

Shadow Authority

Bournemouth, Christchurch and Poole Shadow Executive Committee

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Report Subject	Housing Revenue Account (HRA) Budget Setting 2019/20
Meeting date	12 February 2018
Report Author	Caroline Wayne, Claire Oaten, Marta Zuk and Lorraine Mealings
Status	Public
Classification	For decision
Key Decision	Report to Shadow Executive Committee and Shadow Authority
Executive summary	<p>The (Housing Revenue Account) HRA is a separate account within the Council that ring-fences the income and expenditure associated with the Council's housing stock. The HRA does not therefore directly impact on the Council's wider General Fund budget setting or on the level of Council Tax. This report sets out the proposed HRA budget and notes the key principles on which it is based.</p> <p>The Bournemouth housing stock comprises 5,100 tenanted and 529 leasehold properties (as at 1 April 2018) with a rent roll of £22.1m in 2019/20. The Poole housing stock comprises 4,517 tenanted and 584 leasehold properties, with a rent roll of £19.9m. Christchurch Borough Council no longer owns any housing stock.</p> <p>The purpose of this report is to request Members' consideration of the principles to be applied in the setting of the HRA budget for 2019/20. This budget report covers the</p>

	<p>Bournemouth and Poole HRA's which combine to become a single HRA on 1 April 2019. The new Council can only operate one HRA.</p> <p>However, after discussions with the Ministry of Housing, Communities and Local Government (MHCLG), it is confirmed that two separate Neighbourhood accounts can be maintained within this single HRA as Poole Housing Partnership (PHP) continue to manage the Poole Neighbourhood stock on behalf of the Bournemouth, Christchurch and Poole Council (BCP). Alongside this, the Bournemouth stock will continue to be directly managed in-house.</p> <p>PHP operates as an Arm's Length Management Organisation (ALMO) in line with a Management Agreement with the Borough of Poole. This Management Agreement will novate across to the new Council. The Bournemouth housing stock is directly managed within the senior management structure of the Council. These arrangements will continue as we move into BCP.</p> <p>It would be unrealistic to accurately merge the two Neighbourhood accounts into one HRA for day one. Also, combined accounts would remove the ability to differentiate between the inevitably different services which have been developed in the two areas over many years. These differences will continue through into BCP.</p> <p>This report includes consideration of specific elements that will affect the level of rent charged to tenants (including garage rents), the PHP Management and Maintenance Fee and the HRA capital programmes for each of the two Neighbourhoods for 2019/20 through to 2021/22.</p> <p>A number of recommendations are presented for consideration in relation to revenue income and expenditure, as well as capital expenditure.</p>
<p>Recommendations</p>	<p>That the Shadow Executive Committee recommend to the Shadow Authority to:-</p> <p>Note the set of objectives proposed for the HRA operating in both Bournemouth and Poole and confirm that these are agreed for 2019/20 as follows: -</p> <ol style="list-style-type: none"> 1. Deliver strong financial management of the HRA which maximises the ability to collect income, gain efficiencies

and service outstanding debt

2. Ensure HRA stock is adequately and efficiently maintained
3. Focus on the delivery of strong and sustainable communities through effective housing management services
4. Maximise funding opportunities to deliver more affordable housing

Note these objectives apply equally to both the Bournemouth and Poole Neighbourhood accounts and are broadly stated in order of priority. As a landlord, it is important that debt is serviced in the first instance, followed by ensuring the effective and efficient maintenance and management of the properties. Surpluses and borrowing will then be maximised to bring forward additional affordable housing.

