

Appendix 2a

Financial Estimates 2025/26

Housing General Fund – Revenue Budgets

Cost Centre	Revised Estimate 2024/25 £	Base Budget 2025/26 £
Hostel Accommodation	20,200	62,850
Homelessness (GF)	583,940	416,317
Housing Strategy	128,690	209,050
Lifeline and Miscellaneous Housing (GF)	(57,850)	11,700
Total	674,980	699,917

Classification	Revised Estimate 2024/25 £	Base Budget 2025/26 £
Employees	387,140	388,600
Premises	114,900	153,000
Transport	800	1,000
Supplies and Services	337,400	365,500
Corporate Recharges	333,890	489,900
Income	(499,150)	(698,083)
Total	674,980	699,917

The budget increase for net expenditure in 2024/25 between the original budget and revised estimate is a consequence of the following items:

	Change (£'000)
Add: General Fund Revenue items carried forward from 2023/24 approved by Cabinet on 27 July 2024 (Homelessness)	20
Revenue Budget increase in 2024/25	20

The main changes in the 2025/26 budget for total net expenditure when compared with the 2024/25 revised estimate is primarily a consequence of the following items:

Service Area	Change (£'000)
<p>Hostel Accommodation – The main variation relates to an increase of £20k on energy costs, based on actual usage in 2023/24 and 2024/25 and contract prices.</p> <p>There has also been a projected reduction of £15k in expected rental income based on 2023/24, 2024/25 (to date) and forecast demand.</p> <p>Other variations relate to Council Tax charges and an uplift in internal recharges based on increased costs in other service areas.</p>	43
<p>Homelessness – This variation is primarily due to a £203k increase in the Homelessness and Rough Sleeping grants provided by central government. This is partially offset by a £23k increase in recharges to the General Fund from the HRA due to increased costs.</p>	(168)
<p>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 HRA cost budget has led to an increase in this internal recharge.</p>	80
<p>Lifeline and Miscellaneous Housing (GF) – There is a £30k increase in equipment costs based on the contract price and expected demand from tenants. There is also a £9k increase in system maintenance based on the contract price. There has also been a £41k uplift in support services costs, including the recharge for the Debtors service.</p> <p>These have been partially offset by an increase in expected income of around £11k has been based on a review of fees and charges as part of the Business Strategy</p>	70
Revenue Budget increase in 2025/26	25

Housing Revenue Account – Revenue Budgets

	Revised Budget 2024/25 £	Base Budget 2025/26 £
Repairs and Maintenance	5,839,829	5,173,500
Supervision and Management	3,781,860	3,941,900
Special Services	2,574,381	2,671,700
Rents, Rates, Taxes and Other Charges	162,300	162,550
Depreciation and Impairment of Fixed Assets	4,777,900	5,014,900
Increase/Decrease in Impairment of Debtors	70,000	50,000
Total Expenditure	17,206,270	17,014,550
Dwelling Rents (Gross)	(18,535,470)	(19,660,000)
Non-dwelling Rents (Gross)	(279,000)	(279,000)
Tenants' Charges for Services and Facilities	(843,010)	(842,000)
Leaseholders' Charges for Services and Facilities	(110,250)	(163,600)
Other Charges for Services and Facilities	(8,500)	(123,000)
Total Income	(19,776,230)	(21,067,600)
Net Cost of Services	(2,569,960)	(4,053,050)
HRA share of Corporate and Democratic Core	487,780	513,550
HRA share of interest payable and similar charges including amortisation of premiums and discounts	3,210,320	3,929,070
HRA Investment Income	(177,400)	(132,700)
(Surplus)/Deficit for the Year on the HRA Income and Expenditure Statement	950,740	256,870
Capital expenditure funded by the HRA	-	-
(Increase)/Decrease in the HRA Balance	950,740	256,870
HRA Opening Balance	(2,672,511)	(1,721,771)
HRA Closing Balance	(1,721,771)	(1,464,901)

