

CABINET



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| Report subject | Housing Revenue Account (HRA) budget setting 2026-27 |
| Meeting date | 4 February 2026 |
| 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>This report 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.</p> <p>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>It is RECOMMENDED that Cabinet recommends that Council agrees:</p> <p class="list-item-l1">(a) The revenue budget for 2026/27 and provisionally for 2027/28 to 2028/29 are set using the following principles:</p> <p class="list-item-l2">(i) That dwelling rents are increased by 4.8 per cent (Consumer Price Index for September 2025 + 1 per cent) from 6 April 2026 in line with the Ministry of Housing, Communities and Local Government Policy statement on rents for social housing.</p> <p class="list-item-l2">(ii) That garage, garage bases and parking plot rental charges are increased by 4.8 percent from 6 April 2026 and 11 per cent in parts of Poole so that charges continue to align.</p> <p class="list-item-l2">(iii) That leasehold services are charged to leaseholders in line with actual costs incurred.</p> <p class="list-item-l2">(iv) That shared ownership dwelling rents are increased in line with lease terms.</p> |

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| | <p>(v) That the changes to service charges are agreed as set out in appendix 2.</p> <p>(vi) That HRA reserves are set at £4.8 million.</p> <p>(b) That the Income and Expenditure budget for 2026/7 and provisionally for 2027/28 to 2028/29 as set out in Appendix 3 is agreed.</p> <p>(c) That capital budgets for 2026/27 and provisionally for 2027/28 to 2028/29 are set using the following principles.</p> <p>(i) That the major project capital programme as set out in Appendix 4 is noted.</p> <p>(ii) That £0.5 million for the acquisition of individual properties (Acquire and Repair) and other annual capital budgets are agreed.</p> <p>(iii) That the planned maintenance programme as set out in Appendix 5 is agreed.</p> |
| Reason for recommendations | HRA rents and other charges 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 |

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 2026/27 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 2025, comprised 9,606 rented properties 1,163 leasehold properties and 39 low-cost home ownership properties. These are expected to generate an annual income of £57 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 Public Protection 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 2026, the reserve is forecast to be £8.3 million decreasing to £4.8 million by 31 March 2027.
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 2026/27 and the next two years, there is also a requirement for the council to look at long-term viability of the HRA through a 30-year Business Plan. This has been re-modelled and was presented to Cabinet on the 26 November 2025. It was approved by Council on the 9 December 2025.
12. The HRA budget for 2026/27 is based on the estimates and assumptions set out within the Business Plan. The plan will be updated as and when new information becomes available that impacts these.

National context

13. Previous budget reports have set out the changes to national policy and external factors that have had an impact on costs within the HRA and the way in which council homes are managed and maintained. These include:
 - New building safety property compliance regulations
 - Improved consumer regulation and complaint handling
 - National rent setting policy
 - Decarbonisation of council homes
 - Decent Homes Standard
 - Damp and Mould
 - Inflation
- Building safety and property compliance regulations
 14. Whilst 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. There was however no routine reporting to external bodies on performance in fulfilling these requirements or demonstrating assurance that these were being met.
 15. Like other registered providers of social housing the council is now required to report on building safety performance annually to the Regulator of Social Housing through the Tenant Satisfaction Measures (TSM's). It is also expected that councillors are provided with information to ensure that they have oversight and assurance that regulatory and legal requirements in relation to building safety and property compliance are being met.
 16. There is also an increased awareness that there are other areas of property compliance where it is also necessary to provide assurance that regulatory and legal requirements are being met, for example window safety, damp and mould and management of trees. This requires additional resources such as staff, equipment, development of new processes and recording and reporting systems. Additional budgets were set out in the HRA budget report for 2025/26 for staff and the implementation of a new housing management system.
 17. The requirements of the Building Safety Act 2022 requires the council to develop building safety cases for its six-high rise residential buildings and provide these to the Building Safety Regulator when asked to do so in order to receive a building safety certificate.
 18. 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. An additional housing officer is to be appointed to support this work.
 19. 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.

