

Report subject	Housing Revenue Account (HRA) Budget Setting 2023/24
Meeting date	8 February 2023
Status	Public Report
Executive summary	<p>The Housing Revenue Account (HRA) is a separate account within the council's budgets that ring-fences the income and expenditure associated with the council's homes.</p> <p>It sets out the proposals regarding the rents, service charges and other charges to tenants and leaseholders. Arrangements for increasing rents and service charges are separate to arrangements for increasing fees elsewhere in the council and are set out in law and regulation. The report also sets out plans for expenditure on services to residents, repairs and improvements to homes and provision of new homes.</p> <p>There are significant challenges facing the HRA including the cost-of-living crisis, higher inflation impacting on costs, building safety commitments, increased regulation and the need to ensure that homes are energy efficient.</p> <p>In July 2022 the management of the council's homes in Poole was brought in-house. A new housing management service, BCP Homes, has been created to oversee the management of the council's HRA stock.</p> <p>The proposals for the delivery of services are set out in the HRA Delivery Plan which supports the council's corporate strategy.</p> <p>With inflation high, the government has set a cap of 7 per cent on rent increases that prevents rents rising in line with inflation as would normally be expected from April 2023/24. There are exceptions for sheltered housing or on re-lets where the normal inflationary increase is allowed. However, a 7 per cent increase will also be applied to sheltered housing.</p> <p>Although significant increases for some service charges such as heating and electric charges are unavoidable, measures have been put in place to limit the increase in these charges.</p>
Recommendations	It is RECOMMENDED that:
	(a) Revenue budgets for 2023/24 and provisionally for 2024/25 to 2027/28 are set using the following principles:

	<ul style="list-style-type: none"> (i) That rents for general needs, sheltered and shared ownership accommodation are increased by 7 per cent from 3 April 2023, in line with the national rent cap announced by the Department of Levelling Up, Housing and Communities. (ii) That rents for all accommodation on re-let's continue to be set at the formula rent, increased by 11.1 per cent, from 3 April 2023, in line with the Department of Levelling Up, Housing and Communities Policy statement on rents for social housing. (iii) That rents for garages, garage bases and parking plots are increased by 10 per cent from the 3 April 2023. (iv) That leasehold services are charged to leaseholders in line with estimated costs from 3 April 2023. (v) That the changes to service charges are agreed as set out in appendix 2 from 3 April 2023, and that the service charge cap for new service charges in Bournemouth continues to be set at £5.00 for a further year. (vi) That the annual bad debt charge is maintained at £0.4 million. (vii) That the depreciation budget is set at £11.79 million. (viii) That HRA reserve should be maintained at a minimum level of 5 per cent of total expenditure at £1.98 million in line with good practice. <p>(b) Capital budgets for 2023/24 and provisionally for 2024/25 to 2027/28 are set using the following principles:</p> <ul style="list-style-type: none"> (i) That the planned maintenance programme as set out in Appendix 5 is agreed. (ii) That the major project capital programme as set out in Appendix 6 is noted. (iii) That 2023/24 budgets of £0.4 million for feasibility works and £3 million for the acquisition of individual properties ("Acquire and Repair") are approved. <p>(c) The Delivery Plan for BCP Homes to support the key principles for the HRA and the Council's Corporate Strategy are agreed as set out in appendix 7.</p>
Reason for recommendations	HRA rents and other changes along with the HRA Capital Programme are subject to review and require Cabinet and Council approval for rents and charges to be levied.
Portfolio Holder(s):	Councillor Karen Rampton – People and Homes

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Wards	Council-wide
Classification	For Recommendation

Background

1. Each year social landlords must set rent levels and budgets for the forthcoming financial year and provide each individual tenant with statutory notice of any proposed rent change. This report sets out the proposals regarding the rents, service charges and other charges to tenants as well as the expenditure plans for the 2023/24 rent year through to 2027/28.
2. The Council housing HRA stock is situated within Bournemouth and Poole and as at the 31 March 2022, comprised of 9,542 rented properties 1,139 leasehold properties and 33 low-cost home ownership properties which are expected to generate a rental income of £48.1 million. There is no Council owned housing stock in the Christchurch neighbourhood as the stock was transferred to a housing association several years ago.
3. The HRA is a ring-fenced account within the council and records the income and expenditure associated with the landlord function in respect of the council's homes. The account is separate from the wider General Fund budget, which is funded by a variety of income flows, including council tax.
4. A new housing management service has been created, BCP Homes, to oversee the delivery of services to tenants and leaseholders within the HRA. Most colleagues who previously worked for Poole Housing Partnership have transferred into the council but not all have moved into the new service and sit elsewhere.
5. BCP Homes is part of the wider Housing Directorate. This also includes Housing Delivery to develop and acquire new homes and Property Maintenance to carry out repairs and improvements to homes in Bournemouth. Repairs in Poole are carried out by external contractors.
6. The strategic asset management of the housing stock is undertaken within the Customer and Business Directorate. The team is responsible for property inspections, stock condition surveys and determining the improvement work that is required.
7. Creating the new service has resulted in savings of just over £0.3 million through reductions in senior management. Funding has been made available for additional staff through the HRA budget to help deliver a new structure for BCP Homes, planned for early in the financial year. This will help meet the many new regulatory and statutory requirements that are on the horizon. A contingency fund has been set aside which can be used to support harmonisation of the two services.

8. An Advisory Board has been set up to provide oversight of the operational delivery of services by BCP Homes and make recommendations on policy and strategic matters. It will work in an advisory capacity to the council, working in partnership with residents and provide an additional level of assurance. Board membership consists of councillors, residents and independents. Arrangements will be put in place to ensure that services sitting outside BCP Homes deliver for the HRA as required.
9. The Council is required by law (Local Government & Housing Act 1989, section 76) to avoid budgeting for a deficit on the HRA. This means the budget must not be based on total HRA revenue reserves falling below zero. In practice the Council is expected to maintain a reasonable balance of HRA reserves to cover contingencies. The HRA will maintain reserves above a minimum level of 5 per cent of expenditure. In 2023/24 this gives a minimum level of reserve of £1.98 million.
10. On 29 October 2018 the Government revoked the indebtedness limits that were introduced for HRA's in December 2010 by the Localism Bill under self-financing determinations, by lifting the HRA borrowing cap. This means the BCP HRA will not be subject to a limit on borrowing. However, borrowing must conform to the Prudential Code which requires that it must be affordable and prudent.
11. HRA major capital project planned spend is included within Appendix 6. This includes housing developments approved as part of the BCP Council Newbuild Housing & Acquisition Strategy (CHNAS) as well as indicative budgets for other schemes previously approved. Further approval through this report is only required for feasibility works and acquisition of individual properties for repair. However, major project budgets were set in Spring 2022 and are likely to increase to reflect inflation as projects move forward. Any further approval required will be through CNHAS or individual reports to Cabinet.

