

APPENDIX 2a

FINANCIAL ESTIMATES 2024/25 – 2026/27**HOUSING GENERAL FUND – REVENUE BUDGETS**

Cost Centre	Revised Estimate 2023/24 £	Base Budget 2024/25 £
Hostel Accommodation	(23,000)	200
Homelessness (GF)	644,260	583,940
Housing Strategy	110,610	128,690
Lifeline and Miscellaneous Housing (GF)	(70,370)	(57,850)
Total	661,500	654,980

Classification	Revised Estimate 2023/24 £	Base Budget 2024/25 £
Employees	403,700	387,140
Premises	71,800	94,900
Transport	700	800
Supplies and Services	385,800	336,400
Third Party Payments	1,000	1,000
Corporate Recharges	292,650	333,890
Income	(494,150)	(499,150)
Total	661,500	654,980

The main changes in the 2024/25 budget for total net expenditure when compared with the 2023/24 revised estimate is primarily a consequence of the following items:

Service Area	Change (£)
Hostel Accommodation – An inflationary increase in repairs and maintenance and utilities.	23,200

Service Area	Change (£)
<p>Homelessness –</p> <p>A decrease of £17k on employees cost due to one less post being required (GF), however this is partially offset by an assumed 4% pay award in 2024/25.</p> <p>Around budgeted saving of £57k has also been estimated on bed and breakfast accommodation costs.</p>	(60,320)
<p>Housing Strategy –</p> <p>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.</p>	18,080
<p>Lifeline and Miscellaneous Housing (GF) –</p> <p>An increase in estimated equipment costs of £10k is based on previous and actual spends to date and expected demand for 2024/25. This has been offset by an increase in fees and charges as agreed in the Business Strategy (£5k).</p> <p>There has also been an increase in central support costs and HRA related recharges of £7k due to base budgets rising in other service areas.</p>	12,520

HOUSING REVENUE ACCOUNT – REVENUE BUDGETS

	Revised Budget 2023/24 £	Base Budget 2024/25 £
Repairs & Maintenance	5,004,850	4,866,620
Supervision & Management	3,432,900	4,126,920
Special Services	2,323,400	2,489,910
Rents, Rates, Taxes and Other Charges	160,350	162,300
Depreciation & Impairment of Fixed Assets	4,617,000	4,777,900
Increase/Decrease in Impairment of Debtors	80,000	70,000
Total Expenditure	15,618,500	16,493,650
Dwelling Rents (Gross)	(16,972,400)	(18,535,470)
Non-dwelling Rents (Gross)	(289,000)	(279,000)
Tenants' Charges for Services and Facilities	(856,700)	(843,010)
Leaseholders' Charges for Services & Facilities	(94,300)	(110,250)
Other Charges for Services and Facilities	(4,000)	(8,500)
Total Income	(18,216,400)	(19,776,230)
Net Cost of Services	(2,597,900)	(3,282,580)
HRA share of Corporate and Democratic Core	442,540	487,780
HRA share of interest payable and similar charges including amortised premiums/discounts	2,674,500	3,210,320
HRA Investment Income	(84,700)	(177,400)
(Surplus)/Deficit for the Year on the HRA Income and Expenditure Statement	434,440	238,120
Capital Expenditure Funded by HRA Revenue	-	-
(Increase)/Decrease in HRA Balance	434,440	238,120
HRA Opening Balance	(2,968,659)	(2,534,219)
HRA Closing Balance	(2,534,219)	(2,296,099)

Classification	Revised Budget 2023/24 £	Base Budget 2024/25 £
Employees	5,269,650	5,455,650
Premises	815,050	834,610
Transport	164,800	181,400
Supplies & Services	2,931,900	3,055,350
Third Party Payments	806,050	862,350
Corporate Recharges	2,448,790	2,495,160
Capital Charges	7,291,500	7,988,220
Income	(19,293,300)	(20,634,620)
	434,440	238,120

An analysis of the major variances between the 2023/24 revised budget and the 2024/25 base budget is included in the table below. The 2024/25 base budget shows an increase in expenditure of £1.145m compared to the 2023/24 revised budget, whilst income has increased by £1.341m.

Service Area – Expenses	Change (£)
Changes in employee related costs across the HRA including the impact of the pay award in 2023/24 and the anticipated pay award estimated at 4% in 2024/25, salary increments and various establishment structure changes agreed in 2023/24.	186,000
A net increase in premises costs largely linked to price inflation.	20,000
An uplift in transport related expenditure due to an increase in fleet operating costs (e.g. mechanics pay, fuel and materials), a proportion of which is recharged to the HRA. This is partially offset by a forecast reduction in mileage expenses.	16,000
A net increase in supplies and services costs mainly due: <ul style="list-style-type: none"> The Council’s Insurance policy is currently out to tender and it is expected that premiums will increase significantly due to increased property sums insured linked to rebuild costs. The insurance recharge to the HRA has therefore been increased significantly for 2024/25 budget (£156k). A net increase in the sub-contractors’ budget based on forecast demand and an expected increase in fees (£74k). A new budget has been created following the Regulator of Social Housing introducing a mandatory charge for local 	123,000