20. 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.
21. 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

22. The Regulator of Social Housing (Regulator) has been provided with powers to ensure compliance by social landlords with the regulatory consumer standards.
[Regulatory standards for landlords - GOV.UK](#)
23. The [BCP Homes Tenant Satisfaction Measures and Housing Regulatory Compliance Update](#) to Cabinet on the 16 July provided details of the council's performance against the TSM's and set out how it is regulated to ensure compliance with the consumer standards that include safety and quality of homes and engagement with tenants.

24. The Housing Ombudsman has greater powers to ensure that landlords respond to and handle complaints effectively and adhere to its complaint handling code.

National rent setting policy

25. 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.
26. 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 and this is something that Cabinet and Council have approved in the past.
27. The majority of new homes are let at social rents as set out above. As at the 31 March 2025 the council also had 375 homes let at an affordable rent. These are rents that must not exceed 80 per cent of the gross market rent (inclusive of service charge) that would be reasonably expected in the private rented sector. Normally the council sets these rents at a level that is also below local housing allowance rates, the maximum amount to which housing benefit or the housing element of universal credit is paid. Although set differently, increase to affordable rents are subject to the same national rent setting policy as social rents.
28. 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.
29. In the government's Spending Review 2025 it announced a new 10-year social housing rent settlement from the 1 April 2026 of the consumer Price Index (CPI) + 1

per cent. This creates greater long-term certainty in investing in existing homes and the provision of new homes.

30. As set out above social rents are based on formula rents, but many remain below this. In 2015, the government removed the ability to converge rents charged to tenants towards formula rents, but it is expected to set out its decision on whether rent convergence will be re-introduced. This would provide landlords with the ability to increase rents by an additional amount each year until they reach the formula rent.
31. Amongst the assumptions within the HRA 30-year Business Plan is that rent convergence will allow an additional £1 per week rent increase in addition to CPI + 1 per cent.
32. National rent setting policy also allows landlords some flexibility to set rents at up to 5 per cent above the formula rent (10 per cent for supported housing) for certain properties subject to a clear rationale and consultation with tenants. There is no assumption within the business plan regarding rent flexibility, but this position can be reviewed.

Decarbonisation of council homes

33. 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.
34. To ensure that all council homes meet EPC C by the end of 2029/30, £2.3 million will be invested in capital works for the next four years as set out in the asset investment plan presented to Cabinet on the 26 November 2025. The plan was approved by Council on the 9 December.
35. From 2030/31 onwards a further £2.8 million will be invested each year in continuing to reduce carbon emissions. As set out in the 30-year Business Plan, BCP Homes will develop a comprehensive strategy to assess and prepare for achieving net zero carbon emissions by 2050. This strategy will ensure that it remains aligned with both national and local climate objectives, setting a clear pathway for future compliance and environmental stewardship. All decisions and proposals will be presented to Cabinet for consideration and approval.

Decent Homes Standard

36. 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.

37. 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.

38. Undertaking stock conditions survey of all council homes informs the planned maintenance requirements to ensure that they remain fit for purpose, that they remain decent and that any hazards such as damp and mould are identified. An accelerated programme of stock condition surveys has been undertaken, and this has contributed to a very high volume of repairs being identified.

Inflation

39. 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

40. The budget for additional staff to support meeting the council's legal and regulatory responsibilities has been agreed in previous HRA budget reports.

41. The 30-year Business Plan sets out the HRA will manage the impact of these challenges ensuring the long-term sustainability of council housing.

Local context

General fund

42. The HRA does not face the same challenges as the council's General Fund, but it does rely on services provided by the wider council for which it pays for through re-charges.

43. However, service efficiencies and reductions within the General Fund can have an impact on services to council tenants impacting on BCP Home's ability to meet legal and regulatory requirements. Discussions between different services take place to minimise the impact and the HRA has recently supported the retention of play areas where this benefits its tenants and leaseholders.