National Policy Context

12. There are several national policies that will have a significant impact on the HRA over the coming years.
13. White Paper
14. In November 2020 the government published The Charter for Social Housing Residents – Social Housing White Paper. It is a policy document that sets out the proposals for future legislation and changes to policies that will impact social housing landlords. It states that a home should always be more than a roof and four walls:

“A home should provide safety, security and dignity. An opportunity to put down roots and contribute to our community so we can enjoy social and civic lives. Regardless of who you rent from, your landlord should treat you fairly and with respect. And if things go wrong there should be a swift and effective means of redress.”
15. The overarching themes of the white paper are building safety and listening to residents. Some of changes proposed required legislation, some of which has progressed, and others planned.
16. The Housing Ombudsman now has powers to issue complaint handling failure orders to ensure that a landlord's complaints handling process is accessible, consistent and enables the timely progression of complaints for residents in line with the complaint handling code. Residents can now refer their complaint directly to the Housing

Ombudsman once they have exhausted their landlords' complaints procedure as the "democratic filter" has been removed.

17. The Regulator of Social Housing (Regulator) has introduced a new set of Tenant Satisfaction Measures which the council must report on from April 2024. All registered providers of social housing will be required to collect data from April 2023 and report on these measures which will enable tenants to see how well their landlord is performing. The measures are a mix of performance data that the council collects to perception surveys of tenants' views.
18. The Social Housing Regulation Bill will increase the powers of the Regulator making it more proactive and able to carry out inspections of landlords to assess performance against the regulatory consumer standards. All landlords will also be required to ensure that their staff meet competency standards.
19. A review of the Decent Homes Standard has also commenced. This sets the minimum standard of living conditions for those who occupy a social rented home and was last updated in 2006. It is highly likely that there will be additional requirements around areas such as ventilation and home security.
20. The Social Housing Regulation Bill also sets out the requirement to appoint a health and safety lead person responsible for monitoring compliance with health and safety responsibilities as well as assessing risks of failure to comply with these requirements.
21. The restructure of BCP Homes will support the new requirements of the Housing Ombudsman and the Regulator and additional resources have been set aside within the HRA budget to achieve this. A new single complaints policy will be developed that complies with the complaint handling code and allows learning from complaints. Work has also commenced to collect performance information to support the new Tenant Satisfaction Measures.
22. Building Safety Act
23. The Building Safety Act was granted Royal Assent on the 28 April 2022. This new legislation was introduced to improve building safety following recommendations from an independent review of building regulations and fire safety after the Grenfell Tower Fire in 2017. Secondary legislation will be required to set out some timetables, provide clarification and guidance before all aspects of the new Act are brought into force. BCP Homes will work with the Asset Management team to ensure that all aspects of the Act are complied with, in accordance with the prescribed timetables and guidance.
24. The Act no longer has the specific requirement for Building Safety managers to be employed to help manage higher-risk buildings. However, the council will still be required to comply with the new regulatory regime for these buildings that are occupied as well as those being designed and constructed.
25. There will be a new regulatory regime for the construction and design of higher risk buildings. Dutyholders will have clear accountability and statutory responsibilities, information about buildings will need to be stored and updated and a new Building Safety Regulator to oversee building work of higher risk buildings.
26. The Act will also create obligations for buildings in occupation and each higher-risk building will need to have an Accountable Person. This is the person or entity that owns the building and will usually be the landlord. They will need to appoint individuals to discharge their duties and obligations as set out below:

- Registering a higher risk building.
 - Applying for a Building Assessment certificate every 5 years.
 - Ongoing obligation to manage and prevent fire safety risks and maintain a safety case report for each higher risk building.
 - Providing residents with information and developing an engagement strategy
27. A safety case report should be provided for each building which will identify major hazards associated with fire and structural risks and demonstrate the measures in place to manage and control these. It will need to be reviewed and updated to provide continued assurance and submitted to the Building Safety Regulator.
28. The HRA budget ensures that there are enough resources in place to meet these additional obligations.
29. Damp and Mould
30. In October 2021, the Housing Ombudsman published a spotlight report on Damp and Mould based following its investigations of landlords. The report provided 26 recommendations for landlords to follow to deal more effectively with reports of damp and mould within its properties. The Ombudsman's view is that there should be a zero-tolerance approach to damp and mould.
31. The report provides recommendations to ensure that landlords are more proactive, in resolving issues, manage complex cases better and learn from complaints. They should evaluate what mitigations they can put in place to support residents in cases where structural interventions are not appropriate and satisfy themselves they are taking all reasonable steps.
32. In November 2022 an inquest into the death of a young boy who lived in a social housing flat with his parents in Rochdale found that he had died as a result of a severe respiratory condition due to prolonged exposure to mould in his home. His home had ineffective ventilation which was a direct contributing factor to the development of mould growth.
33. The landlord placed too much emphasis on the cause of the mould being due to the parents' lifestyle and did not identify the lack of an adequate ventilation system as a factor in the presence of mould. Because of this the property was not equipped for normal day-to-day living.
34. The government wrote to all local authorities to ask them to provide information on the presence of categories 1 and 2 damp and mould hazards in private rented properties and what action is being taken. The Regulator of Social Housing has also written to all social housing landlords, including the council, to provide details of the presence of these hazards in their own housing stock, its approach to dealing with damp and mould and the action that has been taken to resolve issues. The council has submitted its response to the Regulator.
35. The Regulator has reminded landlords that where a category 1 hazard exists, they are not meeting the Decent Homes Standard and should make a self-referral to the Regulator for a breach of the Home Standard.
36. To ensure an effective response in dealing with damp and mould in council homes the council should comply with the recommendations from the Housing Ombudsman spotlight report. A strategic liaison group has also been set up to ensure that there is a consistent approach to how damp and mould is dealt within the private sector and

council housing. The council will need to know the extent of damp and mould issues within its housing stock, be more proactive in identifying issues and place less emphasis on the lifestyles of residents as the cause.

37. Procedures for dealing with damp and mould already exist. The HRA budget will continue to provide funding for remedial work to address damp and mould issues and help prevent its occurrence in homes. This includes improvements in ventilation, insulation, and upgrades to heating systems. It is likely that spending will increase in this area due to increased awareness and the high cost of heating homes. A new £0.5 million contingency capital budget has been earmarked for investment in damp and mould mitigation measures to supplement existing budgets. The council will need to invest in its empty homes and ensure that we have the same level of checks to bring together a more robust property standard.

38. The HRA budget will continue to provide funding for remedial work to address damp and mould issues and help prevent its occurrence in homes. This will include improvements in ventilation, insulation and upgrades to heating systems. It is likely that spending will increase in this area due to increased awareness and the high cost of heating homes, but this is within allocated budgets. A new £0.5 million capital budget has been earmarked for investment in damp and mould mitigation measures to supplement existing budgets.

39. Environment

40. The government has set its target to achieve net zero for carbon emissions by 2050. It has also set in law an ambitious climate change target to cut emissions by 78% by 2035 compared to 1990 levels.

41. The council's Climate and Ecological Emergency Action Plan seeks to eliminate its own carbon footprint by 2030. The action plan included proposals for work to council retained buildings such as the installation of energy saving measures, use of renewable energy and water saving measures.

