

Report subject	<b>Housing Revenue Account (HRA) Budget Setting 2025/26</b>
Meeting date	5 February 2025
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.</p> <p>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 taking into account new legal and regulatory requirements.</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 Cabinet recommends that Council agrees:</b></p> <p><b>(a) The revenue budget for 2025/26 is set using the following principles:</b></p> <ul style="list-style-type: none"> <li>(i) That dwelling rents are increased by 2.7 per cent (CPI for September 2024 + 1 per cent) from 7 April 2025 in line with the Ministry of Housing, Communities and Local Government 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 5 percent from 7 April 2025 and an additional £1.00 per week increase is made to garages in parts of Poole so that charges begin to align.</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> </ul>

	<p>(v) That the changes to services charges are agreed as set out in appendix 2.</p> <p>(vi) That HRA reserves are set at £8.6 million.</p> <p><b>(b) That the Income and Expenditure budget as set out in Appendix 3 is agreed.</b></p> <p><b>(c) That capital budgets for 2025/26 are set using the following principles.</b></p> <p>(i) That the major project capital programme as set out in Appendix 4 is noted.</p> <p>(ii) That the planned maintenance programme as set out in Appendix 5 is agreed.</p> <p>(iii) That £0.5 million for the acquisition of individual properties (Acquire and Repair) is agreed.</p> <p><b>It is RECOMMENDED that Cabinet agrees:</b></p> <p><b>(d) That further details of the medium- and long-term budget implications are presented to Cabinet during 2025/26 following the re-modelling of the 30-year HRA Business Plan.</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

1. 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.

2. Each year the council must set rent levels and budgets within its HRA for the forthcoming financial year and provide each individual tenant with at least four weeks' 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 2025/26 rent year.
3. Rents and service charges made to tenants and leaseholders are the main source of income for the HRA. Income can also be derived from other non-domestic rents such as shops, garages and garage bases and plots although this is small.
4. Expenditure includes the management and routine maintenance of existing homes, improvements to existing homes, provision of new homes and interest payments.
5. Council housing within the HRA is situated within Bournemouth and Poole and at the 31 March 2024, comprised 9,545 rented properties 1,155 leasehold properties and 39 low-cost home ownership properties. These are expected to generate an income of £54 million. There are no council owned HRA properties in Christchurch as these were transferred to a housing association several years ago.
6. 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 Delivery Directorate. The Housing Delivery Team responsible for the provision of new homes sits within the Development and Investment Directorate. All work closely together to deliver services for residents through the HRA.
7. 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.
8. An Advisory Board has been set up to provide oversight of the operational delivery of services and supports decisions 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 independents.
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. At the 31 March 2025, the reserve is forecast to be £6.4 million increasing to £8.6 million by 31 March 2026.
10. HRA major capital project planned spend is included within appendix 4. 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.
11. Although this report sets out the budget for 2025/26, there is also a requirement for the council to look at the medium - and long-term viability of the HRA through a 30-year business plan. This report will highlight the challenges facing HRA's across the country as a result of national policy and economic pressures. The

business plan is being re-modelled and will be presented to Cabinet during 2025/26.

12. In September 2024 Southwark Council published a report [Securing the Future of Council Housing](#) to which over 100 council landlords signed up to including BCP Council. The aims are to raise awareness of the cost pressures being experienced within HRA's throughout England and what steps could be taken to manage these pressures.