Housing Management system

44. 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.

45. Some areas have been aligned to a single system, for example repairs and complaint handling, and a new housing management system has now been successfully procured through an exiting supplier, NEC. Implementation is underway and all services will be off legacy systems by December 2026. New modules will be put in place during 2027.

46. The new system offers the option for more efficient services through on-line services and mobile working.

Regulator of Social Housing Inspection

47. On the 5 August 2025 the Regulator contacted the council's Chief Executive to provide notification of an inspection of the council's landlord service, BCP Homes.
48. The inspection process took place between August and December 2025 working to the following scope set out by the Regulator:
 - Stock quality, decency, repairs & maintenance, and adaptations
 - Health and safety
 - Local co-operation and anti-social behaviour
 - Tenancy
 - Fairness and respect
 - Meeting diverse needs
 - Engagement with tenants
 - Service and performance information
 - Complaints handling
49. The process has involved significant evidence submission, an onsite inspection and follow up discussions to provide assurance of the council's performance against the consumer standards. Onsite work included discussions with the council's new Chief Executive and Directors, the Leader of the council, Portfolio Holder for Housing and Regulatory Services, senior management team from BCP Homes and residents.
50. Upon completion of the onsite work, the Regulator provided some initial very positive feedback. This included:
 - Impressive approach and facilitation
 - Quality of Cabinet and Advisory Board reports
 - Co-regulatory and transparent approach was evident
 - Strong leadership and improvement culture
 - Strong self-awareness of what needed to be done
 - Recognition of the BCP Homes journey – which demonstrates strong performance in alignment and a risk-based approach.
 - The early emphasis on safety and quality of homes was right.
 - Increasing stock condition data within 5 years is important and needs to remain a priority
 - Tenant profile data also a priority to improve
 - Resident engagement and delivery of the newly agreed strategy also a priority
 - Collaborative and positive culture very clear.
51. The Regulatory judgement and grading will be published on the 28 January 2026.

BCP Council's Corporate Strategy

52. 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.
53. 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.
 - (i) Reduction in carbon emissions.
 - (j) Pro-active apprenticeship programme through the inhouse Property Maintenance team.
 - (k) Key role in delivery of homeless solutions and meeting housing need.

HRA Strategic Objectives

54. Following the completion of the 30-Year Business Plan, the Asset Management Plan, and the recent inspection process, BCP Homes is now embarking on the development of a new 5-Year Strategic Plan. This plan will provide an opportunity to review and refresh our strategic objectives, ensuring they remain relevant and responsive to the evolving needs of our residents and the wider community.
55. The new plan will focus on the key priorities identified through our long-term planning and recent regulatory engagement. It will be co-developed in partnership with our Advisory Board, residents, and key stakeholders, ensuring that a broad range of perspectives and experiences inform our direction. This collaborative approach will help us to set clear, actionable priorities and to maintain our commitment to transparency and resident-led service improvement.
56. The 5-Year Strategic Plan is scheduled to be reported to Cabinet in 2026, providing a clear roadmap for BCP Homes as we continue to deliver safe, high-quality, and sustainable homes across Bournemouth, Christchurch, and Poole.

57. It is essential that the new 5-Year Strategic Plan for BCP Homes is closely aligned with the principles and priorities established in the Corporate Strategy, Housing Strategy and 30-Year Business Plan, as well as the annual and medium-term Housing Revenue Account (HRA) budgets. This alignment will ensure that our strategic objectives remain both ambitious and achievable, underpinned by robust financial planning and long-term sustainability.
58. A key consideration in developing the new plan will be to maintain coherence between our long-term vision and the practical realities of annual budget cycles and medium-term financial forecasts. By integrating these elements, we can confidently set priorities that are both forward-looking and grounded in sound fiscal management.
59. The HRA is currently in a relatively healthy financial position, with reserves forecast to exceed the recommended minimum and a strong foundation for future investment. Cabinet can be assured that this stability provides the opportunity to build an ambitious strategy for BCP Homes, supporting the delivery of high-quality, sustainable homes and services for our residents.
60. The strategic objectives for the HRA remain as follows:
 - (a) Deliver strong financial management of the HRA through the 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 homes are 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) Ensure compliance with regulatory consumer standards to deliver the required outcomes for tenants.