42. The impact on the HRA is currently being considered through the thirty-year business plan and work is being carried out to determine the Sustainability Strategy for meeting these challenges across our council homes. Future planned maintenance programmes will be focused on reducing carbon emissions and data is being analysed to understand the scale of the challenges across our homes.

43. The government has provided funding to landlords through the Social Housing Decarbonisation Fund to improve the energy performance of the lowest rated homes. The approach through the fund is to improve insulation to increase the energy performance levels of homes. The council did not submit a bid under stage two of the fund as it was unlikely to be successful due to the already satisfactory levels of energy performance. The fund was aimed at supporting the installation of energy performance measures to upgrade energy performance certificates (EPC) to a level C.

44. Digital switchover

45. By 2025 analogue telephone services will be switched off as the UK's telecom structure is upgraded to digital connectivity. This will have major implications for the technology enabled care sector and the millions of people who rely on telecare in the UK. The transition has already begun in some areas across the country to convert to digital.

46. Emergency alarm systems within independent senior living and sheltered housing schemes currently connect to BCP Lifeline through an analogue service. In the future emergency alarms will need to connect digitally. While some temporary measures can be put in place to allow analogue devices to work, emergency alarms systems will need to be removed and replaced with either new hard-wired systems or dispersed alarms. Work to identify the most appropriate approach has been set as an action within the Delivery Plan.
47. Cost of Living Crisis
48. Inflation rates are at the highest they have been in 41 years. Despite the introduction of the Energy Price Guarantee, gas and electricity prices made the largest upward contribution to the increase. Rising food prices also made a large contribution.
49. The Energy Price Guarantee has been extended and will be set at £2,500 until April 2023. It will continue to run until April 2024 but will increase to £3,000. The Autumn statement confirmed additional payments towards fuel costs for those on means tested benefits, disability benefits and pensions. Pensions and benefits will also rise by 10.1%, the inflation rate in September.
50. All households will benefit from the Energy Bills Support scheme providing £400 off energy bills throughout the winter. Households on means tested benefits will have been eligible for additional cost of living payments. Pensioners are also eligible for winter fuel payments and pensioner cost of living payments.
51. An action plan has been developed in cooperation with other council services, other landlords and the voluntary sector to help residents manage the crisis. It will focus on a partnership approach, communication to all stakeholders, looking at what work can be done during void periods and on planned works, help with accessing funding and grants, providing support and identifying need. Support is also available through the council's Household Support Fund.
52. Support for residents to maintain their tenancies and maximise their income continues to be provided through the HRA and additional staff have been employed to help. The rent cap protects tenants from higher inflationary rent increases and the cap has been applied to the increase for some service charges. Steps have also been taken to offer protection from increased costs to those on communal heating systems where the Energy Price Guarantee does not apply.

Long term financial planning

53. Long term financial planning through the 30-year business plan financial model provides assurance that the HRA can meet the challenges presented by the national policy changes set out above as well as contribute towards the council's corporate strategy and meet its own strategic objectives.
54. There will continue to be other long-term spending commitments within the HRA to maintain existing homes, build new homes and provide services to residents.
55. Income to the HRA is primarily through rents and service charges to tenants and leaseholders. It is important that this level of income is maintained and maximised to ensure support for the 30-year business plan. Any proposals that affect the level of income collected can have a significant impact on long term financial planning and it is important that this is fully considered when policy decisions are made regarding income and expenditure.

56. The 30-year business plan is being progressed and will evolve over time as policy options for longer term spending are tested through the plan's model. Changes to council objectives and national policy will help inform future spending decisions. Work is ongoing to update data regarding homes to ensure that the business plan is robust.

BCP Council's Corporate Strategy

57. The Council's Corporate Strategy sets out its priorities, the objectives to achieve these, key actions and measures of success. The services delivered within the HRA support the strategy and the key priorities that make up the Corporate Strategy in many ways as set out below.

58. **Sustainable Environment** – Energy efficiency and sustainability will continue to be considered when building new homes and carrying out capital improvement works to existing properties. This can include:

- Measures such as heat pumps, use of renewable energy sources and high levels of insulation.
- LED replacement lighting will be used in communal areas and homes
- Replacement double glazing for existing homes
- Non-combustible cladding to improve insulation and comfort levels on tower blocks
- New homes that are well insulated and energy efficient.

59. Each project will be considered individually with consideration of the overall carbon savings which can be secured.

60. PV panels fitted to council homes continue to generate electricity for residents to use and to feedback into the national grid creating an additional income for the council's general fund. They also reduce the overall usage of fossil fuels, provide economic benefit to the council and residents, as well as supporting carbon reduction.

61. These measures will help lead towards a sustainable environment and meeting the council's ambitious target to eliminate its own carbon footprint. There will be challenges regarding costs and the feasibility of undertaking further work particularly to existing properties but there will be very clear benefits for tenants through lower energy bills and clear benefits for the wider environment. Robust asset management to support the 30-year business plan will ensure that the necessary steps are taken to enable the HRA to meet the challenges.

62. The current cost of living crisis has illustrated the importance of increasing the energy efficiency of our homes to reduce the use and reliance on fossil fuels. This will not only have a benefit for the environment but also for tenants through lower costs.

63. A strategy for sustainability in council homes is being developed which will feed into the 30-year business plan.

64. **Dynamic Places** – A key priority within the HRA is to develop new homes for those in housing need. The Council Newbuild Housing and Acquisition Strategy sets out how the development of homes through the HRA will help meet the council's priority to deliver at least 1,000 homes of mixed tenure types on council owned land across a five-year period. These additional homes will add to the overall homes that the BCP Council area needs, and the 15,000 new homes target set out in the council's Big Plan.

65. There is an ambitious development programme over coming years as set out below and over the last year the following new homes have been completed or acquired:
- Luckham Road/Charminster Road – 3 x 3 bed houses, 2 x 2 bed flats, 4 x 1 bed flats for rent
 - Moorside Road, West Howe – 14 x 4 bed houses for rent
 - Mountbatten Gardens, Townsend – 2 x 2 bed house for rent
66. A specialist housing needs assessment has been completed for the council to inform the housing acquisition and development programme for the council and its partners over the next five years. The scope of the work related to adults eligible for social care and children and young people with special educational needs and disabilities who require specialist accommodation as well as people with multiple issues such as substance misuse.
67. The HRA already supports those with specialist housing needs with accommodation. This includes young people leaving care who have access to training flats and other accommodation to help them learn to manage their own home as well as supported accommodation for those with learning difficulties. Adaptations are also carried out to properties to meet the complex needs of physically disabled persons and those with complex needs leaving prison and care. The HRA also supports the Housing First programme to provide accommodation to those who have experienced entrenched homelessness often combined with addictions.
68. **Connected Communities** – BCP Homes supports activities to build communities in which people feel safe and where their views are considered.
69. A new resident engagement structure has been established following the creation of BCP Homes. A Residents Committee will be the main body for the discussion of resident views and will consider strategic issues and provide a forum from which the Advisory Board can draw insight. Four customer panels will be designed to allow residents to deliver more detailed scrutiny and involvement in specific areas of work.
70. BCP Homes works with several charities and other resident groups to deliver services that tackle poverty and social isolation. These can range from befriending services to supporting wider community engagement to support for lone parents or food delivery services. There are strong links with the community development team which provides a wider service offer to all residents across the BCP Council area.
71. Enforcement and preventative measures are undertaken to reduce anti-social behaviour and there is close partnership working with the police and other agencies to deal with this and to reduce the fear of crime. A large proportion of sheltered properties within the housing stock can include support to older tenants to help them live independently and reduce social isolation.
72. The proposals within the social housing white paper will raise expectations on social landlords to help deliver more than just a home to live in. It will seek ways for residents to have opportunities to contribute to their communities and enjoy social and civic lives. The new satisfaction measures from the Regulator will include satisfaction with the neighbourhood in which people live how landlords listen and keep residents informed.
73. **Brighter Futures** – Housing plays an important part in the care of children and young people. The provision of the right accommodation can have a significant impact and staff are trained to recognise support needs as well as safeguarding issues. As set