That the Shadow Executive Committee recommend to the Shadow Authority to approve:-

1. *The budget for dwelling rents is reduced by 1% in line with the national July 2015 Budget statement for the coming year 2019/20 and is adjusted to reflect new rental charges for acquisitions and new builds and the impact of Right to Buy (RTB) sales. The rent policy will then change to CPI plus 1% from 2020/21 in line with changing national policy.*
2. *Voided continue to be budgeted at 1% of dwelling rents for both Bournemouth and Poole Neighbourhoods.*
3. *The budget for garage rental charges is increased by RPI which for September 2018 was 3.3% across both the Bournemouth and Poole Neighbourhoods.*
4. *The Poole Neighbourhood leasehold service charges are increased/ decreased by the following:*
 - *0% increase for management charges*
 - *10% decrease for utility costs*
 - *0% increase for insurance costs*
5. *The Bournemouth Neighbourhood leasehold services are charged to leaseholders in line with actual costs incurred.*
6. *Poole Neighbourhood tenant service charges are increased / decreased by the following:*

- 1% increase for caretaker charges
- 1.5% increase for utility charges

7. *The existing tenant service charges applied to the Bournemouth independent senior living schemes relating to laundry, scooter charging and window cleaning will be increased next financial year by 3.3% as per RPI as at September 2018.*
8. *The approved Bournemouth new Tenant Service Charge Policy going live in 2018/19 will continue to be rolled out as approved with no additional increase applied for 2019/20.*
9. *The PHP management fee paid from the HRA is reduced by £199k to reflect savings identified within the cost review and increased by £44k to reflect the part year impact of the Canford Heath Road development.*
10. *The bad debt provision is held at 2018/19 levels for both areas - £188k for the Bournemouth Neighbourhood and £197k for the Poole Neighbourhood.*
11. *The depreciation budget for the Bournemouth Neighbourhood is increased by £289k to reflect increased stock value. The depreciation budget for the Poole Neighbourhood is increased by £178k to reflect expected costs to be met in 2019/20 from the aging stock and the part year impact of Canford Heath.*
12. *In order to more accurately reflect the cash flows around identified projects, funding totalling £3,647k is carried forward from the 2018/19 Poole Neighbourhood capital programme and that funding totalling £4,060k is carried forward from the 2018/19 Bournemouth Neighbourhood capital programme.*
13. *To agree the proposed Poole and Bournemouth Neighbourhood maintenance programmes as set out in Appendices D and J.*
14. *The 2019/20 Bournemouth and Poole Neighbourhoods major capital programme are agreed as set out in D and K.*
15. *To bring forward plans during 2019/20 for additional borrowing following the government's announcements on lifting the HRA debt cap in their 2018 budget.*
16. *That the PHP delivery plan as set out in appendix M is*

	<i>approved.</i>
Reason for Recommendations	HRA rents and other charges along with the HRA Capital Programme are subject to review and require Shadow Executive and Shadow Authority approval in order for rents and charges to be levied.

Background detail

1. Each year social landlords must set rent levels and budgets for the forthcoming financial year and provide each individual tenant with statutory notice of any proposed rent change. This report sets out the proposals regarding the rents, service charges and other charges to tenants and the expenditure plans for the 2019/20 rent year.
2. 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 housing stock. The account is separate from the wider General Fund budget which is funded by a variety of income flows, including council tax.
3. 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. For Poole this has been determined as a minimum of £0.58m and for Bournemouth £1m, therefore the BCP HRA minimum reserve balance will be £1.58m.
4. On 29th October 2018 the Government revoked the indebtedness limits that were introduced for HRA's in December 2010 by the Localism Bill under self-financing determinations, by lifting the HRA borrowing cap. This means the BCP HRA will not be subject to a limit on borrowing, however, borrowing must conform to the Prudential Code which requires that borrowing be affordable and prudential. Total borrowing within the BCP HRA is forecast to be £57.1m (Bournemouth) and £82.8m (Poole) giving £139.9m (BCP) as at the 31 March 2019.
5. Borrowing requirements are supported by the 30-year business plans for each of the Neighbourhood accounts within the BCP HRA. These make assumptions regarding the level of income available based on the rental income streams and the key risks facing housing delivery services within this timeframe. Areas of risk include the management and timing of debt usage and the delivery of housing related functions. It should also be noted that there are a number of changes being implemented either within the sector or across other areas of public finance that will have an impact on the delivery of services within the HRA; these include the impact of welfare reform changes, increased homelessness levels, austerity measures across other areas of public funding, along with Local Government Reorganisation plans.

