Agenda Item 6

Executive
10 December 2020

Title: Housing Revenue Account Business Plan Review 2020
Lead Officer: Lisa Barker/ Victoria Bamber
Portfolio Holder: Cllr Jan Matecki
Public report
Wards of the District directly affected: All

Contrary to the policy framework:	N/A
Contrary to the budgetary framework:	N/A
Key Decision:	Yes
Included within the Forward Plan:	Yes ref 927
Equality Impact Assessment Undertaken:	N/A
Consultation & Community Engagement:	N/A
Final Decision:	Yes
Accessibility checked:	Yes

Officer/Councillor Approval

Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive	24/11/2020	Bill Hunt
Head of Service	10/11/2020	Lisa Barker (Head of Housing Services) & Mike Snow (Finance)
CMT	17/11/2020	
Section 151 Officer	10/11/2020	Mike Snow
Monitoring Officer	17/11/2020	Andy Jones
Finance	10/11/2020	Andrew Rollins
Portfolio Holder(s)	16/11/2020	Cllr Jan Matecki

1. Summary

1.1. The Housing Revenue Account Business Plan (HRA BP) has been reviewed and updated to reflect changes in legislation, the housing market and business assumptions. Housing has moved up the political agenda over the last decade. Issues around the affordability of home ownership, high costs of private renting and availability of genuinely affordable homes have driven this. Increases in homelessness including the most visible form, rough sleeping, the tragedy surrounding the Grenfell Tower fire, ambitions to deliver new Council homes and the Climate Emergency being declared by the Council have shaped the debate more recently alongside the uncertain impact of Covid-19.

1.2. The 50 year HRA BP must remain viable, allowing the Council to manage and maintain its housing stock, to proceed with the projects already approved by Executive, to service the debt created by the HRA becoming self-financing, to

service the debt from new borrowing and provide a financial surplus. Without the proposals contained within the report the viability of the BP is at risk and will result in the Council needing to curtail its ambitions. The proposals in this BP will allow for future policy changes, and their financial implications, to be managed within the existing plan, and for investment decisions to be made regarding the existing housing stock and future construction, acquisition and service projects.

1.3 The HRA BP will continue to be reviewed on a regular basis as the underpinning assumptions will require further revisions

2. Recommendation

2.1 That the Executive approves the revised Housing Revenue Account Business Plan (HRA BP) assumptions, as set out at Appendix 1, and the revised HRA BP for the 50-year period 2020/21 to 2069/70, as set out at Appendix 2.

2.2 That the Executive notes that, on current projections, the HRA BP will NOT allow the self-financing debt repayments to commence from 2052/53 to 2 061/62, the existing plan is for the £136.2m debt to have been cleared over this period. Instead it is recommended that the £136.2M debt is refinanced, the 50 Year Maturity Loan Interest payment will continue to be facilitated until 2051/52 with a view to the Capital Repayments being re-financed in line with specialist Treasury Advice.

2.3 That the executive note that with the removal of the HRA Borrowing Cap on 30th October 2018 the Council is able to borrow monies (In full or part) to purchase and/or develop housing alongside utilising balances.

2.3.1 That the Executive notes that this refreshed HRA BP has factored in a number of recently approved developments within the service area, including the recent Housing Service Review (approved in December 2019 Employment Committee), Capital projects for the construction and acquisition of new Council Housing, Funding to make our homes warmer and achieve a greater EPC standard and a number of major contracts currently in the process of renewal.

2.3.2 That the Executive Note Appendix 4 HRA Business Priorities summarises a background of policies, future projects and priorities that are identified in the next phases of the Business Plan for information.

2.4 That the Executive note that in line with the Councils announcement of the Climate Emergency the Housing Improvement Plan has been extended from 5 years to 10 years to enable the BP to fund the increased costs associated with these works. Increased cost of Fire Safety Works resulting from the Fire Safety Risk Assessments completed on the HRA Stock have also been factored into the new 10-year Housing Investment Plan.

2.5 The Executive notes that development and Land purchase schemes approved in separate Executive and Council meetings since the BP was last presented have been incorporated into the overall financial assumptions

2.6 That the Executive note that the Council has recently achieved Affordable Housing Investment Partner Status with Homes England and where available

Grant will be actively sought out to support currently approved and future housing schemes to lessen the financial impact on the HRA Business Plan.

2.7 That the Executive note the negative impact assumptions in Appendix 1 relating to Covid-19 in regard to rent increases, bad debt levels and reduced RTB sales for a 3-5-year period alongside increase levels or arrears.