Budget setting

61. The approach to HRA budget setting focusses on three key areas and the following sections of this report take each of these 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

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

63. 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.
64. CPI in September 2025 was 3.8 per cent which allows a rent increase of up to 4.8 per cent from April 2026. This will apply to both social and affordable rents.
65. 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.
66. 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.
67. 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. During 2024/25, 24 RTB sales were completed and 40 to date during 2025/26. Because of the reduction in the discount available the number of new applications has fallen which will result in fewer RTB sales in the future.
68. 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
69. For 2026/27 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.
70. 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 2026/27. However, there are inherent uncertainties around timescales for new build schemes, but an estimate has been accounted for.
71. 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. Garages with potential redevelopment will remain in the HRA alongside garage plots and bases.
72. Rents for garages, bases and plots will increase by 4.8 per cent. This will increase the income received and support the ongoing maintenance of these sites. An additional increase 11 per cent will be made to garages in Poole that are not located within the town centre. This will help with the alignment of charges between across the garage stock.
73. 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.

Service Charges

74. 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.
75. Costs are estimated for 2026/27 with leaseholders receiving details of actual costs at a later date when refunds or additional charges are made.
76. Part of the service charge for leaseholders includes the council's management costs. This covers a wide range of functions such invoicing and collecting ground rent, apportioning costs, producing statements and dealing with leaseholder queries.
77. 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.
78. 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 4.8 per cent for 2026/27 to help keep charges affordable.
79. Some work has already been undertaken to align service charges between Bournemouth and Poole which will support the assumptions for increased recovery of costs as set out in the HRA 30-year Business Plan. External advice has also been obtained to help inform decisions on charges to tenants and work has been undertaken towards aligning the calculation of charges. Tenancy agreements for all new tenants have been aligned to help this work, and all existing tenants will have their tenancies varied in early 2026.
80. The service charges for 2026/27 are set out within appendix 2. Any proposals for changes to be made to service charges will require consultation with tenants. Approval of charges is delegated to the Chief Executive, Directors and Officers but to ensure that councillors have oversight in line with regulatory requirements any proposal will be presented to Cabinet. It is anticipated that the review of the charges made will be completed by mid-2026.
81. A service charge cap of £5.00 applied to new charges introduced in Bournemouth several years ago remains in place and it is recommended that this remains in place until charges are fully aligned.
82. Most service charges are eligible for housing benefit or the housing element of Universal Credit.

Revenue Expenditure

83. The HRA manages expenditure that covers delivery of the general housing management function as well as overhead and capital financing charges. This is set out within appendix 3.

Management and Maintenance

84. The financial climate has been very challenging over recent years because of the increase in inflation and rising cost of energy and materials.

85. There are challenges in relation to revenue expenditure:

- (a) Ensuring the effective management of tenancies where tenants have complex support needs.
- (b) Providing safe homes that meet legislative and legal requirements including those introduced through the Building Safety Act 2022 and Awaabs Law.
- (c) Delivering against the expectations and requirements of new legislation and regulatory requirements.

86. During 2025/26 the in-house repairs team undertook more repairs than budgeted for. Despite the average cost of a repair carried out by the Property Maintenance team being lower than budgeted. The volume of repairs that had to be referred to third party contractors was also higher than budgeted, contributing to an overall overspend.

87. The accelerated programme of stock condition surveys being undertaken contributed to the high volume of repairs, as has the work being undertaken to address damp and mould issues. The budget for repairs and maintenance has been increased for 2026/27.