out above the HRA supports those younger people leaving care through the provision of accommodation.

74. **Fulfilled Lives** – The provision of support within sheltered housing enables people to lead healthy and independent lives. We will continue to look at new technology which also supports this and has the potential to provide more efficient services. Partnership work is undertaken with other services within the Council and other agencies to provide accommodation where high levels of support can be provided, for example adults with a learning disability.
75. Minimising evictions of existing tenants is also a priority with ongoing work to look at how support can be provided to help tenants sustain their tenancies and prevent homelessness. We have employed additional staff to support our residents and will work with colleagues in the wider housing team to provide pathways to accessing appropriate levels of support.
76. Support is provided to residents not only to maintain their tenancies but to help them lead healthy and independent lives.
77. **Modern, Accessible, Accountable Council** – BCP Homes is committed to working with residents to scrutinise services and seek feedback through formal resident engagement, satisfaction surveys and learning from complaints.
78. Residents have been involved in the creation of BCP Homes and will continue to be involved in future service redesign. Our structure around governance through the Advisory Board and resident involvement demonstrate a high level of accountability. The proposals within the Charter for Social Housing Residents will also increase the council's accountability as a landlord.
79. The social housing white paper has set out the steps that the government will take to ensure that residents are listened to, are safe in their homes and have access to redress when things go wrong. This report and delivery plans also set out how we will provide an improved, modern and efficient service as well as meeting our obligations to ensure the health and safety of residents.
80. As with all council services BCP Homes is part of the wider transformation programme. Work has been completed to set out how the service will align with the council's operating model and ultimately deliver savings. Some initial work began to map out processes for customers, but the priority is to deliver service redesign for other services first where greater savings can be realised for the general fund budget. In the meantime, BCP Homes can give more consideration to the initial work.
81. The services delivered within the HRA will also support the priorities within the Housing Strategy:
 - Meeting future growth needs
 - Preventing homelessness and rough sleeping
 - Improving housing options, opportunities and choice for all
 - Empowering and co-creating neighbourhoods where residents wish to live and be part of the community
 - Improving safety and sustainability across our housing stock

Strategic Objectives

82. The strategic objectives previously agreed for the HRA remain as they were previously and are as follows:
- a) Deliver strong financial management of the HRA which maximises the ability to collect income, gain efficiencies and service outstanding debt
 - b) Ensure HRA stock is adequately and efficiently maintained particularly in relation to the Council's legal obligation to ensure the health, safety and welfare of its tenants as well as the need to ensure sustainable homes which meet national and local climate emergency targets.
 - c) Focus on the delivery of effective housing management services to support successful tenancies and strong and sustainable communities
 - d) Continue to secure funding opportunities to deliver additional affordable housing through new build and acquisitions
83. These objectives are broadly stated in order of priority. As a landlord, it is important that debt is serviced in the first instance, followed by ensuring the effective maintenance and management of the properties and support for tenants. Surpluses and borrowing will then be maximised to bring forward additional affordable housing.
84. The approach to HRA budget setting focuses on three key areas and the following sections of the report take each of these areas in turn.
- a) Revenue income expected to be achieved and proposals around rent and service charge levels for tenants and leaseholders
 - b) Revenue expenditure plans that reflect local priorities and service delivery patterns, including revenue contributions to capital
 - c) Capital expenditure plans that will deliver essential maintenance to the stock as well as ensuring the Decent Homes Standard is maintained and support the affordable homes new build programme
85. Financial summaries for the BCP HRA are provided in Appendices 1 - 6.
86. The delivery plan is provided in Appendix 7.
87. Rental income
88. Since 2001 rents for the majority of social housing nationally has been let at a social rent using a formula based on the following information and increased annually with inflation:
- The relative property value as at January 1999
 - The relative local earnings as at 1999 levels
 - Size of the property
89. This is known as the formula rent which cannot be exceeded.
90. In 2011 the government introduced a new "Affordable Rent" which allowed rents (inclusive of service charges) to be set at 80% of market rent levels primarily for new or newly acquired homes. This was to improve the viability of housing schemes and encourage the development of new homes.
91. Affordable rents are higher than social rents and can only be charged with the agreement of Homes England. They should be re-set before being re-let to ensure that the rent charged to tenants is no more than 80 per cent of the market rent.

92. Normally rents increase by CPI in September + 1 per cent each year in line with the national policy statement for rents in social housing. CPI was 10.1 per cent in September 2022 and this would have resulted in rent increases of up to 11.1 per cent. The government has set a cap of 7 per cent on rent increases but a full inflationary increase can be applied to supported accommodation, including sheltered, and where a social rented property is re-let.
93. The rent cap also applies to those existing tenants who have an affordable rent.
94. Social landlords can choose to apply a lesser increase, freeze rents or apply a rent reduction.
95. Decisions to freeze rents or apply a rent increase lower than the 7 per cent cap, would have a significant long-term impact on the HRA and its ability to meet its strategic objectives, corporate objectives and the changes to national policy set out in this report.
96. Inflation is predicated to fall in the middle of next year but will still be above the government's target of 2 per cent until 2024. Prices and costs will continue to rise but at a lower level.
97. It is estimated that applying a rent freeze this year and with subsequent inflationary increases in following years would result in a reduction in income of nearly £10 million by 2026/27. Applying a 7 per cent rent increase this year and CPI +1 per cent increases over the following three years will still result in reduction in rental income of £5.7 million to the end of 2026/27. Other social landlords in the area are proposing to increase rents by the full 7 per cent.
98. Construction material costs have soared over the last two years. This has been caused by the war in Ukraine, global sanctions, increased energy costs and the cost-of-living crisis. The Office for National Statistics estimates that prices in the construction industry have increased by 10.1 per cent in the year to September 2022. This includes an increase in the price of new works of 11.8 per cent and in repairs and maintenance of 6.8 per cent.
99. The national policy context earlier in this report sets out the challenges that the HRA will face over the coming years. These will require greater investment in staff, training, resident engagement and compliance with increased levels of building safety. The HRA also supports the wider council objectives in many ways particularly in the delivery of new homes.
100. The increase in material costs will obviously have an impact on day-to-day repairs and maintenance. However, it will also have a significant impact on planned improvement work and the provision of new homes where costs have already increased, and contractors will seek to increase costs to cover the risk of inflation.
101. Applying a 7 per cent increase in line with the rent cap will allow some protection to tenants from very high rent increases and allow the council to continue to invest in services to tenants and new and existing homes.
102. Although there are higher costs associated with sheltered accommodation where the rent cap does not apply, it is considered equitable that these rents also increase by 7 per cent.
103. The rent cap only applies to existing tenants. The government has continued to allow an inflationary increase of 11.1 per cent to the formula or social rent. This is the rent

that the council will continue to use when setting rents for new tenants or existing tenants who transfer. Rents on re-let's will therefore increase by 11.1 per cent.