Service Area – Expenses	Change (£)
<p>authorities (£35k).</p> <ul style="list-style-type: none"> • Waste disposal costs across Housing Repairs have been increased based on current and prior year spends (£25k). • An increase in the contingency budget to allow greater flexibility in the budget to respond to urgent issues (£20k). • An increase in the compensation budget following regulatory changes by the Housing Ombudsman (£15k). • A budget for the EPC project is included in the 2023/24 revised estimate. This one-off budget falls out of the 2024/25 base budget, although any budget underspend may be carried forward required (£100k). • Consultancy budgets across the HRA have been reduced as one-off budgets for specific projects included in 2023/24 are not replicated in the base budget for 2024/25 (£79k). • The materials budget for day-to-day repairs has been decreased based upon forecasted work required (£22k). 	
<p>Increases in third party payments relate to an increase in grounds maintenance recharges from the General Fund. These include maintaining HRA non-residential land, land at Independent Living accommodation and maintaining elderly residents' gardens.</p>	56,000
<p>A net increase in recharges to the HRA for services from the General Fund including ICT, Finance, Legal, Human Resources, Health and Safety, Property Administration, Asset Management, Mechanics, Payroll, Creditors, Debtors, Internal Audit and Support Services.</p>	46,000
<p>There is a net increase in capital charges. This is because of an increase in depreciation following an increase in HRA dwelling values. There is also an increase in borrowing costs to the HRA based on forecast borrowing for Housing capital expenditure.</p> <p>This is partially offset by a decrease in vehicles and equipment depreciation, with some of these assets being fully depreciated in 2023/24 and therefore no further charges being necessary.</p>	697,000
Service Area – Income	Change (£)

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 4,353 properties; plus 68 acquisitions and new builds across 2023/24 and 2024/25; less 33 estimated sales (Right to Buy) across the two years equals a projected closing stock of 4,388 properties. • Add the impact of a 7.7% rent increase (September CPI+1% as allowed by Regulations). • Less projected void loss of £295,000. <p>See further commentary below for more details.</p>	(1,563,000)
<p>There has been a small reduction in forecasted Garage Rent income. This estimate is primarily based on actual income from 2022/23 and 2023/24 to date.</p> <p>It is also proposed that there would be no increase in garage rent charges in 2024/25 in order to keep charges in line with other suppliers.</p> <p>See further commentary below for more details.</p>	10,000
<p>A small reduction in Support Charges (tenants’ charges for services) estimated based upon previous actuals and forecast demand for services in 2024/25.</p>	9,000
<p>Other notable changes in HRA Income include:</p> <ul style="list-style-type: none"> • Investment income to increase in 2024/25 based on forecast interest rates, economic performance and cash flows. • A reduction in the estimated capital salaries recharged to the proposed capital programme in 2024/25. • A reduction in the amount charged by the HRA for General Fund related activities carried out by employees paid by the HRA. This has been reduced because of cost reductions in HRA services and is therefore not a ‘true’ loss of income as it is offset by cost reduction across HRA services. • A review of the recharge basis that took place in 2023/24 has resulted in a reduction of recharged income within the HRA. Again it should be noted that this is not a ‘true’ reduction in income as it was simply costs recharged from one HRA service to another so the reduction in income recharges is offset by an equivalent reduction in income expenditure. 	<p>(93,000)</p> <p>12,000</p> <p>36,000</p> <p>248,000</p>
<p>Overall increase/(decrease) in net expenditure compared to 2023/24 revised estimate</p>	<p>(1,196,000)</p>

Revenue Development

Housing Disrepair

In addition to the above changes to the base budgets, the Head of Housing has requesting the addition of a new revenue development in 2024/25 and potentially beyond. This budget would fund the addition of two new posts, namely a Disrepairs Inspector and a Disrepairs Assistant. It would also fund the work necessary to correct disrepairs and any compensation due to affected tenants.

The total development budget required is £634,300 and includes the cost of the two posts at £84,300, potential additional repair works at £200,000 and settlement and compensation at £350,000. A report was considered by Cabinet in January 2024 to request the addition of the new posts to the establishment.

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 needs housing stock.

Housing Rents and Associated Income

2. Housing rents in 2023/24 were charged over a 48-week period, which is similarly the case for 2024/25.

In 2023/24 the Government limited by legislation the increase in HRA dwelling rents to 7%. For 2024/25 this has reverted back to the previous policy of limiting increases to September CPI plus 1%. An increase of 7.7% has therefore been applied. The amount of lost rent due to properties being empty has been provided in line with current performance.

It is imperative that the Council maintains the annual rent increases at the maximum allowable limit as the cost of maintaining, managing, building, and purchasing Council Dwellings increases significantly year-on-year and therefore any increase that is lower than the allowable limit, freeze, or decrease in rents puts the HRAs future sustainability at great risk.

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. In previous years an element of the Housing Capital Programme is financed by direct revenue contributions from the HRA. It did however become evident in the preparation of the latest 30-Year HRA Business Plan (approved by Cabinet in December 2023) that in the short term at least, this revenue contribution is not sustainable. It is therefore proposed that no direct revenue financing contribution is made in 2023/24 and 2024/25 (and in future years) until the HRA can once again sustain this contribution without risking its financial stability.
5. The projected HRA closing balance at 31 March 2025 is £2.29m. This estimate does not include the impact of the requested Housing Disrepairs development budget. If this new budget was to be approved the balance as at 31 March 2025 would be £1.66m. The Council has set its minimum balance as £1 million. It is therefore important that the Council removes the HRA revenue contribution to capital financing and maximises rent income in order to ensure the financial viability of the HRA.
6. The HRA 30-year business plan was reviewed and refreshed in 2023/24 and duly approved by Cabinet in December 2023. Whilst this plan demonstrated that the HRA is financially viable over the 30-year period it was evident that careful financial management will be required to ensure the medium and long-term sustainability of the HRA.