Golden Lane L5-Crescent House & Cullum House Heating Replacement	0	(44,532)	(44,532)	Project no longer progressing.
29100113	L5-Fire Safety Doors - Great Arthur House	0	21,250	21,250	Work complete
29100086	L5-Golden Lane Community Centre	0	(60)	(60)	
29100102	L5-Golden Lane Windows Replacement	618,892	184,181	(434,711)	Awaiting capital budget
29100085	L5-Great Arthur House New Flats	0	25,421	25,421	Work complete
29100010	L5-Great Arthur House Window Cladding	0	(10,835)	(10,835)	Work on going, issues outstanding against this project.
29100157	L5-Installation of Sprinklers - Great Arthur House	37,993	27,955	(10,038)	Awaiting Fire Strategy
		656,885	203,380	(453,505)	
29100166	L4-Holloway Estate L5-Fire Door Replacement - Holloway	637,988	554,927	(83,061)	Work complete, retention
29100103	L5-Holloway Estate Windows Replacement	2,554,863	646,431	(1,908,432)	Work in Progress, awaiting planning approval
		3,192,851	1,201,359	(1,991,492)	
29100146	L4-Housing General HRA L5-Decent Homes Call-backs 2020-22	18,300	4,990	(13,310)	Work on-going and dependant on demand
29100062	L5-Decent Homes Various Estates	0	0	0	
29100101	L5-Fire Door Replacements - Various Estates	1,081,460	5,996	(1,075,464)	On-going works
29100125	L5-Installation of Sprinklers in Social Housing Tower Blocks	2,729	0	(2,729)	Budget superseded by 29100159, 29100157, and 29100158
29100078	L5-Richard Cloudesley Housing	87,832	6,840	(80,992)	Project in progress and actual cost combined with Project 29100098
29100098	L5-Richard Cloudesley Housing	5,950,819	3,111,058	(2,839,761)	Project in progress and actual cost combined with Project 29100098
29100150	L5-Tenants Electrical Services Testing & Smoke Detector Installation - Phase 5	200,000	92,599	(107,401)	Work on-going
29100057	L5-Water System Testing at HRA Estates	28,104	0	(28,104)	Project in progress
		7,369,244	3,221,483	(4,147,761)	
29100079	L4-Isleden House L5-Isleden House Additional Housing	1,786,803	1,193,436	(593,367)	Negotiating final account
		1,786,803	1,193,436	(593,367)	
29100158	L4-Middlesex Street L5-Installation of Sprinklers - Petticoat Tower	18,405	19,452	1,047	Work in progress

Annex A

29100164	L5-Middlesex Street Estate - Cold Water Distribution System Replacement	87,000	80,174	(6,826)	Work in progress
29100130	L5-Middlesex Street Estate - Replacement of Heating & Hot Water	500,000	229,545	(270,455)	Work in progress
29100149	L5-Middlesex Street Estate Decant Car Park	0	0	0	
29100161	L5-Middlesex Street Play & Ball Games Areas Refurbishment	1,980	1,980	0	
29100147	L5-Petticoat Square Renewal of Flat Roof Coverings	0	0	0	
29100112	L5-Petticoat Tower - Fire Safety Doors	5,223	223	(5,000)	Retention
29100074	L5-Petticoat Tower Replacement of Windows and Balcony Doors	0	0	0	
29100073	L5-Petticoat Tower Stairwell Panels	0	10,036	10,036	Retention
		612,608	341,409	(271,199)	
	L4-Southwark Estates				
29100104	L5-Southwark Estate Windows Replacement	643,739	797,392	153,653	Work in progress
		643,739	797,392	153,653	
	L4-Sydenham Hill				
29100067	L5-Sydenham Hill - Provision of Social Housing	290,145	2,144,676	1,854,531	
29100106	L5-Sydenham Hill Windows Replacement	296,538	793,120	496,582	Work in progress
		586,683	2,937,796	2,351,113	
	L4-William Blake				
29100107	L5-William Blake Windows Replacement	15,065	1,000	(14,065)	Work in progress
		15,065	1,000	(14,065)	
	L4-Windsor House				
29100162	L5-Windsor House Play & Ball Games Areas Refurbishment	2,208	2,208	-	
29100108	L5-Windsor House Windows Replacement	235,640	835,663	600,023	Work in progress
		237,848	837,871	600,023	
	L4-York Way Estate				
29100165	L5-Fire Door Replacement - York Way	911,265	789,032	(122,233)	Work complete, retention
29100163	L5-York Way Estate - Cold Water Distribution System	7,910	15,944	8,034	Work in progress
29100129	L5-York Way Estate - Replacement of Heating & Hot Water	1,220,000	1,225,034	5,034	Work in progress
29100141	L5-York Way Estate Provision of Social Housing	2,970,914	2,802,130	(168,784)	Work in progress
		5,110,089	4,832,140	(277,949)	
	Total	20,586,681	17,085,988	(3,500,693)	