

Quarter Three 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 three

	2024-25 Budget £000	Full year forecast £000	Variance £000
Income			
Dwelling rents	(52,201)	(52,911)	(710)
Non-dwelling rents	(236)	(244)	(8)
Charges for services and facilities	(2,708)	(3,358)	(650)
Contributions to expenditure	(491)	(772)	(281)
Total income	(55,636)	(57,285)	(1,649)
Expenditure			
Repairs and Maintenance	13,511	13,049	(462)
Supervision and Management	17,059	16,292	(767)
Rent, rates, taxes and other charges	638	627	(11)
Bad or doubtful debts	400	400	0
Total operating expenditure	31,608	30,368	(1,240)
Net operating (surplus) / deficit	(24,028)	(26,917)	(2,889)
Capital charges			
Debt management costs	201	368	167
Depreciation	12,410	14,800	2,390
Net interest payable	5,560	4,325	(1,235)
Total capital charges	18,171	19,493	1,322
Net (surplus) / deficit	(5,857)	(7,424)	(1,567)
Appropriations			
Transfer to HRA reserve	5,857	7,424	1,567
Total appropriations	5,857	7,424	1,567

Commentary on variances

3. Dwelling rents: Total forecast rental income of £52.9m is £0.7m favourable to budget. The favourable forecast is due to lower levels of rental voids and right-to-buy sales than expected and additional income from completed new-build projects that had not been incorporated into the budget.
4. Other income: Non-dwelling rental income (garages) is broadly in line with budget. Income from charges for services and facilities is £0.6m favourable to budget due to increased charges for communal utility costs. 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. Total forecast repairs & maintenance costs of £13.0m is £0.5m favourable to budget. Further analysis of this forecast outturn is set out in the table below:

	2024-25 Budget £000	Full-year forecast £000	Variance £000
Planned repairs / Compliance	4,149	4,768	619
Voids repairs	3,112	1,606	(1,506)
Response repairs	4,428	4,728	300
Surveyors, Grounds maintenance & other costs	1,822	1,947	125
Total Repairs and Maintenance	13,511	13,049	(462)

6. The adverse variance for planned repairs / compliance costs is due to significant expenditure on remedial works that have been identified following gas servicing and electrical testing.
7. Void repairs are forecast to be very significantly below budget due to the combination of:
 - i. fewer voids during the period than expected
 - ii. the new void repairs contract delivering the service at a lower cost than the previous contractor; and
 - iii. the new harmonised void repairs standard resulting in less work being undertaking during the void period.
8. The response repairs forecast is based on spend in the first 9 months of the year and assumes spend remains at a similar level for the final quarter of the year
9. Supervision and Management: Forecast costs are £0.8m lower than budget due to the reasons set out in the table below:

	Variance £000
Staff vacancies	(431)
Contingency not utilised	(400)
Old provision released	(512)
Beech House dilapidation costs	250
General fund recharges following detailed review to reflect current costs	441
Other variances	(115)
Total Supervision and Management variance	(767)

10. 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.
11. Net interest payable: The £1.2m favourable forecast is due to:
 - i. higher interest earned on cash balances due to higher-than-expected interest rates, and
 - ii. forecast new borrowing to fund the capital programme being significantly less than budgeted due to re-phasing of the new-build programme.

12. **Net surplus:** The favourable forecast variances for both income and operating expenditure result in a forecast net operating surplus of £26.9m that is £2.9m favourable to budget. The impact of the higher depreciation charge and lower net interest payable results in a final net surplus of £7.4m that is £1.5m favourable to budget.

Capital programme

13. The HRA budget paper set out a capital programme of £44.7m for 2024/25. This included £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	18,385	(6,778)
Other major projects (Project Admiral)	300	143	(157)
Purchase of existing houses	3,000	120	(2,880)
Planned maintenance	16,219	12,809	(3,410)
Total capital expenditure	44,682	31,457	(13,225)

14. New-build projects: Timing of cash flows for large capital projects spanning several financial years can be difficult to predict and are re-forecast as the projects progress. These projects often require consultation, planning and building control approval and are subject to competitive tendering processes. Capital budgets are carried forward when timing of cash flows becomes more accurate to predict.
15. Actual expenditure on the new-build capital programme in 2024/25 is forecast to be £18.4m compared with an original budget of £25.2m. The unspent budget has been reprofiled into 2025/26 and 2026/27.
16. The forecast expenditure relates to the following projects:

Project	Full Year Forecast £000
Completed Schemes	
Craven Road	2,753
Rochester Road	473
Other completed schemes	270
Schemes in progress / Approved	
Hillbourne School	10,855
Templeman House	1,552
Surrey Road	200
Craigmore Ave.	340
Grants Close	259
Approved budgets for schemes under consideration	
Constitution Hill	1,200
Oakdale infill	24
Other	
Capitalised salaries	459
Total forecast 2024/25 spend	18,385

17. Purchase of existing houses: The forecast spend for the year relates to the buy-back of leasehold flats at Trinidad Village (one property acquired, no further acquisitions expected in 2024/25). 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.
18. Planned maintenance programme: This covers capital maintenance such as kitchen, bathroom and boiler replacements and major external works such as re-roofing. The current forecast is that the budget will be 79% utilised during 2024/25. The underspend is due to (a) the need to divert labour away from the kitchen and bathroom programme to the General Fund purchase and repair programme; and (b) a requirement to divert resources from the rewiring and boiler replacement programmes to the gas and electrical servicing programmes, as anticipated when the repairs contract consolidation was undertaken during 2024.

Approval for acceptance of capital grant for the HRA -Templeton House Scheme

19. In March 2020 Cabinet approval was given to progress the Templeton House Scheme at a cost of £6.5m. The scheme was to be funded by RTB receipts, s106 contributions, reserves, and prudential borrowing. In July 2022, the contractor went into liquidation and a new contractor was appointed. An officer decision record (ODR) was signed in May 2024 authorising approval to increase the budget by £0.468m with a total scheme cost of £6.9m. The total revised cost of the scheme is now estimated at £6.9m. The Council is applying for Homes England Grant which will release HRA reserves of £0.945m and RTB receipts of £1.6m from the original approval. The borrowing requirement is maintained according to the original approval in 2020. The released of HRA reserves and RTB reserves will be used to improve viability of new schemes.
20. **According to the financial regulations, Council is requested to accept the Homes England Grant of £2.97m and realign the funding streams as proposed in the table below.**

Templeman House revised cost and funding profile	Approval March 2020	Approval (ODR) May 2024	Revised position Jan 2025
	£000	£000	£000
Cost of Scheme	6,467	6,932	6,885
Funding			
Grants - Homes England	-	(2,295)	(2,970)
Right to Buy Receipts	(1,607)	-	-
s106	(430)	(430)	(430)
Reserve	(3,100)	(3,100)	(2,155)
Total non-debt funding	(5,137)	(5,825)	(5,555)
PWLB borrowing requirement	1,330	1,107	1,330