

## 2024/25 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 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 - Full-year outturn

|                                          | 2024-25<br>Budget<br>£000 | Full year<br>Actuals<br>£000 | Variance<br>£000 |
|------------------------------------------|---------------------------|------------------------------|------------------|
| <b>Income</b>                            |                           |                              |                  |
| Dwelling rents                           | (52,201)                  | (53,781)                     | (1,580)          |
| Non-dwelling rents                       | (236)                     | (262)                        | (26)             |
| Charges for services and facilities      | (2,708)                   | (3,512)                      | (804)            |
| Contributions to expenditure             | (491)                     | (809)                        | (318)            |
| <b>Total income</b>                      | <b>(55,636)</b>           | <b>(58,364)</b>              | <b>(2,728)</b>   |
| <b>Expenditure</b>                       |                           |                              |                  |
| Repairs and Maintenance                  | 13,511                    | 13,977                       | 466              |
| Supervision and Management               | 17,059                    | 15,305                       | (1,754)          |
| Rent, rates, taxes and other charges     | 638                       | 604                          | (34)             |
| Bad or doubtful debts charge             | 400                       | 526                          | 126              |
| <b>Total operating expenditure</b>       | <b>31,608</b>             | <b>30,412</b>                | <b>(1,196)</b>   |
| <b>Net operating (surplus) / deficit</b> | <b>(24,028)</b>           | <b>(27,952)</b>              | <b>(3,924)</b>   |
| <b>Capital charges</b>                   |                           |                              |                  |
| Debt management costs                    | 201                       | 368                          | 167              |
| Depreciation                             | 12,410                    | 15,141                       | 2,731            |
| Net interest payable                     | 5,560                     | 4,378                        | (1,182)          |
| <b>Total capital charges</b>             | <b>18,171</b>             | <b>19,887</b>                | <b>1,716</b>     |
| <b>Net (surplus) / deficit</b>           | <b>(5,857)</b>            | <b>(8,065)</b>               | <b>(2,208)</b>   |
| <b>Appropriations</b>                    |                           |                              |                  |
| Transfer to HRA reserve                  | 5,857                     | 8,065                        | 2,208            |
| <b>Total appropriations</b>              | <b>5,857</b>              | <b>8,065</b>                 | <b>2,208</b>     |

### Commentary on variances

3. Dwelling rents: Total rental income of £53.8m was £1.6m favourable to budget. Rental income benefitted from lower levels of right-to-buy sales than expected and additional income from completed new-build projects that had not been incorporated into the budget. During quarter four the completion of an exercise to reconcile rent control accounts resulted in a one-off credit of £0.7m, contributing to the overall favourable outturn.
4. Charges for services and facilities: Service charge income of £3.5m was £0.8m favourable to budget. This was due to higher underlying costs that these service charges seek to recover, including leaseholder service charges, that were £0.4m higher than budget.

5. Contributions to expenditure: Income is higher than budgeted due to a number of insurance claims for property damage.
6. Repairs & Maintenance: Full-year costs of £14.0m were £0.5m adverse to budget. On 1 August 2024 response repairs for 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. Further analysis of the outturn variance is set out below:

|                                              | 2024-25<br>Budget<br>£000 | Full-year<br>actual<br>£000 | Variance<br>£000 |
|----------------------------------------------|---------------------------|-----------------------------|------------------|
| Planned repairs / Compliance                 | 4,149                     | 4,577                       | 428              |
| Voids repairs                                | 3,112                     | 1,801                       | (1,311)          |
| Response repairs                             | 4,428                     | 5,556                       | 1,128            |
| Surveyors, Grounds maintenance & other costs | 1,822                     | 2,043                       | 221              |
| <b>Total Repairs and Maintenance</b>         | <b>13,511</b>             | <b>13,977</b>               | <b>466</b>       |