## **National Context**

13. There have been changes to national policy and increased regulation over recent years that have had an impact on the way in which council homes are managed and maintained resulting in delivery of better homes and services for residents and are welcome.
14. However, increased regulation the economic climate in recent years and the requirements to reduce carbon emissions have contributed to increased costs and reduced income to the HRA. There are also requirements for significant investment to ensure that new regulatory and legal requirements are met.
15. The main issues impacting the HRA include:
  - New building safety and fire safety regulations
  - Improved consumer regulation and complaint handling
  - National rent setting policy
  - Decarbonisation of council homes
  - Decent Homes Standard
  - Damp and Mould
  - Inflation

### New building safety and fire safety regulations

16. Regulatory and legal requirements have been in place for many years to help ensure that landlords keep homes safe. These have traditionally focused on gas servicing, electrical safety, asbestos management, lift, fire and water safety. However, changes over recent years mean that there is a need to demonstrate greater assurance on compliance with these existing requirements and to ensure compliance with many other areas of building safety for example windows and damp and mould.
17. Following the Grenfell Tower tragedy in 2017, the government acted to make improvements to the safety of residents living in high-rise buildings across the country regardless of tenure.
18. As part of this a new Building Safety Regulator (BSR) was created under the Building Safety Act 2022 to regulate higher-risk residential buildings (those over 7 storeys or 18 metres high), regulate safety standards and help improve competence in design, construction and building control. The six high-rise buildings within its housing stock, requires the council to register these with the BSR, develop safety case reports for each and provide these to the BSR when asked to do so in order to receive a building safety certificate. [Preparing a safety case report - GOV.UK](#).

19. The requirements of the safety case report include how residents in these buildings will be consulted on building safety, kept informed of the risks within their building and how these are being managed. It also includes having an awareness of the needs of residents that might influence risk assessments and how building safety is managed. External expert advice has been commissioned to help collate and prepare these safety case reports.
20. There will be more time spent on engaging with residents, providing them with accessible information regarding the safety of their building and ensuring that the council is aware of the needs of those living in its high-rise buildings.
21. The requirements for high-rise buildings will be extended to those residential buildings over 11 metres tall in the near future that are included in the council's housing stock.
22. Improvements to fire safety include more in-depth fire risk assessments, setting out fire safety arrangements and sharing information with residents.

#### Consumer regulation and complaint handling

23. The Regulator of Social Housing (RSH) has been provided with new powers to ensure compliance by social landlords with its new set of regulatory consumer standards. [Regulatory standards for landlords - GOV.UK](https://www.gov.uk/government/news/regulator-of-social-housing-launches-new-standards).
24. The RSH will use inspections to help determine how well a landlord is delivering the outcomes of the standards and will provide a regulatory grading setting out the level of compliance against these.
25. Councillors are responsible for ensuring that the council delivers the outcomes required through the consumer standards. The council is also responsible for providing evidence when asked how it can demonstrate that the standards are being met and providing information to tenants so they can understand how well it is performing.
26. To help satisfy itself that it is meeting the outcomes required the council should undertake a regular self-assessment against the standards and develop an action plan to deal with any gaps. This will require the involvement of staff and residents to complete the assessment, that there is evidence to support outcomes and additional reporting to Cabinet to provide assurance.
27. The RSH also expects landlords to refer to it where there is a potential issue which may be material to the landlord's delivery of the outcomes of the standards. This is an important part of the co-regulatory approach. If there is a failure to meet the standards, the RSH will expect to be provided with evidence that a landlord is making sufficient progress and improvements to address the failures.
28. Where a landlord is failing to deliver against the outcomes of the consumer standards then the RSH may revisit any published regularity judgement and grading.
29. There are other enforcement powers available to the RSH, but they are unlikely to use these where both:
  - the landlord is prepared to fix the problems and their underlying causes
  - it concludes that the landlord has the capacity, capability and resources it needs to do so.

