

Committee(s): Community and Children's Services	Dated: 16 January 2025
Subject: Housing Revenue Account (HRA) and Capital Budgets 2025/26	Public
This proposal: • provides statutory duties	The report includes decision on the City Corporation's statutory CCS function.
Does this proposal require extra revenue and/or capital spending?	NO
Report of: The Chamberlain and the Executive Director of Community and Children's Services	For Decision
Report author: 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 2025/26, 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. Additional forecast rental income from the COLPAI development has been more than offset by increased repair contract and higher energy costs, however a reduced level of transfer to the Major Repairs Reserve means the HRA remains in balance.
4. The General Housing Revenue Reserve position is summarised below: -

Table 1 General Housing Revenue Reserve	<i>Original Budget 2024/25</i> £000	Original Budget 2025/26 £000	Movement
Service Expenditure	(15,044)	(15,996)	(952)
Service Income	17,701	18,591	890
Other Movements	(282)	(363)	(81)
Transfer to Major Repairs Reserve	(2,231)	(2,190)	41
(Surplus)/deficit in year	144	42	(102)
Balance brought forward	301	212	(89)
Balance carried forward	445	254	(191)

5. Overall, the 2025/26 provisional budget indicates a surplus for the year of £42k and Revenue Reserves at 31 March 2025 are now expected to be £254k.
6. The overall Major Repairs Reserve (MRR) position is summarised below: -

Table 2 Major Repairs Reserve	Original Budget 2024/25 £000	Original Budget 2025/26 £000	Movement
Transfer from General Housing Revenue Reserve (see contra Table 1)	2,231	2,190	(41)
Net capital expenditure after / grant funding	(16,854)	(13,216)	3,638
City Fund Loan	14,623	11,026	(3,597)
Movement in MRR in year	0	0	0
Balance brought forward	(256)	0	256
Balance carried forward	(256)	0	256

- 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 will start to borrow using a planned 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 asked to:
 - Review the provisional 2025/26 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. 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 2024/25 and 2025/26

10. The detailed budgets are set out in table 3.

Actual 2023-24 £000	Table 3 - HOUSING REVENUE ACCOUNT	Original Budget 2024-25 £000	Latest Budget 2024/25 £000	Original Budget 2025-26 £000	Movement 2024-25 to 2025-26 £000	
	LOCAL RISK					
	Expenditure					
(3,948)	Repairs, Maintenance & Improvements	(4,267)	(4,608)	(4,496)	(229)	Appendix 1
(35)	Supplementary Revenue Budgets	(150)	(235)	(224)	(74)	
(1,794)	Technical Services and City Surveyor's Costs	(1,515)	(1,794)	(1,794)	(279)	12
(4,596)	Employee Cost	(4,819)	(4,531)	(5,183)	(364)	13
(852)	Premises & Other Support Cost	(813)	(267)	(657)	156	14
(3,235)	Specialised Support Services	(3,480)	(3,489)	(3,642)	(162)	15
(14,461)	TOTAL Expenditure	(15,044)	(14,924)	(15,996)	(952)	
	Income					
	Rent					
11,969	Dwellings	13,385	13,046	14,257	872	16
374	Car Parking	540	426	430	(110)	17
125	Baggage Stores	127	128	128	1	
1,388	Commercial	1,554	1,467	1,614	60	
	Charges for Services & Facilities					
206	Community Facilities	118	123	123	5	
2,689	Service Charges	1,967	2,003	2,029	62	
17	Other	10	10	10	0	
16,769	TOTAL Income	17,701	17,203	18,591	890	
2,309	NET INCOME FROM SERVICES	2,657	2,279	2,595	(62)	
0	Loan Charges – Interest	(135)	(135)	(218)	(83)	
(153)	Interest Receivable	33	0	0	(33)	
2,155	NET OPERATING INCOME	2,555	2,144	2,377	(178)	
0	Loan Charges – Principal	(180)	(180)	(145)	35	
(2,073)	Transfer to Major Repairs Reserve	(2,231)	(2,061)	(2,190)	41	
83	(Surplus) / deficit FOR THE YEAR	144	(97)	42	(102)	
226	Surplus brought forward	301	309	212	(89)	
309	SURPLUS CARRIED FORWARD	445	212	254	(191)	