7. 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.
8. Void repairs costs were significantly below budget due to the combination of:
- fewer voids during the period than expected
  - the new void repairs contract delivering the service at a lower cost than the previous contractor; and
  - the new harmonised void repairs standard resulting in less work being undertaking during the void period.
9. The response repairs outturn results from the high volume of repairs undertaken during the year, in part driven by damp & mould work.
10. Supervision and Management: Full-year costs of £15.3m were £1.8m favourable to budget due to the reasons set out in the table below:

|                                                                           | Variance<br>£000 |
|---------------------------------------------------------------------------|------------------|
| Lower communal utility costs                                              | (1,061)          |
| Staff vacancies                                                           | (485)            |
| Contingency not utilised                                                  | (600)            |
| Old provision released                                                    | (512)            |
| Beech House dilapidation costs                                            | 450              |
| General fund recharges following detailed review to reflect current costs | 441              |
| Other variances                                                           | 13               |
| <b>Total Supervision and Management variance</b>                          | <b>(1,754)</b>   |

11. Bad or doubtful debts charge: The bad or doubtful debt charge exceeded budget by £0.1m due to a deterioration in collection rates during the year.
12. Depreciation: The depreciation charge of £15.1m was £2.7m adverse to budget. This was 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.

13. Net interest payable: The £1.2m favourable outturn is due to:
- higher interest earned on cash balances due to higher-than-expected interest rates, and
  - no new borrowing required during the year to fund the capital programme. The budget had assumed that £17m of the capital programme would be funded from borrowing.
14. Net surplus: The favourable variances for both income and operating expenditure resulted in a net operating surplus of £27.9m, £3.9m favourable to budget. The impact of the higher depreciation charge and lower net interest payable results in a final net surplus of £8.1m that is £2.2m favourable to budget.

### Capital programme

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

|                                                 | Budget<br>£000 | Full year<br>Actuals<br>£000 | Variance<br>£000 |
|-------------------------------------------------|----------------|------------------------------|------------------|
| New-build projects                              | 25,163         | 15,804                       | (9,359)          |
| Purchase of existing houses                     | 3,000          | 120                          | (2,880)          |
| Other major projects (Admiral, Sterte cladding) | 300            | 157                          | (143)            |
| Planned maintenance                             | 16,219         | 13,048                       | (3,171)          |
| <b>Total capital expenditure</b>                | <b>44,682</b>  | <b>29,129</b>                | <b>(15,553)</b>  |
| <u>Funded by:</u>                               |                |                              |                  |
| HRA Reserve                                     |                | 3,122                        |                  |
| Major Repairs Reserve                           |                | 13,202                       |                  |
| Capital receipts                                |                | 2,107                        |                  |
| Grants                                          |                | 7,763                        |                  |
| S106 receipts                                   |                | 2,935                        |                  |
| Prudential borrowing                            |                | -                            |                  |
| <b>Total funding</b>                            |                | <b>29,129</b>                |                  |

16. New-build projects: £15.8m was spent against the original budget of £25.1m. An amount of £3.7m was removed from the capital programme as the original business cases for some schemes were no longer viable in the current financial climate. Some likely slippages had already been identified during quarter three and the schemes budgets were reprofiled to future years accordingly. There was further slippage in the last quarter mainly for Hillbourne school development and Constitution Hill demolition with further budget reprofiled to future years.
17. During the year five schemes with a total of 45 units were completed
18. Purchase of existing houses: Only one property was acquired during the 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.
19. Planned maintenance: This covers capital maintenance such as kitchen, bathroom and boiler replacements. Expenditure of £13.0m was £3.2m less than budget. There was an underspend of £0.8m on kitchen replacements and £0.4m on bathroom replacements due to the need to divert labour away from these programmes to the general fund purchase and repair programme. There was an underspend of £0.4m on both boiler

replacements and electrical works due to the need to divert resources to the gas servicing and electrical testing programmes. The £0.5m contingency budget was not utilised.