

Report subject	<b>Housing Revenue Account (HRA) Budget Setting 2024/25</b>
Meeting date	7 February 2024
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 council housing.</p> <p>It sets out the proposals regarding increases to rents, service charges and other charges to tenants and leaseholders. Arrangements for these increases 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 the provision of new homes.</p> <p>The major changes in building safety and regulation of social housing following the Grenfell Tower fire in 2017 are now being implemented. These changes are significant and this report sets out the requirements that the council must meet.</p> <p>This report also demonstrates how council housing and spending within the HRA supports the council's corporate strategy and objectives.</p>
Recommendations	<p><b>It is RECOMMENDED that:</b></p> <p><b>(a) That revenue budgets for 2024/25 and provisionally for 2025/26 to 2028/29 are set using the following principles:</b></p> <ul style="list-style-type: none"> <li>(i) That dwelling rents are increased by 7.7 per cent (CPI for September 2023 + 1 per cent) from 1 April 2024 in line with the Department of Levelling Up, Housing and Communities Policy statement on rents for social housing published in February 2019 (Rent Policy Statement).</li> <li>(ii) That garage, garage bases and parking plot rental charges are increased by 7.7% from 1 April 2024.</li> <li>(iii) That leasehold services are charged to leaseholders in line with actual costs incurred.</li> <li>(iv) That shared ownership dwelling rents are increased in line with lease terms.</li> <li>(v) That the changes to services charges are agreed as set</li> </ul>

	<p>out in appendix 2.</p> <p>(vi) That the bad debt provision is set at £0.4 million.</p> <p>(vii) That the depreciation budget is set at £12.4 million.</p> <p>(viii) That HRA reserves are maintained at a minimum level of 5 per cent of total expenditure in line with good practice at £2.2 million.</p> <p><b>(b) That capital budgets for 2024/25 and provisionally for 2025/26 to 2028/29 are set using the following principles.</b></p> <p>(i) That the planned maintenance programme as set out in Appendix 5 is agreed.</p> <p>(ii) That the major project capital programme as set out in Appendix 6 is noted.</p> <p>(iii) That the 2024/25 budgets of £0.4 million for feasibility works and £3 million for the acquisition of individual properties (Acquire and Repair) are approved.</p> <p><b>(c) The HRA Delivery Plan is approved as set out in appendix 7.</b></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 Kieron Wilson – Portfolio Holder for Housing and Regulatory Services.
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Wards	Council-wide
Classification	For Recommendation and Update.

## Background

- Each year the council 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 2024/25 rent year through to 2028/29.

2. Council housing within the HRA is situated within Bournemouth and Poole and at the 31 March 2023, comprised 9,532 rented properties 1,153 leasehold properties and 33 low-cost home ownership properties. These are expected to generate an income of £55.6 million. There are no council owned HRA properties in Christchurch as these were 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. Housing management services to residents are carried out by BCP Homes part of the Housing and Communities Directorate. Property maintenance, repairs and asset management sit within the Customer and Business Directorate. The Housing Delivery Team responsible for the provision of new homes sits within the Development and Investment Directorate.
5. There are service level governance arrangements through the BCP Homes Strategic Management Board to ensure the effective and efficient delivery of all services to residents as set out in the HRA Delivery Plan.
6. 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 works in an advisory capacity to the council, working in partnership with residents and provides an additional level of assurance. Board membership consists of councillors, residents and independent housing sector experts.
7. 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 2024/25 this gives a minimum level of reserve of £2.2 million.
8. 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. Any further approval required, for example where costs of projects increase or new projects will be through CNHAS or individual reports to Cabinet.

### **National Policy Context**

9. The tragedy at Grenfell Tower in 2017 has resulted in major changes in building safety legislation, and the regulation of the construction and management of housing.
10. In November 2020 the government published [The charter for social housing residents: social housing white paper](#) setting out the actions that it would take to ensure that residents in social housing are safe, are listened to, live in good quality homes and have access to redress when things go wrong. Other more recent issues such as the death of Awaab Ishak, a toddler, living in social housing who died from prolonged exposure to mould in his family's and the Housing Ombudsman's regular findings of severe maladministration has increased the focus on the need to deliver on these actions.