104. The government believes that this is the right approach as it helps ensure that the rent cap is focused on protecting existing tenants from particularly high rent increases. It also allows the council to recover income levels and ensure that over time rents return to formula rent levels.
105. Rents charged for council homes remain significantly lower than those charged in the private sector. They are also lower than local housing allowances, the maximum amount to which help with housing costs through housing benefit and universal credit will be paid.
106. Any income that is available after the cost of servicing debt and managing and maintaining the stock is made available to the capital programme and supports the delivery of new homes.
107. Other adjustments that will impact on the level of achievable dwelling rent income relate to the number of Right to Buy (RTB) sales expected to occur and the number of days properties are empty during a change of tenancy. With regards to the RTB, it is assumed there will be 40 sales during the year. The part year income associated from these properties has been deducted from the income budget.
108. The council has a small number of shared ownership properties. Shared owners can purchase part of the property and pay a monthly rent on the share that remains in the ownership of the Council. Owners can normally purchase the remaining share of the property in a process known as "staircasing".
109. Rent increases are based on the terms of the lease provided to residents. The lease used is based on the model form of lease provided by the Government which is widely recognised by lenders and solicitors. Rent increases are based on the increase in the Retail Price Index, (RPI), which would result in rent increases of around 19 per cent. The government has asked landlords to apply the rent cap of 7 per cent to rent increases for shared owners as well.
110. For 2023/24 it is assumed that 1 per cent of the Poole and Bournemouth neighbourhood housing stock will be void at any one time and therefore rent cannot be charged. This reduces the total income expected to be achieved by £0.52 million.
111. Acquisition and new build programmes increase the stock of affordable housing for the HRA. The HRA will reflect the additional income expected from the delivery of 77 new homes from 2023/24. However, there are inherent uncertainties around timescales for new build schemes, but an estimate has been accounted for

Recommendation a(i) –

That rents for general needs, sheltered and shared ownership accommodation are increased by 7 per cent from 3 April 2023, in line with the national rent cap announced by the Department of Levelling Up, Housing and Communities.

Recommendation a(ii)

That rents for all accommodation on re-let's continue to be set at the formula rent, increased by 11.1 per cent, from 3 April 2023, in line with the Department of Levelling Up, Housing and Communities Policy statement on rents for social housing.

112. Garage Rents

113. Garage rents cover income received from garages. The majority of garages have been transferred from the HRA to the General Fund and those that remain are located on sites identified as potential for re-development. The development on several has now been completed. In Bournemouth, those garages with potential redevelopment will remain in the HRA alongside a further 211 garage plots and bases. In Poole, 43 garages remain within the HRA but no plots or bases.
114. In October 2022 Cabinet agreed an approach to increase General Fund fees and charges levied by the council by 10 per cent. In line with that approach, garage rents are to be increased in 10 per cent. This will help meet the rise in maintenance costs as well as the need to ensure that garage sites are kept clean and tidy.

Recommendation a(iii)

That rents for garages, garage bases and parking plots are increased by 10 per cent from the 3 April 2023.

115. Other rents reflect those charged to tenants occupying commercial space at Trinidad Village. These have been budgeted in line with the lease agreements in place and will increase by RPI on their agreed rent review dates.
116. Leasehold service charges cover costs that are recharged to leaseholders in year to reflect either the cost of maintaining the fabric of the building or the cost of maintaining the communal areas. These charges must reflect the full cost that is incurred by the HRA, but no profit must be achieved through the levelling of these charges. Given this, the income budgets proposed reflect only an indicative level and actual charges will be reconciled during the summer to actual costs incurred.
117. Costs are estimated for 2023/24 with leaseholders receiving details of actual costs at a later date when refunds or additional charges are made.
118. The cyclical and reactive maintenance income budgets for leaseholders reflect actual works undertaken and are charged on a cost per case basis. These budgets reflect the works that have been undertaken on a year-on-year basis. Reactive maintenance undertaken is also charged on a cost per case basis.

Recommendation a (iv)

That leasehold services are charged to leaseholders in line with estimated costs from 3 April 2023.

119. Tenant service charges must mirror the charges incurred by the HRA in the same way as leasehold charges. The council is expected to set reasonable and transparent service charges which reflect the service being provided to tenants. Tenants should be supplied with clear information on how service charges are set. In the case of social rent properties, providers are expected to identify service charges separately from the rent charge. Most service charges are expected to be included in affordable rents.
120. Service charges are not governed by the same factors as rent. However, social landlords should normally endeavour to keep increases for service charges within the limit on rent changes, of CPI + 1 percentage point, or 7 per cent for 2023/24 to help keep charges affordable. This is difficult to do for some charges such as gas or electricity where costs are set by utility companies and are determined based on actual usage. Charges for heating reflect actual personal usage.

121. Tenants should be consulted where new or extended services are introduced where this will result in additional charges to tenants.
122. Service charges are in place for the provision of a sheltered housing service and associated support in the Poole neighbourhood. The charges relate to the additional work to manage these schemes for example, looking after communal areas and health and safety inspections, as well as support for tenants to help them manage their tenancies. These will increase by 5.3 per cent. The charges are not applicable in the Bournemouth neighbourhood and will be considered during alignment work between both neighbourhoods.
123. Charges for guest rooms on sheltered schemes have been increased by 7 per cent and then rounded to the nearest 25 pence. Charges in both neighbourhoods have been aligned.
124. Charges are made to residents where electricity is used in communal areas. Charges are also made for communal heating that includes personal usage within a resident's own accommodation. Bills to energy suppliers are paid directly by the council.
125. Costs for gas and electricity have increased significantly across the country because of several factors:
 - Lack of natural gas being produced and an upsurge in demand as economies came out of lockdown
 - The winter of 2020/21 was longer and colder than expected using up reserves of gas
 - Lower output from renewable energy sources such as solar power and wind.
 - More recently Russia's invasion of Ukraine has threatened supplies and driven prices up further.
126. Wholesale energy prices have fallen, and this will eventually be passed onto customers if other factors do not send prices back up, for example prolonged cold weather. Most energy suppliers will have already purchased their gas and electric at previously higher prices and this will continue to be reflected in the prices that they currently charge.
127. To help protect consumers from excessive costs the government introduced an energy price cap in 2019. This limits the rate a supplier can charge for their default (standard variable) tariffs. Energy suppliers cannot charge customers what they want while the cap reflects the wholesale market, so suppliers are not buying energy at a more expensive rate than they are selling.
128. The price cap is reviewed and announced four times a year. The changes do not actually take effect until around two months after the announcement. The cap increased on 1 October 2022 but to help households the government announced the Energy Price Guarantee. This will mean that the typical energy bill will be set at £2,500 per year until 31 March 2023. The guarantee has been extended to April 2024 but will increase to £3,000.
129. The Ofgem Energy Price Cap has increased to £4,279 from January 2023.
130. Many tenants will pay their heating costs and communal electricity costs through their rent. The price cap and guarantee do not apply to these. The council will have benefitted from the Energy Bills Relief scheme, and this must be passed onto tenants to reduce their costs. This will be replaced by the Energy Bills Discount Scheme in April 2023, which will run until April 2024.