30. While there is much focus on the Safety and Quality Standard in relation to well maintained and safe homes, the standards also set out outcomes required in dealing with anti-social behaviour, managing tenancies, ensuring tenants are treated fairly and with respect and are able to influence decisions.
31. The RSH will also soon to be able to set standards for landlords in matters relating to the competence and conduct of individuals involved in the provision of services in connection with the management of social housing.
32. 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.
33. There will also be a requirement for mandatory qualifications for some members of staff, senior executives and senior managers.
34. All social landlords are required to compile annual Tenant Satisfaction Measures (TSM's) and report on these to the RSH. The results should also be published so that tenants can see how well the council is performing. On the whole performance is good but satisfaction with how the council handles complaints and reports of anti-social behaviour is low as it is with many other landlords.
35. The Housing Ombudsman has greater powers to ensure that landlords respond to and handle complaints effectively. Compliance with its complaint handling code is now a statutory requirement and the Ombudsman has the powers not only to investigate individual complaints but to also require landlords to review policies or procedures to prevent repeat failures. It can also issue complaint handling orders to ensure that landlords complaint handling processes are accessible, consistent and enable the timely progression of complaints.
36. Its role extends to looking at the complaints that it receives from residents across the whole housing sector and providing spotlight reports relating to service areas such as damp and mould and anti-social behaviour. These reports will highlight the issues that have led to poor service delivery and complaints as well as good practice recommendations to ensure improvement. Self-assessment by landlords against the recommendations is expected with subsequent implementation of improvements.
37. These changes require more resources to make residents more aware of the complaint process and to deal with and manage subsequent complaints in line with the complaint handling code. Reporting on performance should also be made to Cabinet.

#### National rent setting policy

38. Since 2001, rent for homes let at a social rent have been based on a formula set by government. This created a formula rent for each property based on the relative value of the property as of 1999, relative local income levels, average rents and the size of the property. Landlords were allowed to apply rent increases of Retail Price Index (RPI) + 0.5 per cent. A flexibility was also allowed of +/- £2.00 to help ensure that rents reached the formula rent level, referred to as rent convergence.
39. In 2015/16 a new national policy for rent increases of CPI + 1 per cent was created. The flexibility to enable landlords to reach formula rents was however removed. As formula rents also increased by CPI + 1 per cent, rents for existing

tenants that had not converged would remain below the formula rent level. Rents for new tenants could be charged at formula rent.

40. However, from 2016/17 to 2019/20, the government reduced rents by 1 per cent each year. In 2023/24 rent increases were capped at 7 per cent but have since reverted to CPI + 1 per cent. These changes to the rent setting policy have had a significant cumulative impact on reducing the income available to the HRA.
41. The present government is keen to encourage social landlords to invest in the provision of new homes and has begun consultation on a new national rent policy for 2026/27 onwards that is proposed to allow rent increases of CPI + 1 per cent for five years.
42. The council's response to the consultation is set out in appendix 7 and it is clear that the proposed new rent policy will be insufficient on its own to meet the financial demands being placed on the HRA.

#### Decarbonisation of council homes

43. The government has set a target for all rented accommodation to have a level C energy performance certificate (EPC) by 2030. It has also set its target to achieve net zero for carbon emissions by 2050 and an ambitious climate change target to cut emissions by 77% by 2035 compared to 1990 levels. An additional £1 million has been made available through the capital expenditure for planned maintenance to help move towards EPC C.
44. 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.
45. The re-modelled 30-year HRA business plan will identify the financial impact of decarbonising the council's housing stock which will be significant. There will also be many practical obstacles to overcome to reduce carbon emissions. As set out in the consultation response to the government's proposals for a new rent setting policy, additional funding will need to be made available to meet these costs.

#### Decent Homes Standard

46. Introduced in the early 2000's and initially backed by significant funding this has set the minimum standards that social homes are required to meet. A decent home meets the following criteria:
  - It meets the current statutory minimum standard for housing.
  - It is in a reasonable state of repair.
  - It has reasonably modern facilities and services.
  - It provides a reasonable degree of thermal comfort.
47. Over recent years there have been concerns raised regarding the quality of social homes and that not all were meeting the required standards. The government relaunched a review of the standard in 2023 which is considering:
  - An updated list of items that which must be kept in a reasonable state of repair for a home to be considered decent.
  - An updated list of services that every home must have to better reflect modern expectations for a "decent Home".