#### 11. Building Safety

12. An annual Housing and Property Compliance Update for the HRA is provided to Cabinet. This provides information on how the council is meeting its responsibilities in ensuring that all council housing within the HRA is managed in a way that complies with current health and safety legislation, best practice and regulatory standards to ensure the health and safety of residents.
13. Legislation has previously been in place to ensure safety around gas, electricity, water, asbestos, lifts, and fire risks. However, new requirements include compliance with the requirements of the Building Safety Act 2022 and effectively dealing with damp and mould in homes.
14. The cost of meeting these responsibilities is met through the revenue and capital budgets within the HRA.

#### 15. Housing Ombudsman

16. The council is required to undertake and publish an annual assessment against the Housing Ombudsman Complaint Handling Code. The code has been revised and an updated assessment has identified several actions that need to be completed. The assessment has recently been updated and will be made available on the council's website.
17. Most of the actions relate to additional information to be provided on the council's website. However, there is also a requirement to report on lessons learnt and improvements from complaints through the annual report to residents and more frequently to staff, residents, BCP Homes Advisory Board and councillors.
18. The Housing Ombudsman and the Local Government and Social Care Ombudsman are consulting on a new joint code for complaint handling. This will ensure that the council only requires a single complaint handling policy and provide clarity on how complaints should be handled.
19. The Housing Ombudsman has the powers to issue complaint handling failure determinations and orders to ensure that a landlords complaint handling process is accessible, consistent and enables the timely progression of complaints for residents in line with the complaint handling code. These orders relate to a resident's ability to progress a complaint following intervention from the Ombudsman, failure to provide information as requested to the Ombudsman and failure to comply with the complaint handling code in general.
20. Failure to comply with an order could result in a referral to the Regulator of Social Housing as this may mean a breach of the regulatory standards in relation to complaint handling.
21. Following the Social Housing Regulation Act 2023, the Ombudsman now has the power to order landlords to evaluate a particular policy or practice to prevent service failure identified from a complaint being repeated.
22. The Ombudsman also publishes and makes available on its website, individual [landlord reports](#) that demonstrate how well a landlord is performing in relation to cases referred to them. Reports are only provided where the Ombudsman has provided more than five determinations in cases involving a landlord.
23. A report for BCP Homes was not provided by the Ombudsman for 2022/23 because of the low number of determinations in cases but one may be provided for 2023/24 as the number of cases where determinations have been made by the Ombudsman has increased to six to date. Findings of maladministration across the housing sector

are now more likely and orders for compensation are significantly higher than in the past.

24. Effective handling of complaints to ensure that issues are resolved and appropriate steps taken to ensure redress are important to avoid maladministration.
25. Regulatory Consumer Standards
26. The Regulator of Social Housing has completed its [consultation](#) on the revised consumer standards that will apply to all registered providers of social housing. It will provide feedback on the consultation and the new standards should be in place by April 2024.
27. These new standards will be:
  - (a) Safety and quality standard – to ensure that providers have good stock information to inform their repairs and maintenance service, meeting the decent homes standard, health and safety in the home and communal areas, efficient, effective and timely repairs service and assisting tenants with adaptations.
  - (b) Transparency, Influence and Accountability standard – to ensure that residents are treated with fairness, fair access to services, residents' views are considered in decision making, information on services is provided to residents to enable them to understand what to expect, providing performance information to residents to enable scrutiny, complaints are handled fairly and effectively.
  - (c) Neighbourhood and Community standard – ensures maintenance of shared spaces, cooperation with local partners to promote wellbeing, tackling ASB and providing safer neighbourhoods, dealing with domestic abuse effectively.
  - (d) Tenancy Standard – ensures homes are let in a fair and transparent way, support to maintain tenancies, appropriate tenancies or other terms of occupation, support to carry out mutual exchanges.
28. A new consumer standard for competence and conduct of staff is also forthcoming but has not been prepared yet. The Regulator will consult on the introduction of this standard.
29. Inspections by the Regulator against the consumer standards will commence from April 2024 although the programme has yet to be published. When inspecting local authorities, the Regulator will be looking at the assurance that councillors are getting about the quality of their homes, service performance and engagement with residents. The Regulator will also use evidence from a range of other sources such as the Tenant Satisfaction Measures (TSM's), Housing Ombudsman determinations and feedback from residents during the inspection process.
30. To prepare BCP Homes should carry out a self-assessment against the standards to demonstrate the level of compliance. This will need to be carried out with front-line staff and residents. There are toolkits available to assist with this process.
31. Tenant Satisfaction Measures
32. The Regulator of Social Housing has set the requirement within the TSM's Standard for registered providers of social housing to collect and provide information to support effective scrutiny by their tenants of their performance in managing their homes and neighbourhoods.
33. Providers must report annually their performance against 22 separate TSM's as set out by the Regulator.

