

Quarter Two 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 last February. 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 two

| | 2024-25 Budget £000 | Full year forecast £000 | Variance £000 |
|------------------------------------------|---------------------------|-------------------------------|------------------|
| Income | | | |
| Dwelling rents | (52,201) | (52,403) | (202) |
| Non-dwelling rents | (236) | (234) | 2 |
| Charges for services and facilities | (2,708) | (2,731) | (23) |
| Contributions to expenditure | (491) | (666) | (175) |
| Total income | (55,636) | (56,034) | (398) |
| Expenditure | | | |
| Repairs and Maintenance | 13,511 | 13,995 | 484 |
| Supervision and Management | 17,059 | 16,732 | (327) |
| Rent, rates, taxes and other charges | 638 | 655 | 17 |
| Bad or doubtful debts | 400 | 400 | 0 |
| Total operating expenditure | 31,608 | 31,782 | 174 |
| Net operating (surplus) / deficit | (24,028) | (24,252) | (224) |
| Capital charges | | | |
| Debt management costs | 201 | 201 | 0 |
| Depreciation | 12,410 | 14,800 | 2,390 |
| Net interest payable | 5,560 | 4,760 | (800) |
| Total capital charges | 18,171 | 19,761 | 1,590 |
| Net (surplus) / deficit | (5,857) | (4,491) | 1,366 |
| Appropriations | | | |
| Transfer to HRA reserve | 5,857 | 4,491 | (1,366) |
| Total appropriations | 5,857 | 4,491 | (1,366) |

Commentary on variances

3. Dwelling rents: Total forecast rental income of £52.4m 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 most other lines of income is broadly in line with budget. Contributions to expenditure income is higher than budgeted due to an insurance claim that is included in the forecast.
5. Repairs & Maintenance: 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 for Poole and Bournemouth neighbourhoods. It is currently too early to identify the full financial impact of these changes. An assessment will be undertaken at year end by the in-house repairs and maintenance team in respect of costs charged to the HRA. A rebate will be considered if

charges exceed full cost recovery, and this will be reviewed for quarter three, once more data is available.

6. Supervision and Management: Forecast costs are £0.3m lower than budget. This is due to staff vacancies and the expectation that some of the contingency budget will not need to be used, partly offset by higher than budgeted software licence fees for the Civica Cx housing management system and Beech House dilapidation costs.
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 £0.8m 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 both income and operating expenditure result in a forecast net operating surplus of £24.3m that is £0.2m favourable to budget. The impact of the higher depreciation charge results in a final net surplus of £4.5m that is £1.4m adverse to budget.

Capital programme

10. The HRA 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 £000 | Full year forecast £000 | Variance £000 |
|-------------------------------------------------|----------------|-------------------------------|------------------|
| New-build projects | 25,163 | 23,624 | (1,539) |
| Other major projects (Admiral, Sterte cladding) | 300 | 243 | (57) |
| Purchase of existing houses | 3,000 | 280 | (2,720) |
| Planned maintenance | 16,219 | 16,219 | 0 |
| Total capital expenditure | 44,682 | 40,366 | (4,316) |

11. New-build projects: Currently forecasting a spend of £23.6m vs budget of £25.2m. This comprises forecast expenditure in 2024/25 on the following projects:

| Project | Forecast spend £000 |
|-------------------------------------|---------------------------|
| Schemes in progress | |
| Hillbourne School - phase 1 | 14,374 |
| Craven Court | 3,027 |
| Templeman House | 2,509 |
| Other schemes | 1,324 |
| Schemes approved not started | |
| Surrey Road | 1,000 |
| Schemes at feasibility stage | |
| Constitution Hill | 1,329 |
| Other schemes | 61 |
| Total forecast 2023/24 spend | 23,624 |

12. Cabinet to note that the Cabbage Patch new build final cost from the contractor is £3m, a total increase of £0.6m on the original budget of £2.4m. The scheme was already increased to £2.9m via the officer decision record process. The final cost will be further £0.2m due to build inflation, extension of the scheme and inclusion of an electric substation which was not anticipated at Council approval stage in September 2020. The additional cost will be funded through prudential borrowing.
13. The Craven Court new build current cost estimate is £5.6m. The original budget in June 2021 was £5.3m. Due to uncertainty in some areas of the construction industry the contract included provisional sums. These provisional sums were considered to be acceptable at the time but since then, material and labour costs have risen more than predicted. The new scheme estimated value also includes the allowance for the provision of the enhanced electric vehicle charging requirements now necessary to comply with the new building regulations, and the installation of a new power supply via a different route. The above representing an increase in project cost of £0.3m.
14. There has been an underspend in completed HRA new build housing schemes of £0.5m. This overall underspend creates sufficient room to cover the total current increased costs of the two schemes above of £0.5m. The Cabbage Patch and Craven Court schemes budget will be increased as described above funded from Prudential Borrowing.
15. 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.
16. Planned maintenance programme: This covers capital maintenance such as kitchen and bathroom replacements. The current forecast is that the budget will be fully used during 2024/25.