Classification	Revised Budget 2024/25 £	Base Budget 2025/26 £
Employees	5,369,950	5,683,600
Premises	1,194,610	1,010,300
Transport	182,400	217,400
Supplies and Services	3,431,350	3,106,550
Third Party Payments	862,350	919,800
Corporate Recharges	2,556,480	2,439,100
Capital Charges	7,988,220	8,943,970
Income	(20,634,620)	(22,063,850)
Total	950,740	256,870

The budget increase for net expenditure in 2024/25 between the original budget and revised estimate is a consequence of the following items:

	Change (£'000)
Add: Approved Revenue Developments 2024/25 (Housing Disrepair Works (£350k) and Housing Disrepair Compensation (£200k))	550
Add: General Fund Revenue items carried forward from 2023/24 approved by Cabinet on 27 July 2024 (Independent Living Service – Digital Switchover £60k; Energy Performance Certificates (EPC) for HRA properties £27k)	87
Add: Budget amendments approved by Cabinet on 9 January 2024 (New Change Delivery Manager £28k (HRA); New Head of Health, Safety and Emergency Planning £8k (HRA); New Compliance Manager (H&S) £25k (HRA); New Disrepair Inspector £52k; New Disrepair Administrator post £33k; Disrepair Claims - Legal agency locums £80k)	226
Add: Budget amendments approved by Cabinet on 12 March 2024 (Housing Stock Condition Survey Programme 2024/25).	100
Revenue Budget increase in 2024/25	963

An analysis of the major variances between the 2024/25 revised budget and the 2025/26 base budget is included in the table below. The 2025/26 base budget shows an increase in expenditure of £0.735m, whilst income has increased by £1.429m. The major variances are detailed below:

Service Area – Expenses	Change (£'000)
<p>Changes in employee related costs across the HRA including the impact of the 2024/25 pay award, the anticipated 3% pay award in 2025/26, changes to National Insurance Contributions and contracted salary increments.</p> <p>This increase has been partially offset by the introduction of a vacancy rate target for the HRA at £250k per annum (in both 2024/25 revised and 2025/26 base).</p>	314
<p>A net reduction in Premises costs due to:</p> <ul style="list-style-type: none"> • A development budget of £200k for Housing Disrepair related repairs was a one-off in 2024/25 and therefore is not included in the 2025/26 base budget. • A reduction in spend of £84k due to one-off budgets from 2024/25 not being required in 25/26, including the Digital Switchover development. • A £32k increase in the cost of gas and electricity based upon expected usage to date and unit prices. • Spending on general and safety related repairs and maintenance in Independent Living Schemes is expected to increase by £42k based upon work that is currently required. • The stock condition survey budget has been increased by £18k in order to include garage surveys. • The contracted costs of the alarm/monitoring system for Independent Living Schemes are due to increase by £11k. 	(184)
<p>An uplift in transport related expenditure primarily due to an increase in fleet operating costs (e.g. mechanics pay, fuel, and materials), a proportion of which is recharged to the HRA.</p>	35
<p>A net decrease in supplies and services costs mainly due to:</p> <ul style="list-style-type: none"> • A development budget of £350k for Housing Disrepair related compensation was a one-off in 2024/25 and therefore is not included in the 2025/26 budget. • The budget for rent arrears write-offs has been decreased by £20k based on previous and forecasted requirements. 	(325)