34. Information for 12 of the TSM's must be collected through a perception survey of tenants which measures levels of satisfaction in key areas.
35. Information for 10 of the measures must be collected from providers own management information relating to safety in homes, repairs, complaints and anti-social behaviour.
36. The information must be provided to the Regulator during the summer of 2024 who will publish results in the autumn. This will enable tenants to see how well the council is performing against other providers.
37. The perception survey for 2023/24 was carried out between the 6 September and 8 October. Responses were obtained from 1,096 tenants, 82 per cent of which were obtained through a telephone interview.
38. The results are set out in appendix 8 and also provide initial benchmarking through Housemark, a data and insight company for the housing sector.
39. The highest satisfaction levels were for repairs and safety in the home while the lowest satisfaction levels were for the approach to complaints and dealing with anti-social behaviour. The main reasons for dissatisfaction were that issues were not resolved or no action taken.
40. BCP Homes is already reviewing how anti-social behaviour is dealt with and similar work will be taken to undertaken to improve the approach to complaints.
41. Mandatory qualifications and competency and conduct standards.
42. Within the provisions of the Social Housing Regulation Act the Secretary of State will be able to direct the Regulator to set standards for registered providers in matters relating to the competence and conduct of individuals involved in the provision of services in connection with the management of social housing.
43. These broad outcome-based standards will apply to all staff providing housing management services, e.g., resident involvement, tenancy management, repairs and maintenance, asset management and anti-social behaviour management.
44. The Act also enables the requirement for mandatory qualifications for some members of staff, senior executives and senior managers.
45. The Department of Levelling Up Housing and Communities (DLUHC) is working with the sector to help design the policy that will sit behind the Secretary of States direction.
46. Nothing will happen until DLUHC issue a Policy Statement that will accompany the Direction to the Regulator of Social Housing. This will set out the government's policy on competence and conduct standards for social housing staff – including the qualifications requirements. The Direction will require the Regulator to set a competence and conduct standard that delivers this policy. DLUHC are engaging with a range of stakeholders including landlords and tenants, as part of the development of the Policy Statement.
47. There is some indication of what the requirements might be and an audit of current qualifications held by relevant staff indicates that suitable qualifications have already been obtained. However, a training and development programme will need to be put in place to ensure that the council also meets the competency and conduct standards.

48. Environment

49. 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 77% by 2035 compared to 1990 levels.
50. 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.
51. The impact on the HRA is currently being considered through the thirty-year business plan 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.

**Local Context**

52. There are also several local factors that have an impact on HRA and how services are delivered to residents.
53. BCP Homes
54. The new inhouse housing management service was created in July 2022. A recent restructure has been completed which will help to align teams and meet the new regulatory requirements. There will be further changes as ways of working are aligned. Service redesign to meet the requirements of the council's operating model will also have an impact on the how the service operates in the future.
55. The responsibility for ensuring that council homes are well maintained, comfortable and safe (asset management) rests with the Facilities Management team, part of the Customer, Arts and Property Directorate.
56. Although not part of BCP Homes, it is an essential part of the way in which services are delivered to residents. The fact that this part of the service sits elsewhere does not impact on the need to meet regulatory requirements and involve residents in how services are designed.
57. Work is ongoing to align policies and procedures across all services provided to residents.
58. Housing Management IT system
59. Legacy arrangements mean that separate IT systems are used in Bournemouth and Poole which has an impact on ways of working, procedures, and reporting.
60. A new IT system is to be procured and work has been completed to set out the requirements to be included within the tender documents for potential suppliers.
61. The new system will include housing management services delivered through BCP Homes, repairs and asset management. Implementing any new system will take a considerable amount of time and it is anticipated that work with a new supplier will commence in the summer of 2024 and to be fully operational by late 2025.
62. Within the requirements, suppliers will need to set out how their system will integrate with the council's new customer relationship management system (CRM) supporting service redesign and alignment with the council's operating model.