131. Heating charges in the Poole neighbourhood are set at a standard charge for each property type and based on usage. In the Bournemouth neighbourhood the charges are normally set according to the usage on each scheme. These charges are not eligible for housing benefit or universal credit.
132. Charges for communal power are set according to the electricity used in both neighbourhoods and are increased according to usage. These charges are eligible for housing benefit and universal credit.
133. It is recommended that increases in charges relating to gas heating are limited to the percentage increase of the energy price cap in October 2022 and the Energy Price Guarantee. This means an increase in communal heating charges of 95.8 per cent where gas is used.
134. Communal electricity charges and electric heating charges will increase by 38.7 per cent and are broadly in line with the unit price increase that the council pays.
135. This enables the council to recover some costs while providing protection to those tenants who cannot rely on the price cap or price guarantee. All residents will experience an increase in energy costs whether they pay their own bills or do so through a communal supply.
136. Scooter charges in the Poole neighbourhood will increase by 7 per cent per cent. In Bournemouth the charge will increase by 2 per cent which will allow for alignment across both neighbourhoods.
137. The window cleaning charge in Bournemouth will increase by 100 per cent but this is because the service will revert to four cleans a year rather than two. The actual costs are low.
138. Charges for communal cleaning and gardening in Bournemouth are based on time spent and the work carried out. Increase have been capped at 7 per cent but any reductions will be passed onto tenants.
139. Water and sewage charges in Bournemouth are based on actual usage and has increased by an average of 7 per cent.
140. Charges for the removal of bulk refuse in Bournemouth varies considerably and is dependent on the occasions necessary to remove items. Charges do not always apply, and the amount charged can be very low. It is difficult to apply a 7 per cent cap and instead a maximum increase of £0.25 has been applied.
141. A previously agreed service charge policy has been rolled out in the Bournemouth neighbourhood since 2018. This policy introduced several new service charges and applied a cap that was due to expire in April 2023/24. The cap for these new charges will continue to be set at £5.00 per week for a further year. This means that in Bournemouth, no tenant will pay more than this per week for communal gardening, cleaning, bulk refuse removal and communal electricity combined.

Recommendation a(vi)–

That the changes to service charges are agreed as set out in appendix 2 from 3 April 2023, and that the service charge cap in Bournemouth continues to be set at £5.00 for a further year.

Revenue Expenditure

142. The HRA manages expenditure that covers delivery of the general housing management function as well as overhead and capital financing charges.

143. Management and Maintenance

144. The financial climate is very challenging, and the rent cap will reduce the level of funds available to deliver all the priorities for BCP Homes. Levels of costs need to be regularly reviewed to ensure that funding is linked to service priorities.

145. Key current and future changes to service delivery and financial pressures can be summarised as follows

- a. Additional resources to help ensure the effective management of tenancies involving tenants with complex needs such as substance misuse
- b. Additional resources to support the delivery of the building safety requirements and compliance approach
- c. Retrofitting to ensure that the homes provided help meet carbon reduction targets.
- d. Resource identification to support delivery of the white paper requirements to ensure that BCP can deliver effective assurance to the Regulator
- e. Additional resources to support the provision of affordable homes.

146. The use of the revenue resources for day-to-day delivery of services are summarised in the Delivery Plan.

147. In 2020/21 the HRA contributed £2 million to the Councils Transformation Programme on the provision that savings would also be delivered to the HRA. Work has been completed with the council's Service Improvement Partners to demonstrate how the wider housing service can be aligned with the council's new operating model, but because of the financial pressures and the HRA ringfence, service redesign will look at other service areas within the General Fund first before looking at processes within the HRA.

148. Overheads and other expenditure

149. The HRA holds general budgets that meet the cost of other service areas which support the overall delivery of the housing management function. These budgets have also been considered as part of the budget setting process.

150. The HRA recognises recharges for spend directly incurred elsewhere in the Council but that relate to delivery of housing services. These include areas such as grounds maintenance provision, oversight of CCTV within buildings and corporate support costs. These need to be reflected in the HRA in order to ensure the full cost of delivering services to tenants is recognised. These charges are to be reviewed during 2023/24.

151. Management of bad debts

152. One of the main areas of risk for the HRA going forward is arrears and the management of debt within the rent account.

153. One key current risk is Universal Credit (UC) with approximately 20 per cent of tenants now receiving this benefit. The system is also more complicated than the housing benefit system and requires additional interventions and support from landlords. UC is usually paid directly to the tenant monthly in arrears so four- or five-weeks rent can be owing before the payment is received.

154. BCP Homes will continue to work closely with tenants to assist with financial and budgeting skills and continue to undertake proactive work to help with any issues around their UC claims.
155. There are increased pressures on household income because of the current high rates of inflation and continued assistance will be offered to those tenants who get into difficulty with paying their rent.
156. The bad debt charge is to be maintained at £0.4 million.

Recommendation a(vii) –

That the annual bad debt charge is maintained at £0.4 million.

157. Under the self-financing regime the HRA holds a depreciation charge that recognises the cost of managing and maintaining the Council stock at the current level. This funding represents a revenue cost to the HRA that is then used to support the capital programme to deliver the required enhancements to the stock to keep it fit for purpose. Under these arrangements the council is required to demonstrate the stock has been accounted for in line with IAS 16 and follows componentisation accounting principles.
158. Depreciation charges in both neighbourhoods are calculated using components. However, the depreciation policy for each neighbourhood is significantly different - the Bournemouth neighbourhood uses six components and Poole uses 86. Life cycles also vary across the two neighbourhoods. Depreciation policies will be harmonised when the council's new fixed asset register is implemented in April 2023.

Recommendation a(viii) –

That the depreciation budget is set at £11.79 million.

159. Reserves

160. The Council is required by law (Local Government and Housing Act 1989, section 76) to avoid budgeting for a deficit on the HRA. This means the budget must not be based on total HRA revenue reserves falling below zero. In practice the Council is expected to maintain a reasonable balance of HRA reserves to cover contingencies. An appropriate level has been determined as 5 per cent of expenditure. This level has been reached after carrying out a risk assessment of key items affecting income/expenditure and allowing for a contingency for unidentified items. In 2023/24 this gives a minimum reserve requirement of £1.98 million.