- Whether the current Decent Homes Standard sets the right standard on damp and mould to keep residents safe.
  - Updates to how the condition of building components – such as roofs and walls – are measured, to make sure that buildings which are not fit for use cannot pass the standard.
48. As a new Decent Homes Standard has not yet been published it is not possible to understand the full cost of meeting the new requirements.

#### Damp and Mould

49. Information was provided to Cabinet in the Housing and Property Compliance Update (Housing Revenue Account) in December 2024 which set out the increased awareness of the impact of damp and mould on residents and the expectation that landlords manage reports more effectively.
50. New guidance has been introduced, and the Social Housing (Regulation) Act 2023 will require landlords to investigate and fix reported health hazards, including damp and mould, within specified timeframes (Awaab's law). This will also require landlords to provide written summaries to tenants within 48 hours of the investigation.
51. The Housing Ombudsman expects landlords to have robust procedures in place to ensure that residents homes are free from damp and mould. It can take significant action against landlords who do not comply including compensation, orders to make improvements in practices and referrals to the RSH.
52. The increased awareness of the impact of damp and mould and the expectation for the council to respond more quickly and robustly places a strain on existing staffing resources and the repairs and maintenance budget. The cases are often complex and can include other factors that impact on a tenant's ability to keep their home warm and dry such as fuel poverty.

#### Inflation

53. Whilst there has been a rapid increase in inflation over recent years, the costs of for repairs and maintenance and construction materials have increased by significantly more and well above the CPI inflation rate. Inflation may have reduced but it is unlikely that the costs now being incurred are going to reduce to previous levels. This not only impacts on the repairs and maintenance budget but also on the capital expenditure including new homes.

#### Impact

54. Meeting the challenges will have a significant impact on the costs to the HRA. The 30-year business plan is currently being re-modelled to provide a better understanding of the particular impacts of reducing carbon emissions and meeting net zero. There is also no understanding yet of what might be contained within a new decent homes' standard.
55. The re-modelled business plan will enable a more accurate understanding of the medium- and long-term financial implications for the HRA and its ability to meet the challenges that it faces. It will also enable decision making on which areas of work should be a priority and how these might be funded.



56. The existing budget already allows for additional staff costs for complaint handling, managing anti-social behaviour and resident involvement, all key areas within the new consumer standards.
57. It is clear that additional staff will also be required in the following areas if the council is to be able to provide assurance that it is meeting all legal and regulatory requirements:
- Property Compliance – to ensure robust processes are in place for all areas of property safety and compliance, overseeing performance and providing assurance that property compliance is being managed effectively.
  - Performance – to provide accurate performance information, undertake benchmarking and present information in accessible formats for different stakeholders.
  - BCP Homes Client role – oversight of performance and business improvement, asset management and HRA commercial management.
58. Proposals are being developed but it is not yet clear what the financial impact on the HRA will be or where savings could be made elsewhere. However, the budget has been increased by £615,000 to ensure that any requirements for additional staff can be funded.

## **Local context**

### General Fund

59. The council's Budget and Medium-Term Financial Plan for 2024/25 identified savings, efficiencies and additional income generation to set a legally balanced budget. While this did not apply to the HRA there has been a review of recharges between it and the General Fund. This has ensured that the calculations for recharges are up to date and reflect the arrangements now in place for BCP Council and not legacy arrangements. It also provides a better indication of costs and where growth might be required.
60. However, service efficiencies and reductions within the General Fund can have an impact on services to council tenants for example reductions in community engagement that may have helped meet the outcomes of the consumer standards.

### Housing Management system

61. Legacy arrangements mean that separate IT systems are used in Bournemouth and Poole for the delivery of services to tenants which has an impact on ways of working, procedures, and reporting.
62. A procurement exercise has been undertaken, and suppliers have submitted bids that have been assessed. A decision on the successful supplier will be taken in early 2025 and one appointed to deliver a new system. Suppliers will be required to set out the costs of their new system and the implementation. This has been accounted for in the budget.
63. A single housing management system will result in reduced costs and more efficient processes.