63. Resident Involvement

64. There is a regulatory requirement to ensure that residents are provided with a wide range of opportunities to influence and be involved in policy development, strategies, decision making, scrutiny, and the management of repairs and maintenance.
65. There are four resident panels to enable this:
- (a) Homes, Safety and Energy Panel – to provide insight on repairs, maintenance and asset management, including the issues of safety and energy sustainability, linked closely with the Homes Standard
  - (b) People & Neighbourhood – to provide insight on housing management, anti-social behaviour, neighbour management, and the delivery of services that involve people, linked closely with the Tenancy and Neighbourhood Standards
  - (c) Communications and access to services – to work to develop means of service delivery and access, and communication approaches such as a residents' magazine and/or video, digital communications, such as blogs and vlogs, the annual report, the social media approach, and general communications. There will be a focus also on satisfaction measures and understanding how to collect and interpret data.
  - (d) Scrutiny – to undertake the formal resident housing scrutiny function and link to the wider overview and scrutiny function of the council. It enables in-depth resident led reviews on any area of the service and making recommendations for improvements.
66. The BCP Homes Residents Committee is the main body for the discussion of resident views and will consider the strategic issues that are to be considered by the Advisory Board. The Committee has a specific focus on:
- (a) Budgets
  - (b) Performance overview
  - (c) Tenant Satisfaction Measures
  - (d) Complaints
  - (e) The Tenant Involvement and Empowerment Standard
  - (f) Resident Involvement
  - (g) National and local policies
  - (h) Service standards and local offers
67. Three residents currently sit on the BCP Homes Advisory Board. Recruitment for a fourth is underway.

**BCP Council's Corporate Strategy**

68. The Council's current 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. The strategy has been reviewed and a consultation completed. The new Corporate Strategy will be agreed in February 2024.
69. Services provided through the HRA support the council's key objectives in the following ways:



- (a) A Tenancy Sustainment team provides help to residents to enable them to sustain their tenancies and look after their homes.
- (b) The Your Money team provides advice to residents on welfare benefits, day to day money management and help to deal with the impact of the rising cost of living.
- (c) Sheltered Housing helps promote quality of life for residents to live active, independent lives.
- (d) The provision of good quality, safe, warm and affordable homes.
- (e) The development and provision of new homes.
- (f) Helping residents feel safe by dealing with anti-social behaviour, encouraging good neighbourly behaviour, and providing good quality communal facilities.
- (g) Residents are involved in decision making and shaping services that matter to them.
- (h) Supporting the wider council to meet the specialist housing need of sometimes vulnerable groups, e.g., the homeless and young people leaving care.

### **Strategic Objectives**

70. 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.
71. The approach to HRA budget setting focusses on three key areas and the following sections of this 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.

### **Revenue Income**

#### **72. Rents**

73. The main source of income for the HRA is from rents charged to council tenants.

74. Rents can only be increased in accordance with the DLUHC Policy statement on rents for social housing. This allows rents to be increased in April each year by CPI the previous September plus 1 per cent.
75. CPI in September 2023 was 6.7 per cent which allows a rent increase of up to 7.7 per cent from April 2024. This will apply to both social and affordable rents.
76. The council can decide to apply a lesser increase, freeze rents, or apply a rent reduction. However, these would have a cumulative, and potentially significant impact on future years rental income and the ability to provide services to tenants, invest in existing homes and provide new homes.
77. Former council homes within Christchurch which are now owned and managed by a housing association will increase by 7.7 per cent.
78. Rents charged for council homes remain significantly lower than those charged in the private sector. They are also lower than or at local housing allowance levels, the maximum amount to which help with housing costs through housing benefit and universal credit will be paid.
79. 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.
80. Other adjustments that will impact on the level of rental 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.
81. 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".
82. 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 will mean an increase of between 4.17 per cent and 5.90 per cent.
83. For 2024/25 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 £0.5 million but steps will be taken to reduce any void loss and the income lost.
84. 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 new homes from 2024/25. However, there are inherent uncertainties around timescales for new build schemes, but an estimate has been accounted for.
85. 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.