Recommendation a(ix) –

That HRA reserves should be maintained at a minimum level of 5 per cent of total expenditure at £1.98 million in line with good practice.

161. Capital Financing

162. The budget to support interest paid on HRA debt will rise in future years as external borrowing is required. For 2023/24 the HRA will require £17.6 million of external borrowing to fund its capital programme.
163. Any surplus generated by the HRA will be used to fund capital expenditure or the provision of new homes. Projections show large surpluses in later years but expenditure against these has not yet been scheduled. As set out above there are several pressures on the HRA, notably carbon reduction, and these surpluses will be allocated to support spending.

Capital Expenditure

164. Financial regulations require capital schemes to be categorised into appropriate approvals categories. All Planned Maintenance Programme items within Appendix 5 are Unconditional. Major Projects (shown in detail in Appendix 6) are categorised as No Further Approval, Conditional Approval or requires Further approval, as appropriate.
165. Planned Maintenance Programme
166. The HRA capital programme aims to ensure first and foremost, that the current housing stock is fit for purpose and specific projects that will enhance the delivery of social rented and affordable housing across both neighbourhoods are achieved. Each year elements of this stock will need to be replaced or updated to meet the decent homes standard. The delivery of these enhancements is the first call on capital resources
167. There are new areas of work that need to be delivered as part of the planned maintenance programme. Building safety is a key area and as set out above and additional work will be required to ensure that the homes provided as safe for residents.
168. As set out above a new £0.5 million budget has been created for investment in damp and mould mitigation measures where required. This will include improved ventilation, heating, specialist damp surveys and inspections, mould washing and installation of monitoring equipment.
169. To support the Council's Corporate Strategy there are objectives to ensure that sustainability underpins our policies, tackle the climate change emergency and promote sustainable resource management. This can be achieved through sustainable methods of construction in relation to new homes with high levels of thermal insulation and more energy efficient hot water and heating systems.
170. Energy efficient measures are also provided in the refurbishment of existing homes including more efficient gas boilers, consideration of alternative heat sources, increased levels of thermal insulation, communal heating systems and low energy lighting to communal areas. Such measures often increase development and refurbishment costs, but more energy efficient homes can benefit tenants through lower energy bills. There is a clear focus on the overall carbon savings that can be achieved with any additional investment.
171. Technology is changing constantly in this fast-moving sector but it is clear that the HRA housing stock will embrace this issue within its programme going forwards. The development of the 30-year business plan will help determine how we meet the challenges.
172. The planned maintenance programme is proposed at £15.9 million. A breakdown of the programmes is included within appendix 5 and this will deliver a programme of work that is safe and meets legislative and other priorities.

Recommendation b(i) –

That the planned maintenance programme as set out in Appendix 5 is agreed.

173. Major works capital programme

174. The HRA is committed to delivering additional affordable housing and ensuring the current HRA land is used as effectively as possible. Whilst the majority of activity is new build, existing properties have also been acquired. These are usually via buy

back of RTB properties but may be where other housing providers are looking to dispose of suitable stock. Each new build scheme and purchase is subject to both financial and managerial due diligence to ensure they deliver value for money. The proposals for the provision are approved separately through the annual CHNAS report to Cabinet.

175. The exact tenure mix of this new build programme is to be considered in the context of overall financial viability. Each scheme is required to be viable over the duration of any borrowing period in line with the Prudential Code.
176. There are ongoing ambitious new build plans, a requirement to make significant changes to the stock to more adequately meet needs and the HRA must continue to assist in the management of homelessness. This funding can be achieved in part via borrowing additional resource. Since 2018 limits on HRA borrowing were abolished which allows for more to be delivered from HRA budgets where additional funding can now be raised in accordance with the Prudential Code – removing the HRA borrowing cap. This provides an opportunity to expand our new build ambitions to help further meet the needs of those on the housing register.
177. Many schemes will also require additional subsidy alongside rental income to meet the borrowing requirements. RTB receipts, HRA reserves, and Section 106 affordable housing developer contributions are also used to help financially support the delivery of new homes, although these funding sources are finite.
178. The new build and major projects programme total £46.4 million for 2023/24.
179. New build and major projects –
180. Alice Gardens, Poole – 22 flats for rent and shared ownership
181. Herbert Avenue, Poole – 24 flats for temporary family accommodation
182. Templeman House, Leedham Road, Kinson – 27 flats for rent
183. Craven Court, Knyveton Road, Boscombe – 24 x 1 and 2 bed flats for rent
184. Wilkinson Drive, Townsend, Bournemouth – 11 flats for rent
185. Cabbage Patch Car Park, St Stephens Road, Bournemouth – 11 x 1 and 2 bed flats
186. Northbourne Day Centre, Wimborne Road, Kinson – 9 homes for rent including 1 and 2 bed flats and 2 bed houses
187. Summers Avenue, Kinson – 2 wheelchair bungalows
188. Hillbourne School, Poole – 110 new homes.

Recommendation b(ii)

That the major project capital programme as set out in Appendix 6 is noted.

189. The 2022/23 capital programme was agreed at £48.5 million (revised to £18.2 million). 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.
190. Feasibility works are required to work up scheme plans, employing architects, consultants and instructing desktop and site surveys. These costs can be later transferred to specific housing schemes if they continue to gain planning permission

and are built. Schemes that are unable to continue, for reasons such as viability or planning constraints, become abortive.

191. Acquire & Repair budgets are to allow for purchasing pre-built homes into the HRA. These homes may have been built many years ago by the Council and would offer benefits such as location to minimise management costs. This budget can also be used for specific needs that are not catered for within our existing stock or offer a strategic benefit.

Recommendation b(iii)

That 2023/24 budgets of £0.4 million for feasibility works and £3 million for the acquisition of individual properties (“Acquire and Repair”) are approved

192. Delivery Plan

193. The Delivery Plan sets out the key actions for the HRA which support the council’s corporate priorities and the Housing Strategy. The Delivery Plan is a live document and will be updated as the year progresses.

Recommendation c –

That the Delivery Plans for BCP Homes to support the key principles for the HRA and the Council’s Corporate Strategy is agreed as set out in appendix 7.

194. Financial modelling

195. The existing new build programme reflects the ambitious plan to provide much needed additional homes for rent and detailed consideration is being given to the delivery of new homes through shared ownership as well as affordable and social rent. Financial modelling is taking place to look at options to help shape the identified new build and retrofitting programme over the next few years. To support this work there is an ongoing update of the 30-year business plan for the HRA.

196. Consultation

197. There is no legal obligation to consult on the annual rent changes. The rent changes noted in this report for 2023/24 are set by government policy.
198. Residents have been consulted through the BCP Homes Residents Committee as well as the BCP Homes Advisory Board. Residents understood the need to increase rents to maintain services and homes and to continue to provide new affordable homes for those in housing need. Residents stated that they would prefer not to have an increase in rents but that this would have an impact on the ability for the council to provide new affordable homes for those on the housing register. It would also mean that the council may not be able to provide some of the services that residents want. The Resident’s Committee was informed that the rent increase was eligible for housing benefit and the housing element of universal credit so that those on very low incomes would not be impacted.
199. The Portfolio Holder for People and Homes has been consulted and their feedback had been addressed in this report.