6. The delivery of new affordable homes and ensuring current stock meets local requirements is a key priority for councils. Within both Neighbourhoods work continues on re-designation of stock from Sheltered to General Needs to ensure properties meet future needs in terms of those households on the Council's Housing Register.
7. It is vital that the Council's HRA housing stock continues to meet the wider strategic needs of the Council. As such, a greater proportion of vulnerable tenants with complex needs are being accommodated within the stock, as part of the solution to address homelessness and wider housing need. The HRA housing stock continues to be effectively managed and maintained.
8. Following the Grenfell Fire tragedy in June 2017 a full review of fire safety issues has been undertaken in Bournemouth and Poole and regular monitoring arrangements are in place to ensure that current safe practices remain under constant review.
9. PHP has taken the decision to replace cladding at Sterte Court with a non-combustible cladding and will also be installing sprinkler systems within Poole's 6 tower blocks. A national issue relating to fire doors was identified as part of the Grenfell enquiry as some of the national fire door products had failed to provide 30 minutes of smoke and fire protection. Actions are in place to mitigate any risks relating to doors in both Bournemouth and Poole and door replacement programmes are underway.
10. The strategic objectives for the BCP HRA operating in both Bournemouth and Poole are as follows: -
 1. Deliver strong financial management of the HRA which maximises the ability to collect income, gain efficiencies and service outstanding debt
 2. Ensure HRA stock is adequately and efficiently maintained
 3. Focus on the delivery of strong and sustainable communities through effective housing management services
 4. Maximise funding opportunities to deliver more affordable housing
11. The approach to HRA budget setting has focused on three key areas for 2019/20 and the following sections of the report take each of these areas in turn;
 - Revenue income expected to be achieved and proposals around rent and service charge levels
 - Revenue expenditure plans that reflect local priorities and service delivery patterns, including revenue contributions to capital
 - Capital expenditure plans that will deliver essential maintenance to the stock as well as ensuring the Decent Homes Standard is maintained and support the affordable homes new build programme

12. Appendix A gives more detailed information relating to the Poole Neighbourhood capital spend for 2019/20 – 2021/22.
13. Financial summaries are provided in Appendix B – F for Poole Neighbourhood and G-L for Bournemouth Neighbourhood.
14. The PHP Delivery plan is provided in Appendix M

REVENUE INCOME

15. The HRA receives income primarily from rents paid by tenants and from service charges levied.

Tenant Dwelling Rents

16. The rent to be charged to tenants is governed by the National Rent Policy and must be followed by all social landlords in order to be free from challenge from residents and to secure eligible Housing Benefit relief. This national policy sets the level by which tenant rents should be uplifted each year and in 2014/15 a national consultation set the following formula; an increase by the Consumer Price Index (CPI) as at September plus 1%.
17. The rent formula was superseded by an announcement in the July 2015 Budget Statement that all social rents would decrease by 1% each year for the lifetime of this current Parliament (until 2020). The rent increases will then resume from 2020 and the use of the previous formula has been confirmed.
18. This change in approach has had a significant impact on the level of income that will be available to the HRA over the course of the 30-year business plan. Any income that is available after the costs of servicing the debt and managing and maintaining the stock is made available to the capital programme. It is this contribution to the capital programme that potentially may be greatly reduced due to the falling level of income. The approach to budget setting has therefore ensured that maximum value from all areas of expenditure is being achieved so the capital development programme can secure as many funds as possible. This will ensure the strategic priority of delivering more affordable housing can still be delivered from within HRA resources.
19. Rents are usually budgeted for 52 weeks of the year and rental charges are raised weekly on a Monday with 4 rent free weeks in the Poole Neighbourhood. In 2019/20 there are 53 Mondays and budgets therefore reflect 49 weeks of charge within Poole and 53 weeks in Bournemouth. This approach has been communicated to MHCLG. This approach creates a risk to residents claiming Universal Credit (U.C.) as legislation does not allow for 53 weeks and there is currently no resolution in place for this issue.
20. Other adjustments that will impact on the level of achievable dwelling rent income relate to the number of RTB properties expected to occur and the number of days properties are empty during a change of tenancy. With regards the RTB, it is assumed there will be 20 sales during the year from the Poole Neighbourhood

and 40 from Bournemouth and the part year income associated from these properties has been deducted from the income budget.