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 increase of £279k in Technical Services and City Surveyor costs is due to the technical recharge cost, which is based on time spent (worked) on setting up HRA Projects, expecting to increase in the forthcoming years.
13. The increase in Employee Costs of £364k includes a 4% uplift for inflation and the full year impact of pay increases to staff arising from the pay deal effective from July 2024.
14. Premises & Other Support Cost have decreased by £156k due to lower than previously budgeted cost for central support & Insurance charges.
15. Specialised Support Services Cost have increased by £162k due to higher Energy cost unit prices (tariffs) and standing charges than previously allowed for.
16. The increase in rent income by £872k is attributed to the expected additional income from the 66 new flats at the COLPAI development, as well as the budgeted income for Sydenham Hill and York Way in the last quarter of 2025/26.
17. The car parking income decreased by £110k, primarily due to reduced income from the use of the Middlesex Street Estate and York Way carpark, and the disposal of parking facilities at Sydenham Hill Estate to accommodate new developments.

Actual 2023/24 £'000	Table 4 - HOUSING REVENUE ACCOUNT	Original Budget 2024/25 £'000	Latest Budget 2024/25 £'000	Original Budget 2025/26 £'000	Movement 2024/25 to 2025/26 £'000	Paragraph Ref
	MAJOR REPAIRS RESERVE (MRR)					
2,073	Transfer from HRA (depreciation agreed by HRA)	2,231	2,062	2,190	(41)	
(32,380)	Capital Expenditure	(66,129)	(64,521)	(44,247)	21,882	
2,453	Section 106 / Grants	18,261	55,086	6,442	(11,819)	
2,654	Reimbursements from homeowners	7,568	1,804	5,914	(1,654)	
500	RTB Receipts	500	500	500	0	
0	Community Infrastructure Levy	0	0	0	0	
14,024	GLA Grant	6,555	0	3,660	(2,895)	
7,860	City Fund Loan	16,391	2,117	11,026	(5,365)	
3,071	City Fund Capital Receipt	14,623	2,952	14,515	(108)	
0	Transfer from/to reserve for year	0	0	0	0	
(256)	Balance Brought Forward	(256)	0	0	256	
(256)	MRR BALANCE CARRIED FORWARD	(256)	0	0	256	

18. 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 2024/25		Original Budget 2025/26	
	Manpower Full-time equivalent	Estimated cost £0	Manpower Full-time equivalent	Estimated cost £0
Supervision and Management	31	(2,071)	33	(2,189)
Estate Officers	9	(453)	11	(548)
Porter/Cleaners	26	(1,138)	26	(1,132)
Gardeners	5	(197)	6	(264)
Wardens	0	(18)	0	(20)
Technical Services	39	(2,794)	40	(3,043)
TOTAL HOUSING REVENUE ACCOUNT	110	(6,671)	116	(7,196)

Potential Further Budget Developments

20. The provisional nature of the 2025/26 revenue budget recognises that further revisions may be required.

Revenue Budget 2025/26

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 2024/25 and 2025/26 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 2025.