Service Area – Expenses	Change (£'000)
<ul style="list-style-type: none"> • The budget for spend on administering leases has been reduced by £31k due to the earlier budget for registering leases with the Land Registry being a one-off and not required in 2025/26 • Similarly, the 2024/25 revised budget included £27k for EPC, which was a one-off budget set up a number of years ago, with the balance being carried forward until the project is complete. The base budget is not required for 2025/26. • Insurance premiums are expected to be £18k lower in 2025/26 based on estimated premiums following a positive tender exercise for the insurance contract. • A £57k increase in the software maintenance internal recharge due to increased ICT and software contract costs. • The telephone budgets have been increased by a combined £30k to match actual usage. • Grants paid to tenants as part of the Home Release Scheme are set to increase by £20k now that the scheme has been fully established. • The Housing Ombudsman have increased their fees resulting in an anticipated budget increase of £10k. 	
<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>	57
<p>This decrease in Corporate Recharges is largely due to changes in the way Housing Repairs expenditure is processed. Administration costs are now charged directly to the relevant team (e.g. Housing Repairs – Gas/Electrical etc..) instead of being charged centrally and then recharged to the individual teams. This is not then a true saving but results from a change in accounting adjustments.</p>	(117)
<p>There has been a large increase in capital charges is forecast for the HRA in 2025/26, which is primarily due to the following factors:</p> <ul style="list-style-type: none"> • Borrowing interest costs to the HRA are forecasted to rise by £719k. This is based on both the estimated external borrowing required to finance the HRA Capital Programme and the forecast interest rates for that borrowing. • An increase in the value of Council dwellings has led to a £207k increase in depreciation charges. 	956

Service Area – Expenses	Change (£'000)
<ul style="list-style-type: none"> A £30k increase in non-dwelling depreciation charges largely due to new vehicles being purchased as part of the vehicle replacement programme. 	
Service Area – Income	Change (£'000)
<p>An increase in Housing Rents (Dwelling) income based upon:</p> <ul style="list-style-type: none"> An opening stock of 4,375 properties; plus 46 acquisitions and new builds across 2024/25 and 2025/26; less 31 estimated sales (Right to Buy) across the two years; equalling a projected closing stock of 4,390 properties. Add the impact of a 2.7% rent increase (September CPI plus 1% as allowed by the Regulations). Add an estimated £25k for income from shared ownership properties. Less projected void loss of £287k. <p>See further commentary below for more details.</p>	(1,125)
<p>There is no change in the Garage Rents budget as charges have not been increased. It is proposed that there would be no increase in garage rent charges in 2025/26 either in order to keep charges in line with other suppliers.</p> <p>See further commentary below for more details.</p>	-
<p>There has also been no material change in Support Charges. The expected fees income has increased slightly but expected void loss has also seen a slight increase resulting in no material change.</p>	-
<p>Other notable changes in HRA Income include:</p> <ul style="list-style-type: none"> Investment income is forecast to decrease based on expected reserve balances and interest rates The HRA is expected to receive a proportion of a Section 31 grant funding that the Council is expecting to receive to support the increased cost of employer's National Insurance Contributions. Based on actual time-spend from 2023/24 and pay increases, an additional £74k is budgeted to be recharged from the HRA to the capital programme in 2025/26 	<p>45</p> <p>(115)</p> <p>(74)</p>
(Surplus)/Deficit for the Year on the HRA Income and Expenditure Statement	257

Revenue Development

Damp and Mould

In addition to the above changes to base budgets, there is a request for a new revenue development in 2025/26 and potentially beyond. This budget is to meet the requirements set out in 'Awaab's law', which will require landlords to fix reported health hazards within specified timeframes. This will become an implied term in social housing tenancy agreements, although these measures are expected to come into force shortly. The total budget requested is £150,000, with £100,000 for sub-contractors and £50,000 for materials.

This would result in an updated HRA deficit of £407,000 for 2025/26 and further reduce the HRA Reserve working balance to £1,314,901 by 31 March 2026.

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 2024/25 were charged over a 48-week period, which is similarly the case for 2025/26.

In 2023/24 the Government limited by legislation the increase in HRA dwelling rents to 7%. In 2024/25 this reverted back to the previous policy of limiting increases to September CPI plus 1% and this has been maintained for 2025/26. An increase of 2.7% 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 was 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 2024/25 and 2025/26 (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 2026 is forecasted at around £1.4m. This estimate does not include the impact of the requested Damp and Mould development budget. If this new budget was to be approved, the balance as at 31 March 2026 would be £1.3m. The Council has set its minimum balance as £1 million. It is therefore important that the Council maintains no 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 short, medium and long-term sustainability of the HRA. The 30-year Business Plan is due to be reviewed during 2024/25 and 2025/26.