21. For 2018/19 it is assumed 1% of the Poole and Bournemouth Neighbourhood stocks will be void at any one time and therefore rent cannot be charged. This reduces the total income expected to be achieved by £197k for the Poole Neighbourhood and £220k for the Bournemouth Neighbourhood.
22. Acquisition and new build programmes increase the stock of affordable housing for the HRA. The Poole Neighbourhood account will reflect the additional income expected from the delivery of 64 units at Canford Heath Road as well as from 5 acquisitions budgeted annually.
23. The Bournemouth Neighbourhood has not increased its expectations around additional rental income for new builds. Despite a healthy pipeline of new developments coming through, no income expectations are made because of the inherent uncertainties around timescales for new build schemes.

Recommendation 1 –

Social dwelling rents be reduced by 1% in line with the July 2015 Budget Statement across both Neighbourhood accounts and reduced to reflect the impact of RTB sales. The rent budget for the Poole Neighbourhood will be increased to reflect the impact of new build and acquisition programmes.

Recommendation 2 –

Voids continue to be budgeted at 1% of dwelling rents across the Bournemouth and Poole Neighbourhoods.

Garage Rents and Service Charges

24. The Council can set its own charges for items that attract service charges but must review annually the costs that drive these charges as well as how that money can be utilised.
25. Garage rents cover income received from garages in Bournemouth and Poole that are situated on land currently owned within the HRA. The majority of garages in both Bournemouth and Poole were transferred from the HRA to the General Fund in 2018/19 and the remaining are those located on sites identified as potential for re-development. In Bournemouth, 129 garages remain in the HRA alongside a further 240 garage plots and bases for potential development sites. In Poole, 75 garages are situated on land currently owned within the HRA.
26. The current level of garage charges has been benchmarked against those charged by other landlords and these have been confirmed as broadly similar. It is therefore proposed to uplift for inflation (3.3%) across Bournemouth and Poole Neighbourhoods to reflect the ongoing rise in cost of managing the garages.

Recommendation 3 –

That garage rental charges are increased by 3.3% for the Bournemouth and Poole Neighbourhoods.

27. Other rents, within the Poole Neighbourhood, 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. The Bournemouth Neighbourhood does not receive any commercial rental income.
28. 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.
29. The cyclical and reactive maintenance income budgets for leaseholders reflect actual works undertaken and charged on a cost per case basis. These budgets in Poole reflect the works that have been undertaken on a year on year basis and it is recommended these are held at the current level.
30. Expenditure levels on the management costs for general leasehold management are expected to broadly remain the same as 2018/19 in line with actual expenditure.
31. Expenditure on utility costs for the Poole Neighbourhood for the communal areas, covering water, gas and electricity, are subject to a 4-Year price agreement which began in September 2016. However, usage has fallen within the leaseholder blocks (mostly general needs) and this has been reflected in the charges. For the Bournemouth Neighbourhood, a new utility contract commenced in October 2018 which has brought an increase in energy tariffs.

Recommendation 4 –

Leasehold service charges in Poole Neighbourhood are increased / decreased by the following:

- ***0% increase for management charges***
- ***10% decrease for utility costs***
- ***0 % increase for insurance costs***

Recommendation 5 -

Leasehold service charges in the Bournemouth Neighbourhood remain in line with actual cost incurred by the HRA.

