

APPENDIX 2a

FINANCIAL ESTIMATES 2023/24 - 2025/26
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HOUSING GENERAL FUND – REVENUE BUDGETS

Cost Centre	Revised Estimate 2022/23 £	Base Budget 2023/24 £
Hostel Accommodation	(24,590)	(23,000)
Homelessness (GF)	510,400	644,260
Housing Strategy	98,620	110,610
Lifeline and Miscellaneous Housing (GF)	(82,480)	(70,370)
Total	501,950	661,500

Classification	2022/23 £	2023/24 £
Employees	325,480	403,700
Premises	69,420	71,800
Transport	400	700
Supplies & Services	423,160	385,800
Third Party Payments	3,000	1,000
Corporate Recharges	260,630	292,650
Income	(580,140)	(494,150)
Total	501,950	661,500

The main changes in the 2023/24 budget for total net expenditure when compared with the 2022/23 revised estimate is primarily a consequence of the following items:

Service Area	Change (£)
Homelessness – The base budget for employee expenses in 2023/24 is higher than the original estimate for 2022/23 due to the higher than anticipated pay award in 2022/23 and an assumed 5% pay inflation in 2023/24. There is also a 1% increase in Pension Fund primary contributions in 2023/24.	83,500

Service Area	Change (£)
Homelessness – An increase in bed and breakfast accommodation costs based on expected demand for 2023/24.	50,000
Housing Strategy – The HRA Housing Strategy and Performance cost centre recharges part of its net budget directly to the General Fund for services provided. An increase in the Housing Strategy budget, linked to pay inflation, has led to an increase in this recharge.	12,000
Lifeline and Miscellaneous Housing (GF) – An increase in central support costs and HRA related recharges of £12,000 due to base budgets rising in other service areas. This is linked to pay and price inflation. An increase in estimated equipment costs based on previous and actual spends to date and expected demand for 2023/24 (£5,000) has been offset by an increase in fees and charges as agreed in the Business Strategy (-£5,000).	12,000

HOUSING REVENUE ACCOUNT – REVENUE BUDGETS

	Revised Estimate 2022/23 £	Base Budget 2023/24 £
Repairs & Maintenance	3,989,630	4,562,250
Supervision & Management	2,920,390	3,425,430
Special Services	2,183,100	2,290,870
Rents, Rates, Taxes & Other Charges	146,270	160,350
Depreciation & Impairment of Fixed Assets	4,332,000	4,617,000
Increase/Decrease in Impairment of Debtors	110,000	80,000
Contingency	0	0
Total Expenditure	13,681,390	15,135,900
Dwelling Rents (Gross)	(15,683,650)	(16,972,400)
Non-dwelling Rents (Gross)	(273,500)	(289,000)
Tenants' Charges for Services & Facilities	(823,450)	(856,700)
Leaseholders' Charges for Services & Facilities	(67,650)	(94,300)
Other Charges for Services & Facilities	(14,780)	(4,000)
Contributions Towards Expenditure	0	0
Total Income	(16,863,030)	(18,216,400)
Net Cost of Services	(3,181,640)	(3,100,500)
HRA services' share of Corporate/Democratic Core	415,690	442,540
HRA share of interest payable and similar charges including amortisation of premiums and discounts	2,669,790	2,674,500
HRA Investment Income	(92,240)	(84,700)
(Surplus)/Deficit for the Year on the HRA Income and Expenditure Statement	(188,400)	(48,160)
Capital expenditure funded by the HRA	1,786,300	1,719,104
(Increase)/Decrease in the HRA Balance	1,597,900	1,670,944
HRA Opening Balance	(5,925,810)	(4,327,910)
HRA Closing Balance	(4,327,910)	(2,656,966)

Classification	2022/23 £	2023/24 £
Employees	4,234,680	4,966,050
Premises	795,910	815,050
Transport	140,220	164,800
Supplies & Services	2,435,090	2,752,900
Transfer Payments	0	0
Third Party Payments	720,980	806,050
Corporate Recharges	2,311,300	2,448,790
Capital Charges	8,788,090	9,010,604
Income	(17,828,370)	(19,293,300)
Income Benefits	0	0
HRA Total	1,597,900	1,670,944

An analysis of the major variances between the 2022/23 revised budget and the 2023/24 base budget is included in the table below.

The 2023/24 base budget shows an increase in expenditure of £1.538m compared to the 2022/23 revised budget, whilst income has increased by £1.465m.