Draft Capital and Supplementary Revenue Projects

Estate	Exp. Pre 01/04/23	2024/25	2025/26	2026/27	2027/28	2028/29	Later Years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Schemes at pre-implementation stage								
L4-Avondale Square	83	93	1,840	1,763	-	-	-	3,779
L4-Golden Lane	98	441	8,531	9,094	9,094	7,094	-	34,352
L4-Dron House	-	37	-	-	-	-	-	37
L4-Holloway Estate	-	195	-	-	-	-	-	195
L4-York Way Estate	-	35	-	-	-	-	-	35
L4-Housing General HRA	331	239	7,681	4,795	2,262	-	-	15,308
L4-Middlesex Street	-	239	-	-	-	-	-	239
L4-Isleden House	-	71	14	-	-	-	-	85
L4-Southwark Estates	274	2,986	809	540	-	-	-	4,609
L4-Sydenham Hill	-	74	-	-	-	-	-	74
L4-William Blake	-	98	2,911	-	-	-	-	3,009
L4-Windsor House	121	538	91	-	-	-	-	750
Sub-total schemes at Pre-implementation stage	907	5,046	21,877	16,192	11,356	7,094	-	58,713
Authority to start work granted								
	Exp. Pre 01/04/23	2024/25	2025/26	2026/27	2027/28	2028/29	Later Years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
L4-Avondale Square	4,052	2,214	7	-	-	-	-	6,273
L4-Dron House	2,173	-	-	-	-	-	-	2,173
L4-Golden Lane	12,717	14	-	-	-	-	-	12,731
L4-Holloway Estate	561	35	-	-	-	-	-	596
L4-Housing General HRA	37,852	253	-	-	-	-	-	38,105
L4-Isleden House	2,761	215	-	-	-	-	-	2,976
L4-Middlesex Street	5,034	2,027	12	-	-	-	-	7,073
L4-Southwark Estates	23	-	-	-	-	-	-	23
L4-Sydenham Hill	5,215	20,975	18,409	-	-	-	-	44,599
L4-William Blake	232	-	-	-	-	-	-	232
L4-Windsor House	45	-	2	-	-	-	-	47
L4-York Way Estate	9,601	33,977	4,164	-	-	-	-	47,742
Sub-total Authority to Start Work	80,266	59,710	22,594	-	-	-	-	162,570
TOTAL COMMUNITY & CHILDREN'S SERVICES - HRA								
	Exp. Pre 01/04/23	2023/24	2024/25	2025/26	2026/27	2027/28	Later Years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
TOTAL COMMUNITY & CHILDREN'S SERVICES - HRA	81,173	64,756	44,471	16,192	11,356	7,094	-	221,283
Of this,								
Capital	76,114	64,521	44,247	16,192	11,356	7,094	-	219,524
Supplementary Revenue	5,059	235	224	-	-	-	-	5,518
	81,173	64,756	44,471	16,192	11,356	7,094	-	225,042
Funded by								
Long Lessee contributions		1,840	5,914	6,442	5,397			19,593
External contributions (S106, grants)		55,155	10,142	-				65,297
CIL								-
Borrowing		2,117	11,026	8,727	2,982	5,148		30,000
Right to Buy Receipts		500	500	500	-			1,500
HRA balances		130	184		-			314
Major Repairs Reserve		2,062	2,190	500				4,752
Capital Receipt		2,952	14,515	23	2,977	1,946		22,413
		64,756	44,471	16,192	11,356	7,094	-	143,869

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Appendices

Appendix A: Schedule of Repairs, Maintenance and Improvements.

Appendix A

REPAIRS, MAINTENANCE AND IMPROVEMENTS		<i>Original Budget 2024/25 £000</i>	<i>Revised Budget 2024/25 £000</i>	<i>Original Budget 2025/26 £000</i>
Responsible Officer is the Director of Community and Children's Services				
GENERAL				
BREAKDOWN AND EMERGENCY REPAIRS				
Building	E	(2,235)	(2,500)	(2,500)
Electrical	E	(421)	(421)	(421)
Lifts	E	(6)	(50)	(20)
Heating and Ventilation	E	(151)	(151)	(151)
Recharge and Insurance Claims	E	(100)	(100)	(100)
		(2,913)	(3,222)	(3,192)
CONTRACT SERVICING				
Building	E	(68)	(68)	(68)
Electrical	E	(135)	(135)	(135)
Lifts	E	(130)	(130)	(130)
Boilers	E	(267)	(267)	(267)
Ventilation	E	(413)	(413)	(413)
Heating	E			
		(1,013)	(1,013)	(1,013)
CYCLICAL WORK AND MINOR IMPROVEMENTS				
Elderly/Disabled - Internal Redecorations	E	(12)	(12)	(12)
Portable Appliance Testing	E	(2)	(2)	(2)
Asbestos Management Contingency	E	(19)	(19)	(19)
Fees for Feasibility Studies	A	(13)	(13)	(13)
Energy Performance Certification Work	E	(5)	(5)	(5)
Water supply works	E	(55)	(150)	(100)
Asset Management plan	A	(25)	(27)	
Safety Measures	E	(210)	(130)	(120)
Redecorations Works	E		(10)	
Fire Alarm System	E		(3)	
Electrical Repairs Following Tests	E			(20)
Door Entry Systems	E		(2)	
		(341)	(373)	(291)
TOTAL GENERAL		(4,267)	(4,608)	(4,496)