32. Tenant service charges must mirror the charges incurred by the HRA in the same way as leasehold charges. For the Poole Neighbourhood the expenditure costs driven by staffing levels are expected to increase by 2% from April 2019 and this will affect the caretaker charges. However the overall impact is 1% as the charge is based on average cost over the last 4 years. The cost of delivering utility services has increased following increases in usage, largely within the sheltered sites. The utilities budget has been adjusted downward to reflect increased voids at Cynthia House and increased to reflect the cost of utilities at Canford Heath.

33. For the Bournemouth Neighbourhood, all pre-existing service charges will increase by 3.3% in line with RPI as at September 2018 and the new approved Service Charge Policy will be rolled out as previously agreed, with no increase applied for 1 April 2019.

Recommendation 6 –

Tenant service charges for the Poole Neighbourhood be increased / decreased by the following:

- ***1% increase for caretaker charges***
- ***1.5% increase for utility charges***

Recommendation 7 –

The pre-existing tenant service charges for the Bournemouth Neighbourhood be increased by 3.3%

Recommendation 8 –

For the Bournemouth Neighbourhood, the approved new tenant service charge policy going live in 2018/19 will continue to be rolled out as previously agreed with no increase applied for 1 April 2019

34. Arrangements relating to retained Photovoltaic (PV) solar panels and PV licencing costs remain unchanged.

REVENUE EXPENDITURE

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

Management and Maintenance

36. PHP delivers the management and maintenance service to the Council in relation to Poole Neighbourhood stock and this is funded through the annual management fee paid to PHP. It is recognised the current financial climate is challenging across the public sector and the reduction in rental charges to tenants will reduce the level of funds available to deliver all the priorities for housing support and delivery across Poole. However, the strategic aims of the HRA remain fit for purpose and they support the delivery of effective asset management via a long-term approach supported by the 30-year business plan.
37. PHP will continue to look at ways to ensure the underlying resources are delivering more for the same. During 2017/18 it delivered a fundamental cost review which looked at options for reducing costs across the management fee in line with Borough of Poole objectives. This cost review reduced the management fee by £300k in 2018/19 and reduces the budgeted management fee by a further £199k in 2019/20.
38. The BCP HRA remains committed to the delivery of additional affordable housing in order to meet identified housing need and support economic development through maintaining an effective local workforce. This can be achieved through maximising the revenue contribution to capital and bringing forward plans around

the use of HRA land to deliver this via the capital programme. It is therefore essential to demonstrate efficiencies across all areas of spend to maximise the funds available for capital developments.

39. The strategies across both Bournemouth and Poole are to ensure that costs are driven down, that these are benchmarked to test that value is being achieved and the organisation learns from the best to inform the decisions being made.
40. The Bournemouth housing stock is managed within the senior management structure of the Council and therefore does not have a management fee arrangement in place.

Recommendation 9 –

The PHP management fee is reduced by £199k to reflect the year 2 savings identified within the cost review and increased by £42k to reflect the part year impact of the Canford Heath Road development.

Overheads and Other Expenditure

41. The HRA holds general budgets that meet the cost of other service areas that support the overall delivery of the housing management function. These budgets have also been considered as part of the budget setting process.
42. The HRA picks up charges via “SeRCOP” recharges that identify costs held elsewhere in the Council but that relate to delivery of housing services. These include areas such as grounds maintenance provision, oversight of CCTV within buildings and corporate support costs. These need to be reflected in the HRA in order to ensure the full cost of delivering services to tenants is recognised. Such charges have to be fundamentally reviewed on a regular basis to ensure they remain up to date and appropriate.
43. The Bournemouth HRA prudently held a reserve of £4m to mitigate the impact of the anticipated government policy involving a proposed levy against vacant high value voids. During 2018 however, it was confirmed by Central Government that this policy for Councils to sell a proportion of their higher value stock in their HRA each year would not actually be implemented. As a result, this reserve will now be released into the new build reserve to fund additional, much needed, affordable housing through its well established Housing Development Team. The Poole Neighbourhood did not hold reserves in this way.

