

2023-24 Full-year HRA Financial Report

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 9,590 tenanted properties.
2. The 2023-24 HRA budget was approved by Council in February 2023. It budgeted for total income of £51.5 million for the year and a net surplus of £6.6 million.

Full-year Revenue account monitoring

	2023-24 Budget £000	Full year Actuals £000	Variance £000
Income			
Dwelling rents	(48,153)	(47,610)	543
Non-dwelling rents	(261)	(319)	(58)
Charges for services and facilities	(2,583)	(2,965)	(382)
Contributions to expenditure	(479)	(382)	97
Total income	(51,476)	(51,276)	200
Expenditure			
Repairs and Maintenance	11,550	12,481	931
Supervision and Management	15,198	14,145	(1,053)
Rent, rates, taxes and other charges	535	537	2
Bad or doubtful debts	400	404	4
Total expenditure	27,683	27,567	(116)
Net operating (surplus) / deficit	(23,793)	(23,709)	84
Capital charges			
Debt management costs	191	191	0
Depreciation	11,787	14,796	3,009
Net interest payable	5,163	4,193	(970)
Total capital charges	17,141	19,180	2,039
Exceptional item			
PHP Ltd surplus	0	(1,873)	(1,873)
Net (surplus) / deficit	(6,652)	(6,402)	250
Appropriations			
Transfer to HRA reserve	6,652	6,402	(250)
Total appropriations	6,652	6,402	(250)

Commentary on variances

3. Dwelling rents: Total rental income of £47.6m was £0.5m adverse to budget. Rental income benefitted from lower levels of voids and right-to-buy sales. However, a year-end review of rental income control accounts identified some over-recognition of income had taken place over a number of years which has now been corrected.
4. Charges for services and facilities: Service charge income of £3.0m was £0.4m favourable to budget. This was due to higher service charges for communal heating and electricity because of higher underlying costs.
5. Other income: The actual outturn for all other lines of income were broadly in line with budget.

6. Repairs & Maintenance: Full-year costs of £12.5m were £0.9m adverse to variance. However, this was an improvement on the £1.7m variance forecast at quarter three. Response repair costs were in line with budget, but there were overspends of £0.4m for both planned repairs and voids.
7. Supervision and Management: Full-year costs of £14.1m were £1.1m favourable to budget, consistent with the quarter three forecast. The variance was primarily due to (a) higher than expected staff vacancies resulting in lower staff costs; and (b) no need to utilise any of the contingency budget.
8. Depreciation: The depreciation charge was £3.0m adverse to budget. This was due to a change to the methodology used to calculate the Poole neighbourhood depreciation charge so that it is now consistent with the methodology used by Bournemouth neighbourhood. The depreciation charge is a non-cash charge which is recycled each year through the major repairs reserve to provide funding for the HRA's planned maintenance capital programme. As such, variations to the charge have no impact on the overall financial position of the HRA.
9. Net interest payable: The £1.0m favourable variance is due higher than expected interest earned by the HRA on its reserve balances because of higher interest rates than were forecast.
10. Exceptional item: The management agreement with Poole Housing Partnership Ltd was terminated on 30 June 2022. Since then, work has been undertaken to make the company dormant, ensure that all its creditors have been paid and ensure that all tax compliance requirements have been met in order that the company can be struck off from the Companies House register. This work was completed in quarter three and PHP's retained surplus of £1.9m was returned to the HRA. Companies House have recently confirmed that the company has been struck off and dissolved.
11. Net surplus: The various favourable and adverse variances detailed above broadly offset each other and resulted in a net operating surplus for the year of £23.7m, just £0.1m adverse to budget. The variances to depreciation, net interest payable and the PHP exceptional item resulted in an overall net surplus of £6.4m, £0.3m adverse to budget.

Capital programme

12. The 2023/24 HRA budget paper set out a capital programme of £46.5m. This included £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	Full year Actuals	Variance
	£000	£000	£000
New-build projects	25,540	7,840	(17,700)
Other major projects (Admiral, Sterte cladding)	1,991	1,751	(240)
Purchase of existing houses	3,000	323	(2,677)
Planned maintenance	15,989	14,503	(1,486)
Total capital expenditure	46,520	24,417	(22,103)

13. New-build projects: The underspend vs budget of £17.7m is due to the rescheduling of projects since the budget was finalised.
14. During the year the following projects were completed:
 - i. Alice Gardens/Cynthia House (22 units)
 - ii. Herbert Avenue temporary accommodation (24 units)

- iii. Wilkinson Drive (11 units)
 - iv. Godshill Close (1 unit)
15. Purchase of existing houses: Only two properties have 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.
16. Planned maintenance programme: This covers capital maintenance such as kitchen, bathroom and boiler replacements. Expenditure of £14.5m was £1.5m less than budget. The £0.5m contingency budget was not spent, as was the case with the £1m budget for net-zero carbon initiatives, where work is still at the planning stage.