Service Area – Expenses	Change (£)
Changes in employee related costs including:	
<ul style="list-style-type: none"> The impact of the pay award in 2022/23 and anticipated 2023/24, currently estimated at 5%, salary increments and various small structure changes agreed in 2022/23. There is also a 1% increase in Pension Fund primary contributions in 2023/24. 	585,000
<ul style="list-style-type: none"> Changes following phase 1 of the Housing Repairs restructure that was recently agreed at Cabinet. 	146,000
A net increase in premises costs linked to price inflation	19,000
Increases in Transport related expenditure is due to an increase in transport running costs (e.g. Mechanics pay, materials, fuel), a proportion of which is recharged to the HRA. This is partially offset by a reduction in travelling expenses (mileage) based on previous year expenditure.	25,000

Service Area – Expenses	Change (£)
<p>A net increase in Supplies and Services costs:</p> <ul style="list-style-type: none"> • An increase in sub-contractor costs based on forecast demand and an expected increase in fees • Material costs are expected to rise by up to 15% due to the current economic climate • Waste disposal costs for void properties have been increased based on current year expenditure • An increase in Leaseholder spending due to fees related to the registration of leases with the Land Registry • New Home Release scheme budget approved at Cabinet • The development budget of £100k for the EPC programme in 2022/23 was a one-off budget and is not required in 2023/24. 	<p>284,000</p> <p>42,000</p> <p>20,000</p> <p>32,000</p> <p>20,000</p> <p>(100,000)</p>
Third party payments relating to an increase in grounds maintenance recharges from the General Fund. These include maintaining HRA non-residential land, land at Independent Living accommodation sites and maintaining elderly residents' gardens.	85,000
A net increase in recharges for services from the General Fund to the HRA for costs including ICT Services, Finance, Legal, Human Resources, Health and Safety, Property Administration, Asset Management, Mechanics, Payroll, Creditors, Debtors, Support Services and Internal Audit.	110,000
An increase in capital charges due to an increase in HRA property values and the HRA share of vehicle purchases. This is partially offset by a reduction in capital expenditure to be financed by HRA revenue contributions when compared to 2022/23.	223,000
Increase in Democratic Core and Corporate Administration Costs	27,000

Service Area – Income	Change (£)
<p>An increase in Housing Rents (Dwelling) income based upon:</p> <ul style="list-style-type: none"> • An opening stock of 4,367 properties; plus 20 acquisitions; less 52 estimated Right to Buy sales across 2022/23 and 2023/24 equals projected closing stock 4,335 properties. • Impact of rent increase at 7% (capped by legislation). • Less projected void loss of £331,000. • Less income relating to General Fund properties. <p>See narrative after this table for further information</p>	<p>(1,289,000)</p>

Service Area – Income	Change (£)
<p>An increase in garage rent income (non-dwelling) based upon:</p> <ul style="list-style-type: none"> Opening stock 828 garages (692 units to let) less 37 demolitions in 2023/34 (a reduction in forecast demolitions compared to 2022/23) equals the projected closing stock of 655 units available to let. No increase in fees in 2023/24. <p>See narrative after this table for further information.</p>	(15,500)
<p>An increase in Support Charges (tenants' charges for services):</p> <ul style="list-style-type: none"> No changes to Support Charges or scheme re-designations anticipated. A projected void loss of £25,000, a reduction of £22,000 when compared to the 2022/23 budget due to previous re-designations and anticipated demand for 2023/24. 	(44,000)
<p>Other notable changes in HRA Income include:</p> <ul style="list-style-type: none"> Salaries recharged to the capital programme in 2022/23. A reduction in the Bad Debt Provision for Housing Repairs charges to tenants based on previous years' actual costs. An increase in the amount charged by the HRA to the General Fund for GF related activities carried out by employees paid by the HRA. Various smaller variances. 	(46,000) (26,000) (19,000) (25,000)
Overall increase/(decrease) in net expenditure compared to 2022/23 revised estimate	73,000

Supplementary Comments to the Housing Revenue Account Budget

1. Special Services includes all costs associated with providing Independent Living Accommodation. These services are shared with tenants within Independent Living sites. Special Services also includes the costs of providing a grounds maintenance service to elderly tenants within the general housing stock.

Housing Rents and Associated Income

2. The 2022/23 housing rents were charged over a 48-week period, which is similarly the case for 2023/24. Due to the current cost of living challenges that many people are facing, the Government has limited by legislation the increase in HRA dwelling rents to 7%. The amount of lost rent due to properties being empty has been provided in line with current performance.

Non dwelling (Garage Rents) Income

3. Some garage sites are currently being considered as sites for new build housing development. The process involved is complex and an effective date is difficult to determine for when garages would be demolished and new properties available for let. As this project develops, a re-assessment of garage income will need to be undertaken as part of financial project assessment.

Housing Revenue Account Business Plan

4. An element of the annual HRA Capital Programme is financed by direct revenue contributions from the HRA. For 2023/24, this is forecast to be £1.719m, subject to any slippage in or changes to the capital programme. As is evident in the summary of the HRA budget, this contribution to capital financing is the main driver for the reduction in the HRA balance and therefore the level of HRA revenue financing for the capital programme may need to be reviewed in future years to ensure the HRA maintains a healthy minimum balance.
5. The HRA 30-year Business Plan is currently being updated. The projected balance as at 31 March 2024 is £2.657m. The Council has set its minimum balance as £1 million. A review of current housing delivery and financing of the capital programme is being undertaken in order that the housing function can operate without breaching the minimum balance required.