Capital Financing

44. One of the main areas of risk for the HRA going forward is arrears and the management of debt within the rent account. There is a specific risk around the ability to collect this debt as national welfare reform changes are rolled out. The spare room subsidy changes have now been in place for almost 6 years and work to manage under occupation is now business as usual.
45. One key current risk is Universal Credit (U.C.) which went live for Poole in October 2017 and for Bournemouth in November 2017. Evidence from other

areas, along with our experience so far, shows the level of arrears increases in the short to medium term following implementation.

46. Whilst the increase to date has not been too significant, arrears among tenants in receipt of U.C. has increased. As the roll out continues and the number of tenants on U.C. increases over time, it is expected arrears will continue to increase. The arrears have increased for many reasons. These include the often unpredictable U.C. payments made from the Department for Work and Pensions which are difficult to monitor, the inherent time delays in receiving U.C. payments because payments are made in arrears and the computer literacy required by tenants to manage their U.C. 'journal' claim with some having real difficulty in engaging. Both teams 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 U.C. claims.
47. As the level of arrears across all other residents continues to remain broadly consistent with previous years and because there was an overestimate of the bad debt provision set aside for welfare reform in previous years, the current level of bad debt provision of £197k for the Poole Neighbourhood and £188k for the Bournemouth Neighbourhood has been maintained at the same level for 2019/20.

Recommendation 10 –

The bad debt provision is held at 2018/19 levels for both areas - £197k for the Poole Neighbourhood and £188k for the Bournemouth Neighbourhood.

48. In the Poole Neighbourhood there has been a small reduction to the budget to support interest paid on HRA debt. This reflects both that interest rates remain historically low and the good treasury management by the Council achieved in this area. In the Bournemouth Neighbourhood, the budget remains the same as 2018/19.
49. The continued strong management of expenditure costs and the good level of income collection mean that for 2019/20 the revenue contribution to capital from the Poole Neighbourhood is budgeted at £4.3m which will be made available to the major repairs reserve. For Bournemouth, there is a £0.9m contribution to capital as well as the £10.3m already allocated to the new build reserve.
50. Under the self-financing regime the HRA holds a depreciation charge that recognises the cost of managing and maintaining the Council stock at the current level. This funding represents a revenue cost to the HRA that is then used to support the capital programme to deliver the required enhancements to the stock to keep it fit for purpose. Under these arrangements the Council is required to demonstrate the stock has been accounted for in line with IAS 16 and follows componentisation principles.
51. Depreciation to the Poole Neighbourhood housing stock has been calculated in line with componentisation principles. During 2017/18 a Component Accounting module was implemented in Poole as part of the new HMS system. This system gives more detailed depreciation figures which more accurately reflect the charge required to maintain stock and result in an increase to the depreciation charge of

£118k has been budgeted. An additional charge of £60k reflects the depreciation cost associated with the new Canford Heath Road development.

52. Depreciation to Bournemouth housing stock has been calculated in line with componentisation rule since 2013/14. The rule requires land and building elements to be valued separately and treated as separate assets. An asset is made up of the following components: land, substructure, superstructure, roof, internal finishes, fitting and services. All components except land attract depreciation. The depreciation on those components is calculated based on the expected life per component. The estimate for 2019/20 has an assumption of 4% increase to the value of components which resulted in an increase to the depreciation charge of £289k.

Recommendation 11 –

The depreciation budget for the Poole Neighbourhood is increased by £118k to reflect expected costs to be met in 2019/20 from the aging stock and by £60k to reflect the depreciation cost associated with the new Canford Heath development. The depreciation budget figure for Bournemouth is increased by £289k.

CAPITAL EXPENDITURE

53. Financial regulations now require capital schemes to be categorised into appropriate approvals categories. Within the appendices each scheme is categorised as Unconditional, Conditional or Requires Subsequent approval, as appropriate.