86. Rents for garages will increase by 7.7 per cent in line with that for homes that include garages within the HRA.
87. 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.
88. Service charges
89. Service charges apply to both tenants and leaseholders who live in flats but some may apply to other types of accommodation.
90. Leasehold service charges cover costs that are recharged to leaseholders each year to reflect costs of maintaining the fabric of the building, costs of maintaining the communal areas and provision of buildings insurance. 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, although an admin charge may be made.
91. Costs are estimated for 2024/25 with leaseholders receiving details of actual costs at a later date when refunds or additional charges are made.
92. Tenant service charges do not include costs of maintaining the building or insurance but otherwise must mirror the charges incurred by the HRA in the same way as leasehold charges. There are some differences in the charges made to tenants in Bournemouth and Poole.
93. Sheltered housing and supporting people service charges only apply to tenants in Poole while charges for laundry, window cleaning, communal cleaning, communal gardening, water and sewage, bulk refuse removal and telephone charges only apply in Bournemouth. These differences exist primarily because of differences in legacy tenancy agreements and during 2024/25 tenants will be consulted on a new tenancy agreement and on aligning service charges. Tenants should always be consulted when new service charges are proposed.
94. 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 any affordable rents.
95. Service charge increases for tenants are not governed by the same factors as rent. However, registered providers should normally endeavour to keep increases for service charges within the limit on rent changes, of CPI + 1 percentage point, or 7.7 per cent for 2024/25 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.
96. The BCP Homes Advisory Board has been consulted on the proposed charges for 2024/25.
97. Service charges for the provision of a sheltered housing service and associated support in the Poole neighbourhood 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 per cent.
98. Charges for guest rooms on sheltered schemes have been increased by 7.7 per cent and then rounded up.

99. Charges are made to residents where electricity is used in communal areas. Bills to energy suppliers are paid directly by the council and these charges will increase by 6.7 per cent.
100. To help protect consumers from excessive costs the government introduced an energy price cap in 2019. The current cap from the 1 January 2024 is £1,928 and while this reflects the fall in the costs of energy prices since highs in October 2022, it is an increase in the previous cap for October to December 2023.
101. Many tenants pay their heating costs and communal electricity costs through their rent. The price cap does not apply to these charges but previous increases have been limited to the same rate as increases in the energy price cap. This meant that the full cost for gas and electricity was not passed onto these tenants.
102. Charges for communal heating in Poole have been increased by 6.7 per cent. Charges in Bournemouth will increase in line with actual costs which will also bring them in line with charges in Poole. It will also ensure full cost recovery of these charges in contrast to previous years when costs were not passed onto tenants.
103. Charges for communal electricity are to increase by 6.7 per cent.
104. Charges for laundry, scooter storage and window cleaning will increase by 6.7 per cent.
105. Charges for communal cleaning and gardening in Bournemouth are based on time spent and the work carried out. Because of this, charges from one year to another can vary considerably according to the amount of work required and can increase or decrease for individual tenants. The average charge for cleaning has increased from £0.45 to £0.95 per week (a 111 per cent increase) while the average charge for gardening has increased from £0.86 to £1.02 per week (an 18.6 per cent increase).
106. Water and sewage charges in Bournemouth are based on actual usage and have decreased by an average of 4.1 per cent.
107. Charges for the removal of bulk refuse also vary considerably and is dependent on the occasions necessary to remove items. Charges do not always apply in each year, and the amount charged can be very low. The average charge has increased from £0.32 to £0.85 per week (a 166 per cent increase).
108. 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 March 2023. It was applied for a further year for 2023/24. It is proposed that the cap now set a £5.00 per week will continue to apply during 2024/25 and reviewed.
109. Telephone and internet charges apply to one extra care scheme only and vary according to usage. These will increase by 20 per cent.

### **Revenue Expenditure**

110. The HRA manages expenditure that covers delivery of the general housing management function as well as overhead and capital financing charges.
111. Management and Maintenance
112. The financial climate has been very challenging over the last two years because of the increase in inflation and rising cost of energy and materials.
113. The key current and future challenges can be summarised as follows:
  - (a) Ensuring the effective management of tenancies where tenants have complex support needs.

- (b) Providing safe homes that meet legislative and regulatory requirements including the Building Safety Act.
- (c) Retrofitting to ensure that existing homes are energy efficient to help reduce carbon emissions.
- (d) Delivering against the expectations and requirements of the new regulatory regime.
- (e) Providing new homes.

114. Overheads

115. 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.
116. The HRA recognises recharges for spend directly incurred elsewhere in the Council but that relate to delivery of housing services within the HRA. These include areas such as IT, Human Resources, Finance and Democratic Services. These need to be reflected in the HRA to ensure the full cost of delivering services to tenants is recognised.

117. Management of bad debts

118. One of the main areas of risk for the HRA going forward is arrears and the management of debt within the rent account.
119. 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.
120. 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 and advice on day-to-day money management. Any tenants who fall into rent arrears will be contacted by an Income Officer and referrals can be made to the Tenancy Sustainment or Your Money teams.
121. The bad debt charge is to be maintained at £0.4 million.

