Quarter Two 2023-24 HRA Forecast

1. The Housing Revenue Account (HRA) is a separate account within the council that ring-fences the income and expenditure associated with the council's housing stock. The HRA does not therefore directly impact on the council's wider general fund budget. Within the HRA the Council manages 9,570 tenanted properties.
2. The 2023-24 HRA budget was approved by Council last February. It budgeted for total income of £51.5 million for the year and a net surplus of £6.7 million.

Revenue account monitoring at quarter two

	2023-24 Budget £000	Full year forecast £000	Variance £000
Income			
Dwelling rents	(48,153)	(48,999)	(846)
Non-dwelling rents	(261)	(214)	47
Charges for services and facilities	(2,583)	(2,622)	(39)
Contributions to expenditure	(479)	(509)	(30)
Total income	**(51,476)**	**(52,344)**	**(868)**
Expenditure			
Repairs and Maintenance	11,550	13,085	1,535
Supervision and Management	15,198	14,767	(431)
Rent, rates, taxes and other charges	535	552	17
Bad or doubtful debts	400	400	0
Total expenditure	**27,683**	**28,804**	**1,121**
Net operating (surplus) / deficit	**(23,793)**	**(23,540)**	**253**
Capital charges			
Debt management costs	191	191	0
Depreciation	11,787	11,787	0
Net interest payable	5,163	4,910	(253)
Total capital charges	**17,141**	**16,888**	**(253)**
Net (surplus) / deficit	**(6,652)**	**(6,652)**	**0**
Appropriations			
Transfer to HRA reserve	6,652	6,652	0
Total appropriations	**6,652**	**6,652**	**0**

Commentary on variances

3. Dwelling rents: Total forecast rental income of £49.0m is £0.8m favourable to budget. The favourable outturn is due to lower levels of rental voids and right-to-buy sales than expected, and the additional rental income receivable from new-build properties now incorporated into the forecast.
4. Other income: The forecast outturn for all other lines of income is broadly in line with budget.
5. Repairs & Maintenance: The forecast full-year outturn is £1.5m overspend. There was a significant overspend in 2022/23 and, based on expenditure in the first six months of the year, we expect to experience a similar overspend in the current year. Responsive repairs, planned repairs, and voids are all forecast to overspend, each by circa £0.5m.

6. Supervision and Management: Forecast costs are £0.4m lower than budget. This is primarily due to higher than expected levels of staff vacancies resulting in lower staff costs.
7. Supervision and management costs include communal utility costs for HRA properties. The forecast currently assumes that full year utility costs will be in line with budget of £2.0m. Once the Council is informed of pricing for the Oct 23 to Mar 24 period a more informed full year forecast will be calculated.
8. Net interest payable: The £0.3m favourable forecast is due to the recent increases in interest rates. This will result in higher interest earned on cash balances. Interest paid on borrowings is unaffected as all borrowing is at fixed rates.
9. Net surplus: The above favourable and adverse variances offset each other and as a result the current forecast net surplus remains in line with budget.

Capital programme monitoring at quarter two

10. The HRA budget paper set out a capital programme of £46.5m for 2023/24. This includes £30.5m investment in major projects, including those delivered as part of the council newbuild housing & acquisitions strategy (CNHAS) and £16.0m in planned maintenance.

	Budget £000	Full year forecast £000	Variance £000
New-build projects	25,540	12,832	(12,708)
Other major projects (Admiral, Sterte cladding)	1,991	1,991	-
Purchase of existing houses	3,000	166	(2,834)
Planned maintenance	15,989	15,989	-
Total capital expenditure	**46,520**	**30,978**	**(15,542)**

11. New-build projects: The forecast underspend of £12.7m is due to the rescheduling of projects since the budget was finalised.
12. During quarter two the Wilkinson Drive development was completed. This is a development of 11 flats. On-site work commenced for the two properties being developed at Summers Avenue.
13. Purchase of existing houses: Only one property has been acquired this year. Whilst the HRA receives right-of-first-refusal to repurchase ex-local authority properties, current high borrowing costs mean that repurchases are not financially viable at present. There may on occasions be exceptional non-financial reasons to justify purchases. This would include, for example, where the dwelling type is in short supply and urgently needed, such as larger properties or ground floor flats with good disability access. Other funding sources could be sought to reduce the capital cost and reduce the subsidy that would need to be borne by the HRA. Currently, any subsidy would be large due to the current high cost of borrowing and statutory restrictions on the level of local housing allowances.
14. Planned maintenance programme: This covers capital maintenance such as kitchen and bathroom replacements. The current forecast is that the budget will be fully utilised during 2023/24.