Maintenance Programme

54. The HRA capital programme aims to ensure first and foremost, that the current housing stock is fit for purpose and specific projects that will enhance the delivery of affordable housing across Poole are achieved. The Decent Homes target was achieved in December 2010 when the significant backlog works were completed, and all stock met the target. However, each year elements of this stock will need to be replaced or updated in order to keep all stock at the Decent Homes (and the Bournemouth and Poole) standard. The delivery of these enhancements is the first call on capital resources.
55. The 2018/19 capital programme was agreed at £16.969m for Poole and £20.695m for Bournemouth. 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. Capital budgets are carried forward when timing of cash flows becomes more accurate to predict.

Recommendation 12 -

Funding totalling £3.647m and £4.060m for Poole and Bournemouth respectively are carried forward from the 2018/19 capital programme to more accurately reflect the cash flows around identified projects

56. There are new areas of work that need to be delivered as part of the planned maintenance programme. Fire safety is a key area. Whilst an urgent review of activity was undertaken in response to Grenfell and no significant issues of concern locally were identified, fire safety remains a top priority across housing services and is regularly reviewed in order to help identify any improvements needed. No ACM cladding, as used in Grenfell, is in place on Council owned blocks in either Bournemouth or Poole.
57. A national issue relating to fire doors was identified as part of the subsequent Grenfell Enquiry because some of the fire doors in the block failed to provide 30 minutes of smoke and fire protection. Fire doors have been reviewed locally across both Bournemouth and Poole Neighbourhoods to ensure a safe current situation and budgets for the cost of replacing all fire doors in flats for integrated fire door sets have been allocated for coming years.
58. The general maintenance programme is proposed at £5.454m and other maintenance and projects proposed at £1.071m for Poole. The maintenance programme totals £7.350m in Bournemouth. A full breakdown of these programmes is included within appendices and these will deliver a programme of work that is safe and meets legislative and other priorities.

Recommendation 13 –

Agree the proposed maintenance programme as set out in the budget breakdowns presented in Appendices D and J

New Build and Major Projects

59. The HRA is committed to delivering additional affordable housing across both Bournemouth and Poole and ensuring the current HRA land is used as effectively as possible. Whilst the majority of activity is new build, the Bournemouth and Poole Neighbourhoods have also successfully acquired existing properties. These are usually via buy back of RTB properties but may be where other housing providers are looking to dispose of stock. Each new build scheme and purchase is subject to both financial and managerial due diligence to ensure they deliver value for money.
60. The new build and acquisition programme for Bournemouth totals £13.3m for 2019/20 including £10.3m from the new build reserve. The new build and acquisition programme for Poole totals £8.0m.
61. For Poole, during 2018/19 issues were identified with the fitting of cladding at Sterte Court, although it is important to note the cladding was not of the same nature as used on Grenfell. Rather than replace with a like for like product of limited combustibility the decision was taken to replace with a non-combustible cladding and at the same time retrofit sprinklers. Budgets have been allocated to address both issues with any remaining budget used for sprinkler works at the Old Town tower blocks.
62. The current financing of the HRA capital programme until the end of 2019/20 can be met from the major repairs reserves. This is funded from the annual

depreciation charge, as well as the revenue contribution to capital, and has meant the new build programmes have continued while other authorities have had to seek alternative funding streams. The continued utilisation of the right to buy receipts has also led to strong financial performance.

63. The ongoing ambitious new build plans and the requirement to make significant changes to the stock to more adequately meet needs and assist in the management of homelessness requires more funding. This funding can be achieved via borrowing additional resource. In the October 2018 budget, the Chancellor abolished the limit on HRA borrowing 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 across both Bournemouth and Poole to help further meet the needs of those on the Housing Registers.
64. Borrowing within the BCP HRA is forecast to be £139.9m at 31 March 2019.

