

## Quarter Two 2025-26 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 approximately 9,610 tenanted properties.
2. The 2025-26 HRA budget was approved by Council last February. It budgeted for total income of £58.5 million for the year and a net surplus of £4.1 million.

### Revenue account monitoring at quarter two

	2025-26 Budget £000	Full year forecast £000	Variance £000
<b>Income</b>			
Dwelling rents	(54,001)	(54,001)	0
Non-dwelling rents	(276)	(247)	29
Charges for services and facilities	(3,768)	(3,609)	159
Contributions to expenditure	(438)	(365)	73
<b>Total income</b>	<b>(58,483)</b>	<b>(58,222)</b>	<b>261</b>
<b>Expenditure</b>			
Repairs and Maintenance	14,031	15,130	1,099
Supervision and Management	18,373	17,646	(727)
Rent, rates, taxes and other charges	447	382	(65)
Bad or doubtful debts	400	400	0
<b>Total expenditure</b>	<b>33,251</b>	<b>33,558</b>	<b>307</b>
<b>Net operating (surplus) / deficit</b>	<b>(25,232)</b>	<b>(24,664)</b>	<b>568</b>
<b>Capital charges</b>			
Debt management costs	377	380	3
Depreciation	15,300	15,300	0
Net interest payable	5,425	4,725	(700)
<b>Total capital charges</b>	<b>21,102</b>	<b>20,405</b>	<b>(697)</b>
<b>Net (surplus) / deficit</b>	<b>(4,130)</b>	<b>(4,259)</b>	<b>(129)</b>
<b>Appropriations</b>			
Transfer to HRA reserve	4,130	4,259	129
<b>Total appropriations</b>	<b>4,130</b>	<b>4,259</b>	<b>129</b>

### Commentary on variances

3. Dwelling rents: The forecast outturn is in line with budget.
4. Charges for services and facilities: Service charge income is forecast to be £0.2m adverse to budget. This is due to lower-than-expected service charges for communal utilities due to the underlying utility costs being lower than budgeted.
5. Other income: The forecast outturn is broadly in line with budget.
6. Repairs & Maintenance: The forecast full-year outturn is £1.1m adverse to budget. The adverse variance is primarily due to the very high volumes of response repairs being experienced. During the first six months of the year the in-house repairs team undertook 18,600 jobs, 45% more than budgeted. Offsetting this, their average cost per job was 18% lower than budget. The volume of repairs that had to be referred to 3<sup>rd</sup> party contractors was 28% higher than budgeted, contributing to the overall overspend.

The accelerated programme of stock condition surveys being undertaken has contributed to the high volume of response repairs, as has the work being undertaken to address damp and mould issues. During quarter three, a review of work being referred to 3<sup>rd</sup> party contractors will be undertaken to identify any possible savings.

7. Supervision and Management: Forecast costs are £0.7m lower than budget. This is due to:

	Variance £m
Lower utility costs	0.2
Forecast underspend on New-build feasibility studies	0.3
Staff vacancies	0.2
<b>Total Supervision and Management variance</b>	<b>0.7</b>

8. Depreciation: The forecast depreciation charge of £15.3m is in line with budget and is consistent with the actual charge for 2024/25.
9. Net interest payable: The £0.7m favourable forecast is because start-of-year HRA reserve balances are higher than were expected when the budget was set. The HRA Earns interest on these balances. Also, some of these reserve balances can be used to fund current year capital expenditure, reducing the requirement for new borrowing and the associated borrowing costs.

### Capital programme

10. The HRA budget paper set out a capital programme of £43.0m for 2025/25. This included £25.2m investment in new-build projects delivered as part of the council newbuild housing & acquisitions strategy (CNHAS) and £17.2m in planned maintenance.

	2025-26 Budget £000	Full year forecast £000	Variance £000
New-build projects	25,202	27,970	2,768
Purchase of existing houses	500	169	(331)
Other major projects (Admiral, Sterte cladding)	100	93	(7)
Planned maintenance	17,202	17,202	0
<b>Total capital expenditure</b>	<b>43,004</b>	<b>45,434</b>	<b>2,430</b>

11. New-build projects: Actual expenditure on the new-build capital programme in 2025/26 is forecast to be £28.0m, £2.8m higher than the original budget. This is due to the rescheduling of some expenditure that had been expected to be incurred in 2024/25 into the current year, principally in relation to the Hillbourne school development and Constitution Hill demolition works.
12. There are 8 schemes with planned expenditure in the HRA during this financial year: Templeman House, Hillbourne school development, Constitution Hill, Craigmere Avenue, Grants Close, Surrey Road, Oakdale Infill and Hawkwood Road residential.
13. Purchase of existing houses: The forecast spend for the year relates to the buy-back of the last of the leasehold flats at Trinidad Village which took place in quarter one. All six flats have now been bought back. Whilst the HRA receives right-of-first-refusal to repurchase ex-local authority properties, high borrowing costs mean that repurchases are currently not financially viable.

14. Planned maintenance programme: This covers capital maintenance such as kitchen, bathroom and boiler replacements. Activity and expenditure in quarter one were behind budget due to the need to divert labour away from HRA capital programmes to the General Fund purchase and repair programme and servicing programmes. The current forecast assumes that activity and expenditure will return to budgeted level over the remainder of the year. To facilitate this, in-house repairs team resources are being expanded and deployed back to the HRA. Also, a contract with an external contractor for kitchen and bathroom replacements is being extended for a further six months to increase capacity.