Overheads

88. 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.

89. 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

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

91. One key current risk is Universal Credit (UC) with approximately 50 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.

92. 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.

93. The bad debt charge is to be increased to £500,000.

Depreciation

94. 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).

95. The depreciation budget is set at £16 million.

Reserves

96. 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 £8.3 million at the end of 2025/26 decreasing to £4.8 million by the end of 2026/27. 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

97. The budget to support interest paid on HRA debt will rise in future years as external borrowing is required. For 2026/27 the HRA will require £4.7 million of external borrowing to fund its capital programme.

98. Any surplus generated by the HRA will be used to fund capital expenditure or the provision of new homes. Projections show surpluses maintained 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

99. Major capital works expenditure is forecast to be £43 million for 2026/27. 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. The HRA 30-year Business Plan provides the assurance that new housing schemes are affordable.

100. 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.

101. 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.

102. 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.
103. 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.
104. 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.
105. 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.
106. The Acquire & Repair budget has been reduced but remains to allow for purchasing pre-built homes into the HRA where required.

Planned Maintenance Programme

107. 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 and is informed by the Asset Management Plan.
108. 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.
109. 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.
110. 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.

111. The planned maintenance programme is proposed at £25 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

112. There is no legal obligation to consult on the annual rent charges. The rent charges noted in this report for 2026/27 are set by government policy. The proposals for increases to rents and service charges have been considered by involved residents.
113. The Portfolio Holder for Housing and Regulatory Services and the BCP Homes Advisory Board have been consulted.

Options Appraisal

114. 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.
115. The proposals also support the council's wider strategic objectives and demonstrate the importance of HRA activities in helping to meet these while supporting residents.
116. Any decision not to increase charges would have an impact on the ability of the HRA to meet its objectives as set out in the 30-year Business Plan, wider corporate strategic objectives and new legislation and regulation.

Summary of financial implications

117. 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.
118. 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.
119. 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

120. 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.
121. 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 £8.3 million at the end of 2025/26 which

is above the minimum level of 5 per cent of expenditure. The surplus is expected to fall to £4.8 million at the end of 2026/27.

122. 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

123. There are no human resource implications from this report. Previous reports have increased the budget available to ensure compliance with the significant changes in legal and regulatory requirements.

Summary of sustainability impact

124. HRA properties continue to benefit from photovoltaic (solar panels) reducing carbon emissions across the area. 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 also given to methods of building construction for new homes which would benefit tenants and the local area.
125. 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

126. 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.
127. The council is expected to provide homes for residents that are safe, warm and free from hazards, particularly damp and mould. 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.
128. 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

129. 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.
130. 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.

131. Most service charges other than those for personal heating, hot water and water are eligible for housing benefit and universal credit.
132. Most benefits will increase by 3.8 per cent from April 2026 while the state pension will increase by 4.8 per cent. Universal Credit standard allowances are increased by 6 per cent and the two-child limit for claimants will be removed so that families can receive the child element for all children.
133. Support is available for residents to help them to maximise their income and to signpost to other organisations that can also offer support.
134. Proposed revenue budgets for 2026/27 onwards will not impact on front line service provision. 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.
135. Older and disabled residents will be positively affected by investment in dwelling insulation, energy efficiency to help reduce charges for heating and other utilities.
136. 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.
137. 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.
138. 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

139. 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.
140. 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.
141. 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 new rent policy settlement of CPI + 1% for 10 years from 2026/27 provides additional confidence and assurance regarding income.

- (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, has significantly reduce rent income levels and increased the level of rent arrears 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 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) Increased requirements following the introduction of a revised Decent Homes standard.

142. 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 2026-27
3. Income and Expenditure Account for 2026-27
4. Major Project Capital Expenditure
5. Capital Expenditure – Planned Maintenance for 2026-27.
6. HRA Balances for 2026-27.