Recommendation 14 –

The 2019/20 major capital programme is agreed as set out in Appendices A-L

Recommendation 15 –

To bring forward plans during 2019/20 to agree additional borrowing in line with the government announcements in the 2018 Budget

DELIVERY PLAN

65. The Management Agreement between the Borough of Poole and PHP sets out the requirement for an annual delivery plan to be agreed. The PHP Delivery Plan sets out the Key Deliverables for PHP which support the refreshed Housing Strategy 2017 to 2020. This has been developed by the Borough of Poole and will be adopted by the BCP Council.

Recommendation 16 –

To agree the delivery plan as set out in Appendix M

Consultation

66. There is no legal obligation to consult on the annual rent changes. The rent changes noted in this report for 2019/20 are set by government policy.
67. The Poole Neighbourhood consults on the rent approach with local residents via the Tenant Involvement and Empowerment (TIE) panel and feedback from this meeting will be available to the committee.
68. Consultation on the new service charge policy for the Bournemouth Neighbourhood has been undertaken as necessary before implementation in 2018/19.

69. Portfolio holders for both Bournemouth and Poole have been consulted and their feedback had been addressed in this report.
70. The Shadow Overview and Scrutiny Committee has been consulted and their comments taken into account.
71. Colleagues at MHCLG have been consulted on the Local Government Reorganisation to BCP. They have agreed the key financial principles on which this report is based.

Options

72. The proposal presented here assures compliance with National Rent Setting Policy and the key principles have been approved by MHCLG. The proposal ensures the appropriate maintenance and development of HRA stock across the Poole and Bournemouth Neighbourhoods. Not approving this report would significantly risk the ability for BCP to comply with Central Government and national legislation that govern the HRA budget process.

Summary of Finance and Resourcing Implications

73. Financial and resourcing implications are explained within the report.

Summary of Legal Implications

74. 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 Shadow Authority in February 2019.

Summary of Human Resources Implications

75. There are no HR implications for this report.

Summary of Environmental Impact

76. A number of 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 and insulation, also help to increase the energy efficiency of our existing stock. New housing is currently built to high standards of energy efficiency.

Summary of Equalities and Diversity Impact

77. Proposed revenue budgets for 2019/20 onwards should not impact on front line service provision, and the level of capital disabled adaptations in the estimated Capital Programme should enable us to meet the needs of disabled and older residents to have aids and adaptations fitted to support their independence.
78. Older and disabled residents have been positively affected by the investment in dwelling insulation, energy efficiency and changes to heating and communal utility charges. The majority have benefited from reduced personal heating charges and

a lower split of communal utility costs between all residents benefiting from these services. New energy efficient building design has been piloted including the three recent Passiv Haus homes in Bournemouth.

79. The rent decrease will enable local residents on low incomes to reduce their costs and have higher levels of disposable income.
80. 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.
81. The community development work undertaken seeks to minimise isolation, particularly within older people, contributing to improved physical and mental health outcomes and more active communities.

Summary of Risk Assessment

82. 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.
83. The risk associated with future rent increases and decreases is no longer a local decision.
84. The following considerations must be made:
 - a) As the self-financing valuation and settlement is premised on the Council continuing to implement the Government's Rent Restructuring formula, the deviation from this with regards the national government mandated 1% reduction could potentially undermine the financial viability of the BCP HRA.
 - b) The HRA will be committed in the first instance to the servicing of new and existing debt.
 - c) Only once debt is serviced (funded) can consideration be given to the maintenance standard of the properties and then in turn to the quality of the housing management service.
 - d) The Welfare Reform Act changes have affected the payments being made to the HRA and further changes associated with the roll out of U.C. could affect levels of tenant income and further increase rent arrears within the HRA.
 - e) The end of automatic payment of Housing Benefit direct to Landlords, could significantly reduce rent income levels and increase the level of bad debts within the HRA as U.C. continues to roll out.

Appendices

Appendix A – Detail on Poole Neighbourhood Capital Programme

Appendix B-F – Financial appendices Poole Neighbourhood

Appendix G-L – Financial appendices Bournemouth Neighbourhood

Appendix M – PHP Delivery Plan