### Consolidation of the responsive repairs service

64. In August 2024, the council's inhouse Property Maintenance team commenced the delivery of the responsive repairs service across the council's homes in Poole. This also included gas servicing, electrical safety testing and a new voids contract for work to empty homes.
65. As set out above the costs associated with repairs and maintenance have increased significantly over recent years and there is also a greater understanding that the volume of repairs will increase as the council addresses the greater expectations for ensuring that homes are safe, warm and comfortable. It will be important that expenditure on repairs and maintenance is closely monitored to ensure that it is sustainable as well as meeting regulatory and legal requirements.

### **BCP Council's Corporate Strategy**

66. 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.
67. 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, look after their homes and prevent homelessness.
  - (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.

### **HRA Strategic Objectives**

68. The strategic objectives for the HRA are as follows:
- (a) Deliver strong financial management of the HRA through a robust 30-year business plan which maximises the ability to collect income, deliver improvements to existing homes, provide new homes 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.
69. 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, decarbonisation and support the affordable homes new build programme.

## **Revenue Income**

### Rents

70. The main source of income for the HRA is from rents charged to council tenants.
71. Rents can only be increased in accordance with the Ministry of Housing, Communities and Local Government 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.
72. CPI in September 2024 was 1.7 per cent which allows a rent increase of up to 2.7 per cent from April 2025. This will apply to both social and affordable rents.
73. 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.
74. Rents for new tenants can also be increased by up to five per cent for general needs housing and 10 per cent for sheltered housing subject to consultation with tenants. This is something that could be considered if required to support the 30-year business plan.
75. 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.
76. 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 a significant reduction in sales during the year because of recent changes to the RTB rules that include a reduction in the level of discount provided.
77. The council has a small number of shared ownership properties where residents can purchase part of the property and pay rent on the remainder. 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

78. For 2025/26 it is assumed that one per cent of the 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 £0.55 million.
79. 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 2025/26. However, there are inherent uncertainties around timescales for new build schemes, but an estimate has been accounted for.
80. 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.
81. Rents for garages, bases and plots will increase by 5 per cent. This will increase the income received and support the ongoing maintenance of these sites. An additional increase of £1.00 will be made to garages in Poole that are not located within the town centre. This will help with the alignment of charges between Bournemouth and Poole.
82. 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.
83. Service charges
84. 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.
85. Costs are estimated for 2025/26 with leaseholders receiving details of actual costs at a later date when refunds or additional charges are made.
86. Part of the service charge for leaseholders includes the council's management costs. This covers a wide range of functions such as invoicing and collecting ground rent, apportioning costs, producing statements and dealing with leaseholder queries.
87. 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.
88. Service charges 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 2.7 per cent for 2025/26 to help keep charges affordable.

89. Tenants should be consulted where new or extended services are introduced where this will result in additional charges to tenants. The differences in charges between tenants in Bournemouth and Poole have not yet been aligned since the formation of BCP Homes but the consultation on the variation to the tenancy agreement to allow this to take place will shortly commence. It is therefore anticipated that the budget for 2026/27 will include a fundamental review of all service charges and plan for full alignment.
90. Service charges are in place for the provision of a sheltered housing service in Poole. The charges relate to the additional work to manage these schemes for example, looking after communal areas and health and safety inspections. This charge will increase by 2.5 per cent reflecting the national pay award increase.
91. A separate supporting people charge is in place in Poole for support for sheltered housing tenants to help them manage their tenancies and support well-being and independence. This charge is only applicable to those sheltered housing tenants in Poole who are not in receipt of housing benefit and universal credit. As this is difficult to ensure consistency and will not be considered as part of aligning service charges, it is proposed that from 2025/26 that it is removed. The loss of income is estimated to be £50,000.
92. Charges for guest rooms on sheltered schemes have been increased by 2.7 per cent in line with rents and then rounded up.
93. 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. After sharp increases in the cost of energy, prices had reduced, and it is proposed that there is no increase in the cost of communal heating.
94. Similarly, it is proposed that charges for communal electricity are not increased.
95. Charges for laundry, scooter storage and window cleaning will increase by CPI of 1.7 per cent.
96. 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.
97. Water and sewage charges in Bournemouth are based on actual usage.
98. 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.
99. Telephone and internet charges apply to one extra care scheme and vary according to usage. These will increase in line with costs.
100. A previously agreed service charge policy has been rolled out in Bournemouth since 2018. This policy introduced several new service charges and applied a cap that was due to expire March 2023. It was applied up to 2024/25. It is proposed that the cap will still be applied at £5.00 per week and reviewed during 2025/26 as service charges are reviewed as a whole.
101. The cap only applied to those service charges that were introduced from 2018. These include communal cleaning, gardening, bulk refuse removal and administration. These are all eligible for housing benefit and the housing element of universal credit.

