

## Quarter One 2024-25 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 9,590 tenanted properties.
2. The 2024-25 HRA budget was approved by Council in February 2024. It budgeted for total income of £55.6 million for the year and a net surplus of £5.9 million.

### Revenue account monitoring at quarter one

|                                          | 2024-25<br>Budget<br>£000 | Full year<br>forecast<br>£000 | Variance<br>£000 |
|------------------------------------------|---------------------------|-------------------------------|------------------|
| <b>Income</b>                            |                           |                               |                  |
| Dwelling rents                           | (52,201)                  | (52,407)                      | (206)            |
| Non-dwelling rents                       | (236)                     | (236)                         | 0                |
| Charges for services and facilities      | (2,708)                   | (2,700)                       | 8                |
| Contributions to expenditure             | (491)                     | (500)                         | (9)              |
| <b>Total income</b>                      | <b>(55,636)</b>           | <b>(55,843)</b>               | <b>(207)</b>     |
| <b>Expenditure</b>                       |                           |                               |                  |
| Repairs and Maintenance                  | 13,511                    | 13,573                        | 62               |
| Supervision and Management               | 17,029                    | 16,689                        | (340)            |
| Rent, rates, taxes and other charges     | 668                       | 654                           | (14)             |
| Bad or doubtful debts                    | 400                       | 400                           | 0                |
| <b>Total expenditure</b>                 | <b>31,608</b>             | <b>31,316</b>                 | <b>(292)</b>     |
| <b>Net operating (surplus) / deficit</b> | <b>(24,028)</b>           | <b>(24,527)</b>               | <b>(499)</b>     |
| <b>Capital charges</b>                   |                           |                               |                  |
| Debt management costs                    | 201                       | 201                           | 0                |
| Depreciation                             | 12,410                    | 14,800                        | 2,390            |
| Net interest payable                     | 5,560                     | 5,110                         | (450)            |
| <b>Total capital charges</b>             | <b>18,171</b>             | <b>20,111</b>                 | <b>1,940</b>     |
| <b>Net (surplus) / deficit</b>           | <b>(5,857)</b>            | <b>(4,416)</b>                | <b>1,441</b>     |
| <b>Appropriations</b>                    |                           |                               |                  |
| Transfer to HRA reserve                  | 5,857                     | 4,416                         | (1,441)          |
| <b>Total appropriations</b>              | <b>5,857</b>              | <b>4,416</b>                  | <b>(1,441)</b>   |

### Commentary on variances

3. Dwelling rents: Total forecast rental income of £52.46m is £0.2m favourable to budget. The favourable forecast is due to lower levels of rental voids and right-to-buy sales than expected.
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 broadly in line with budget. On the 1 August response repairs in the Poole neighbourhood were brought in-house, consistent with the existing arrangements for Bournemouth neighbourhood. Also, a new contractor was appointed to undertake repairs of void properties, replacing the separate contracts that were in place in each neighbourhood. It is currently too early to identify any financial impact these changes may have on the outturn.

6. Supervision and Management: Forecast costs are £0.3m lower than budget. This is due to the expectation that some of the contingency budget will not need to be utilised, partly offset by higher than budgeted software licence fees for the Civica Cx housing management system.
7. Depreciation: The forecast depreciation charge of £14.8m is £2.4m adverse to budget. This is due to the change to the methodology used to calculate the Poole neighbourhood depreciation charge to make it consistent with the methodology used by Bournemouth neighbourhood that took effect at the end of last year. 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.
8. Net interest payable: The £0.5m favourable forecast is due to higher interest earned on cash balances due to higher than budgeted interest rates. Interest paid on borrowings is unaffected as all borrowing is at fixed rates.
9. Net surplus: The favourable forecast variances for rental income and supervision & management costs result in a forecast net operating surplus of £24.5m that is £0.5m favourable to budget. The impact of the higher depreciation charge results in a final net surplus of £4.4m that is £1.4m adverse to budget.

### Capital programme

10. The HRA February budget paper set out a capital programme of £44.7m for 2024/25. This includes £25.2m investment in new-build projects delivered as part of the council newbuild housing & acquisitions strategy (CNHAS) and £16.2m in planned maintenance.

|                                                 | Budget<br>£000 | Full year<br>forecast<br>£000 | Variance<br>£000 |
|-------------------------------------------------|----------------|-------------------------------|------------------|
| New-build projects                              | 25,163         | 24,135                        | (1,028)          |
| Other major projects (Admiral, Sterte cladding) | 300            | 242                           | (58)             |
| Purchase of existing houses                     | 3,000          | 280                           | (2,720)          |
| Planned maintenance                             | 16,219         | 16,219                        | 0                |
| <b>Total capital expenditure</b>                | <b>44,682</b>  | <b>40,876</b>                 | <b>(3,806)</b>   |

11. New-build projects: Currently forecasting a spend of £24.1m compared with a budget of £25.2m. This includes forecast expenditure in 2024/25 of £18.9m on the following three projects:

| Project                     | Forecast<br>spend<br>£000 | Units |
|-----------------------------|---------------------------|-------|
| Hillbourne School - phase 1 | 13,874                    | 110   |
| Craven Court                | 2,470                     | 24    |
| Templeman House             | 2,509                     | 27    |

12. Projects completed during quarter one were Cabbage Patch car park (11 units), Bingham Road (6 units) and Summers Avenue (2 units).
13. Purchase of existing houses: The forecast spend for the year relates to the buy-back of leasehold flats at Trinidad Village (one property acquired, one further acquisition forecast to take place). 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.

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 2024/25.