Options Appraisal

200. This report sets out the proposals for increases in rent and other charges to support the planned maintenance programme, new developments and major works. The income received is also used to ensure that the council can meet its legal responsibilities as a landlord as well as regulatory standards. The proposals also

support the Council's wider strategic objectives and demonstrates the importance of housing revenue account activities in helping to meet these while supporting residents. Any decision not to increase charges would have an impact on the ability of the Housing Revenue Account to meet the objectives in the delivery plans as well as wider strategic objectives.

Summary of financial implications

201. The Housing Revenue Account is a separate account within the Council that ring-fences the income and expenditure associated with BCP Council's housing stock. The estimated income from rent and other charges will be £51.5 million. The income from the HRA is used to support the Council's activities as a landlord and the proposed expenditure of £46.4 million on planned maintenance and new homes as well as £26.9 million on managing and maintaining the housing stock. Proposed rent increases are in line with government policies and the additional income that is generated is also used to develop the 30-year business plan. This plan will ensure that the Council continues to meet its responsibilities as a landlord and in meeting the Council's wider objectives as well as the national agenda to reduce carbon emissions. There are other challenges associated with improvements to building safety and it is important that the HRA can meet these.

Summary of legal implications

202. Council housing landlords are required to give 28 days' notice to all tenants of changes to the rental and charges for the new financial year. This will be achieved should all the recommendations be accepted by Cabinet in February 2022.
203. The Council is required by law (Local Government & Housing Act 1989, section 76) to avoid budgeting for a deficit on the HRA. This means the budget must not be based on total HRA revenue reserves falling below zero. In practice the Council is expected to maintain a reasonable balance of HRA reserves to cover contingencies. The HRA will maintain reserves above a minimum level of 5 per cent of expenditure. In 2023/24 this gives a minimum level of reserve of £1.98 million.
204. Approval from Cabinet and Council is required before changes to rents and other charges can be made as well as commitment to the level of expenditure on planned maintenance and major works.

Summary of human resources implications

205. There are no HR implications for this report.

Summary of public health implications

206. HRA properties continue to benefit from photovoltaic and solar panels reducing carbon emissions across Bournemouth and Poole. The ongoing maintenance of existing stock, such as heating replacement, insulation and low energy LED lighting in communal areas also help to increase the energy efficiency of our existing stock. Consideration is currently being given to new methods of building construction for new homes which would benefit tenants and the local area.
207. The HRA meets the needs of residents with specialist needs with appropriate accommodation, adaptations, tenancy support, affordable rents, well maintained homes and secure tenancies. There is also support for residents to be involved in decision making and community activities. All of this contributes to the physical and mental wellbeing of our residents.

Summary of equality implications

208. The recommended increase in rents will have a financial impact on residents in all of the protected groups. However, there are several mitigations which reduce the impact for all protected groups.
- Rents for all homes will increase by the 7 per cent rent cap.
 - Where appropriate increases in service charges will be capped at 7 per cent.
 - Increases in the charge for communal heating and electricity will be capped at the increase between the energy price cap and energy price guarantee.
 - The cap on new service charges introduced in Bournemouth will continue for another year.
 - Rent and some service charge increases will be eligible for additional housing benefit and universal credit.
 - Pensions and most benefits will increase by 10.1 per cent from April 2023.
 - Support is available through the energy price guarantee, energy bills support scheme and household support scheme.
 - Staff can support residents to maximise income and signpost to other organisations.
 - Help through the council's Household Support Fund.
209. Maintaining increases in income for the HRA meets the needs of those in protected groups.
210. Proposed revenue budgets for 2023/24 onwards should not impact on front line service provision, and the level of capital disabled adaptations in the estimated Capital Programme should enable us to meet the needs of disabled and older residents to have aids and adaptations fitted to support their independence.
211. Older and disabled residents will be positively affected by investment in dwelling insulation, energy efficiency to help reduce charges for heating and other utilities.
212. There is a clear correlation between effective housing and better health outcomes. By ensuring that housing meets minimum maintenance standards respiratory health issues can be reduced as well as minimising trips and falls. Income is also used for new homes for those in need of affordable housing.
213. Community development work undertaken seeks to minimise isolation, particularly with older people, contributing to improved physical and mental health outcomes and more active communities. We will continue to work with community and voluntary groups, promoting their services and offering practical help where feasible, for example land for community gardens.
214. There are many reasons why tenants may struggle to maintain their tenancies including drug and alcohol problems, mental health and hoarding. We will seek to support tenants in their homes to ensure that they are able to maintain successful tenancies and to reduce the number of evictions. Staff are available who can provide support for tenants including financial advice and work is ongoing to ensure that sufficient resources are available.
215. Support is available to residents to pay for housing costs if on a low income and colleagues are available to provide advice and support to help maximise income. Residents can also be signposted to other organisations that can help.

Summary of risk assessment

216. From April 2012 the risk in financing the management and maintenance of the housing stock moved from Central Government to Local Government as part of the Self-Financing Settlement Agreement.
217. The risk associated with future rent increases and decreases is no longer a local decision.
218. The following considerations must be made:
- a) As the self-financing valuation and settlement is premised on the Council continuing to implement the Government's Rent Restructuring formula, the deviation from this with regards the national government mandated CPI + 1 per cent increase could potentially undermine the financial viability of the BCP Council HRA.
 - b) The HRA will be committed in the first instance to the servicing of new and existing debt.
 - c) Only once debt is serviced (funded) can consideration be given to the maintenance standard of the properties and then in turn to the quality of the housing management service.
 - d) The end of automatic payment of housing costs direct to Landlords, could significantly reduce rent income levels and increase the level of bad debts within the HRA as universal credit continues to roll out.
 - e) Compliance with regulatory standards and changes to health and safety legislation particularly regarding fire safety will provide additional challenges over the next few years and are likely to lead to increased costs.
 - f) The requirement to have an effective HRA 30-year business plan to help prepare and manage future costs and requirements to manage the housing stock.
219. The recommendations presented here assures compliance with the national rent setting policy and the key principles have been approved by the Department of Levelling Up, Housing and Communities. The proposal ensures the appropriate maintenance and development of HRA stock across the Bournemouth and Poole neighbourhoods. Not approving this report would significantly risk the ability for BCP Council to comply with central government and national legislation that govern the HRA budget process.

Background papers

Policy Statement on Rents for Social Housing,

<https://www.gov.uk/government/publications/direction-on-the-rent-standard-from-1-april-2020/policy-statement-on-rents-for-social-housing>

Appendices

1: The Rent Increase Effect on Residents

2: Service Charges for 2023-24

3: Income and Expenditure Statement for 2023-24

4: HRA Balances for 2023-24

5: Capital Programme for 2023-24 to 2027-28

6: Major Project Capital Programme for 2023-24

7: HRA Delivery Plan for 2023-24