## **Revenue Expenditure**

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

### Management and Maintenance

103. The financial climate has been very challenging over recent years because of the increase in inflation and rising cost of energy and materials.
104. 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 new legislation and regulation.
  - (e) Maintaining existing homes especially to any new Decent Homes standard.
  - (f) Providing new homes.

### Overheads

105. 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.
106. 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.

### Management of bad debts

107. One of the main areas of risk for the HRA going forward is arrears and the management of debt within the rent account.
108. 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.
109. 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.
110. The bad debt charge is to be maintained at £400,000.

### Depreciation

111. The HRA incurs an annual depreciation charge. This charge is an estimate of the decrease in value of the housing stock due to wear and tear and damage of the fabric of the stock. The charge is calculated using componentisation, whereby the stock is broken down into components (e.g. kitchen, bathroom, roofing etc).

The depreciation of each component is then calculated based on the expected life of the component to arrive at a total depreciation charge.

112. Historically, Poole and Bournemouth neighbourhoods had different approaches to componentisation. Poole broke down its stock into approximately 50 different components, compared to 7 components for Bournemouth. During the past year the approach to componentisation has been harmonised and Poole now uses the same approach as Bournemouth. The reduction in the number of components used by Poole has resulted in a higher depreciation charge.

113. The depreciation budget is set at £15.3 million.

#### Reserves

114. 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. The HRA reserve is forecast to be £6.4 million at the end of 2024/25 increasing to £8.6 million by the end of 2025/26. This is above the recommended minimum of 5 per cent of total 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.

#### Capital financing

115. The budget to support interest paid on HRA debt will rise in future years as external borrowing is required. For 2025/26 the HRA will require £10.1 million of external borrowing to fund its capital programme.
116. 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**

#### Major Capital Works Expenditure

117. Major capital works expenditure is forecast to be £43 million for 2025/26. Details are set out within the capital expenditure in appendix 4. The programme includes new capital housing schemes that have already been approved or that are progressing through the approval process in accordance with the council's financial regulations and governance framework, for example Hawkwood Road. The Constitution Hill and Oakdale schemes show the approved budgets so far, further detailed business cases will be presented in due course for these schemes. There are further projects under consideration which will be brought with a full business case when the remodelled HRA business plan can demonstrate affordability.
118. Appendix 4 sets out the total scheme budget approval. 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.

119. 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 may also be acquired. These can be via buy back of RTB properties or where other housing providers are looking to dispose of suitable stock, but these are often unaffordable once improvement work required is factored in. 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.
120. 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.
121. There are ongoing 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.
122. 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.
123. Feasibility works required to work up scheme plans, employing architects, consultants and instructing desktop and site surveys. These costs are no longer included in the capital programme and are now a revenue costs accounted for in the expenditure within Appendix 3.
124. The Acquire & Repair budgets has been reduced but remains to allow for purchasing pre-built homes into the HRA where required.

