

Appendix B – HRA Budget Variance Analysis

Service Income (£181k underspend)

1. Dwelling rental income was over budget. This was caused by a reconciliation exercise between the balance sheet and the Northgate (NEC) system. This led to the addition of £481k in debtors less the necessary offsetting £208K bad debt provision.
2. Outside of that, dwelling and garage rents under achieved by £108K due to void properties. The council intends to bring void rates back to industry standard levels during 2025/26. The residual balance is made up of £16k of minor net underspends.

Rents, Rates & other property charges (£22k overspend)

3. The empty property charge overspent by £22k due to a higher than anticipated level of void properties.

Maintenance and repairs (£100k underspend)

4. There was a £73k underspend on common service flats utility bills. The reason for this is still being investigated by the Service.
5. The costs for property services were within the budgeted expectation, however the transformation costs relating to new staff were £27k lower than what as anticipated.
6. The revenue contract for UNSL was on budget.

Management and homelessness (£53k underspend)

7. The recharge from the General Fund to the Housing Revenue Account was £76k lower than expected. However, there was a £23k overspend in sheltered housing services for white goods that partially reduced the overall underspend

Transformation (£771k underspend)

8. Transformation costs actually took place against other operating income and expenditure (below) which this budget helped to fund.

Other Operating Income and Expenditure (£1,093k overspend)

9. Insurance was extended for a year during 2024/25 with additional costs contributing £130k towards the overspend. This budget in future years will cover these costs.

10. Correcting the accounting treatment of historic mortgages has caused a one-off £320k overspend.

11. Depreciation has been reviewed and so overspent by £339k. This budget in future years will cover these costs. However, this increases the Minimum Revenue Provision (MRP) which keeps the Capital Financing Requirement (CFR) lower now and into the future.

12. Addressing past year Financial Accounts via the backstop provisions and the UNSL contract has led to higher overhead recharges from finance and corporate. The impact should be the one off additional expenditure of £193k in 2024/25.

13. Reassessing the recharges from the general fund has identified a previous understatement of expenditure in the HRA, which shows as an overspend of £262k in 2024/25. This budget in future years will cover these costs.

14. Investment returns delivered £73k above budget due to higher interest rates than anticipated.

15. Minor net underspends totalled £78k. These Other Operating Income and Expenditure overspends were offset by the Transformation budget plus the HRA underspends further above.

Capital Financing (£2,526k underspend)

16. Capital financing was significantly lower than what was budgeted for in 2024/25, due to the winding down of the Norse contract. The scale of the wind down was not anticipated to be so great and has led to a £2.526m underspend.

Transfers to Reserves (£2,239k overspend)

17. Due to the multiple underspends in the HRA there has been an increase in the reserves. £800K will increase the Transformation Reserve, providing the Strategic Director with £1 million to support the service improvement plans, including contributing £170k towards the HRA's share of the new Accounting System. £1.638m will be transferred to the HRA Investment Reserve to support the wider capital strategy and other investments within the HRA.

18. The residual surplus of £199k will increase the HRA Balance to £1.862m.