122. Depreciation

123. 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.
124. In previous years there have been differences in the depreciation policy that had been applied by legacy councils but a consistent policy is now being followed.
125. The depreciation budget is set at £12.4 million. This is an increase in the previous years budget of £11.8 million and the amount calculated for depreciation has increased slightly in recent years.

126. Reserves

127. 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 2024/25 this gives a minimum reserve requirement of £2.2 million.

128. Capital financing

129. The budget to support interest paid on HRA debt will rise in future years as external borrowing is required. For 2024/25 the HRA will require £17.2 million of external borrowing to fund its capital programme.
130. 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**

131. 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.

132. Planned Maintenance Programme

133. The HRA capital programme aims to ensure first and foremost, that existing homes are fit for purpose and specific projects that will enhance the delivery of social rented and affordable housing 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.
134. 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 additional work will be required to ensure that the homes provided are safe for residents.
135. 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.
136. 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.
137. 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.

138. The planned maintenance programme is proposed at £16.2 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.
139. Major Capital Works Programme
140. 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.
141. 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.
142. 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 new build ambitions to help further meet the needs of those on the housing register.
143. 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.
144. The capital programme for new build and major projects is £28.5 million for 2024/25. Details are set out in appendix 6.
145. The 2023/24 major project capital programme was agreed at £30.4 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. Actual expenditure on the new-build capital programme in 2023/24 is forecast to be £11.1 million but the budget will remain to fund those projects as set out in the capital programme.
146. 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.
147. 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 set at £3 million for 2024/25 can also be used for specific needs that are not catered for within our existing stock or offer a strategic benefit.

## **Consultation**

- 148. There is no legal obligation to consult on the annual rent changes. The rent changes noted in this report for 2024/25 are set by government policy.
- 149. Residents have been consulted through the BCP Homes Residents Committee as well as the BCP Homes Advisory Board.
- 150. Residents understood that rental income is used to fund services to residents including the maintenance of homes and the provision of new homes and raised no issues with the proposed rent increase. It was explained that residents would still receive help with rent and service charges through housing benefit and universal credit.
- 151. The Portfolio Holder for Housing and Regulatory Services has been consulted.

## **Options Appraisal**

- 152. 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 corporate strategic objectives.

## **Summary of financial implications**

- 153. 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 £55.6 million. The income from the HRA is used to support the Council's activities as a landlord and the proposed expenditure of £44.6 million on planned maintenance and new homes as well as £30.6 million on managing services and day to day responsive repairs to 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**

- 154. 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.
- 155. 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 2024/25 this gives a minimum level of reserve of £2.2 million.
- 156. 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**

157. There are no HR implications for this report.

### **Summary of sustainability impact**

158. 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.
159. Ensuring income for the HRA will support efforts to increase the energy efficiency of homes and to contribute to the reduction of carbon emissions.

### **Summary of public health implications**

160. 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.
161. The council is expected to provide homes for residents that are safe, warm and free from hazards. There are regulatory and legislative requirements to adhere to in ensuring that this work is carried out. This supports the physical wellbeing of residents and in doing so also supports mental wellbeing.
162. Support and good quality homes provided to residents can reduce the impact on other services provided by the council and other bodies. Services provided through the HRA can also work alongside services provided by others.

### **Summary of equality implications**

163. The recommended increase in rents and service charges will have a financial impact on residents in all the protected groups. However, those in protected groups will also experience positive benefits from the services provided through the HRA.
164. Those residents on low incomes will be eligible for help with rent and service charges through housing benefit and universal credit. Rents charged are also lower than in the private sector and are at or below the local housing allowance rates.
165. Most service charges other than those for personal heating, hot water and water are eligible for housing benefit and universal credit.
166. Benefits will increase by 6.7 per cent from April 2024 while the state pension will increase by 8.5 per cent. Financial help is also available to older tenants through winter fuel payments.
167. Support is available for tenants to help them to maximise their income and deal with any debt or benefit issues. This can be provided through the Tenancy Sustainment team or Your Money team. Advice can be provided on benefits or other household matters and if necessary, tenants can be signposted to other organisations that can also offer support.
168. Proposed revenue budgets for 2024/25 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.

169. Older and disabled residents will be positively affected by investment in dwelling insulation, energy efficiency to help reduce charges for heating and other utilities.
170. 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.
171. 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.
172. 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.

### **Summary of risk assessment**

173. 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.
174. The risk associated with future rent increases and decreases is no longer a local decision.
175. 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.

176. 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. 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.

## **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

8. Tenant Satisfaction Measures perception survey results