#### Planned Maintenance Programme

125. 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.
126. 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.
127. 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.
128. 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.

129. The planned maintenance programme is proposed at £17.2 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.

### **Consultation**

130. There is no legal obligation to consult on the annual rent changes. The rent changes noted in this report for 2025/26 are set by government policy. The proposals for increases to rents and service charges have been considered by involved residents.
131. The Portfolio Holder for Housing and Regulatory Services has been consulted.

### **Options Appraisal**

132. 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.
133. 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.
134. Any decision not to increase charges would have an impact on the ability of the HRA to meet its objectives, wider corporate strategic objectives and new legislation and regulation.

### **Summary of financial implications**

135. The proposals with the report will enable the council to maintain its housing stock and to continue to provide services to residents. Proposed rent increases are in line with government policies and the additional income that is generated will support longer term financial planning thorough the 30-year business plan.
136. 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.
137. Failure to increase income to ensure investment in the council's housing stock would have long term implications on the financial health of the HRA.

### **Summary of legal implications**

138. 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.
139. 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 is forecast to maintain reserves of £6.4 million at the end

of 2024/25 which is above the minimum level of 5 per cent of expenditure. The surplus is expected to rise to £8.5 million at the end of 2025/26.

140. 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**

141. The recruitment requirements to enable new and regulatory requirements to be met have not yet been identified. The HRA has provided some additional temporary resource to support any recruitment and restructuring that will take place.

### **Summary of sustainability impact**

142. 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.
143. Ensuring income for the HRA will support efforts to increase the energy efficiency of homes and to contribute to the reduction of carbon emissions, however this is challenging. The proposals within the report support the long-term improvement in the energy efficiency of the housing stock.

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

144. 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.
145. 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.
146. 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**

147. 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.
148. Those residents on low incomes will be eligible for help with rent through housing benefit and universal credit. Rents charged are also lower than in the private sector and are below the local housing allowance rates.

149. Most service charges other than those for personal heating, hot water and water are eligible for housing benefit and universal credit.
150. Benefits will increase by 1.7 per cent from April 2025 while the state pension will increase by 4.1 per cent.
151. Support is available for residents to help them to maximise their income and to signpost to other organisations that can offer support.
152. Proposed revenue budgets for 2025/26 onwards will not impact on front line service provision, and the level of 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.
153. Older and disabled residents will be positively affected by investment in dwelling insulation, energy efficiency to help reduce charges for heating and other utilities.
154. 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.
155. 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.
156. 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**

157. 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.
158. Future rent increases and decreases are based on a national rent setting policy although this does allow for some flexibilities in the level of rent charged to incoming new tenants.
159. The following considerations must be made:
  - (a) There have been changes over the years to the national rent setting policy as previously set out by the government that have resulted in a long-term reduction in income to the HRA. The current rent policy settlement of CPI + 1% has been in place since 2015/16 but policy changes have meant rent reductions for four of those years and a subsequent cap applied in one other year. There has been uncertainty over the years and a new rent settlement from 2026/27 is being consulted on.
  - (b) The HRA will be committed in the first instance to the servicing of new and existing debt. 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.

- (c) 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.
- (d) 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 will lead to increased costs.
- (e) 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 particularly in relation to more energy efficient homes and reducing carbon emissions.
- (f) The costs associated with carbon reduction and meeting the requirements of the new decent homes' standard are significant.

160. The recommendations presented here assures compliance with the national rent setting policy and the key principles have been approved by the Ministry of Housing, Communities and Local Government. 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.

## **Background papers**

None

## **Appendices**

- 1: The Rent Increase Effect on Residents
- 2: Service Charges for 2025-26
- 3: Income and Expenditure Account for 2025-26
- 4. Major Project Capital Expenditure
- 5: Capital Expenditure – Planned Maintenance for 2025-26.
- 6: HRA Balances for 2025-26.
- 7. Consultation response on national rent setting policy.