3. Reasons for the Recommendation

3.1 April 2012 the national Housing Revenue Account Subsidy System (HRASS) was replaced and Council's operating a HRA were required to do so on a 'self-financing' basis. This required each such council to make a payment (and a few to receive a payment) to Government to secure release from the HRASS, each individually calculated and based on an assessment of the assumed payments that would otherwise have been made into the HRASS had it continued to operate for a further 30 years. In WDC's case this required a one-off payment of £136.2m which was loan financed. On 6th March 2012 Executive approved a HRA BP for the period 2012/13 – 2061/62 which, based on the assumptions made at the time, ensured the Council would have a viable Plan that provided for the loan to be repaid under the terms arranged, for the investment and management needs of the housing stock to be met and which provided financial headroom, through the accumulation of revenue surpluses that could be used to secure additional HRA homes. As part of the careful management and monitoring of the HRA BP, an annual review of the underpinning assumptions will be undertaken and any changes required to the Plan as a result, along with any divergences in income or expenditure, will be reported to Executive annually as well as part of the Councils overall annual budget setting process.

3.2 The HRA BP is under material levels of strain, to ensure that the HRA BP remains robust, resilient and viable the re-financing of the £136.2m self-financing loan is imperative over a phased period of 2051/52-2061/62 resulting in the £136.2m Self Financing loan capital repayment fully or partially being profiled over a further period of time with a view to the debt being repaid at a later date.
The added strain placed on the BP results in the main from the expenditure in the Housing Investment Plan (HIP) due to extra demands being placed on it from Housing Development schemes, Climate Emergency and Fire Safety Works. In recent iterations of the HRA BP only a 5-year HIP was required but is no longer viable. The revised HRA BP provides for a minimum balance of £1.4m, increased annually for inflation, to be maintained on the HRA and for a revenue surplus to be achieved annually for transfer to the Capital Investment Reserve (CIR). As shown in Appendix Two, the balance of the CIR at the end of the current financial year is expected to be £24.9m and, based on current projections, will reduce annually until 2025/26 when it will start to increase again. A CIR balance of £72.65m is projected at 2061/62 and a MRR Balance of £40.26m totalling £112.91m available to pay back the self-financing debt of £162.3m which is a shortfall of £23.2m.

The original self-financing plan was to service the PWLB Maturity Loan interest cost for 40 years and then begin paying the debt capital back in intervals of £13m-£19m over a 10 year period from 2051/52-2061/62, in prior versions of the HRA BP there were sufficient balances within the CIR and MRR to facilitate the repayment of this debt but this is no longer possible due to the strain on the model caused by the additional climate change and fire safety works alongside increase development and rent increases being reduced due to the impact of Covid-19.

3.2.1 In 2061/62 there is however capacity to pay £112m of the debt so the HRA has the option to refinance the loan repayments from 2051/52-2061/62 by either choosing to repay some of the debt and then refinance the remaining balance over a long period. Specialist Treasury Management advice has been sought from Link Treasury Management with the advice that there is no legal requirement to repay the debt within the original timeframe linked with the Governments Original Self Financing legislation. It was advised that a number of other Local Authorities have taken the decision to refinance their self-financing debt to enable them to focus on house building and other priorities in the short term. Indeed, this is the financial model adopted by many housing associations. Link Treasury Management advised that a similar level of interest repayment should be assumed in the HRA BP for an indefinite period if the decision to refinance the repayment of Debt Capital is made. The HRA Business Plan remains viable when continuing to fund £4.765m in self-financing interest payments for the 50-year plan and it is recommended that this course of action is taken.

3.2.2 Adopting this course of action ensures the HRA BP will be able to maintain existing service provision, fully meet the responsive and cyclical repair needs of the HRA stock and continue to invest in refurbishment and improvement work to maintain the Decent Homes Standard through the Housing investment Programme (HIP). Over Future years, it will be necessary to keep under review the optimum time for the BP to re-finance the existing debt, and the period of new borrowing.

3.3 The removal of the HRA Borrowing cap on the 30th October 2018 by the Ministry of Housing Communities & Local Government (MCHLG) was implemented to enable Councils to build more homes. During MHCLG's consultation on the matter the borrowing cap was stated to be the biggest barrier to Councils building new homes and as such the cap was removed to "reaffirm the appetite to deliver a new generation of council homes".
A Further Central Government Policy Borrowing Change on 12 March 2020 which advised that the HRA is to be given favourable rates of financing to borrow for acquisitions or construction of Social and Affordable Housing resulting in a reduction in interest rates of -1% from 1.86% to 0.86% where the purpose is for housing related expenditure. Details of all currently approved borrowing for such schemes and the subsequent timing of repayment of this debt are noted on Appendix 2

3.3.1 The underpinning HRA BP assumptions are set out in Appendix One, with exploratory notes documenting all changes from the previous iteration of the HRA BP. These changes have then applied to the HRA BP which has been revised, taking the closing 2019/20 financial position as the baseline through to 2069/70. The revised Plan is set out in Appendix Two. A summary of the changes between the previously approved 2017/18 iteration of the HRA BP and the revised Plan are set out in Appendix Three

3.3.2 Appendix Four has been provided to accompany the business plan to provide members with further detailed information in relation to the Housing Revenue Account. The appendix details how the Council manage housing and resources to meet demand, invest in new houses and maintain existing housing stock to a high standard. Current and historic government policies which have impacted decision making and the business plan in recent years are also included alongside the aspirations and priorities of the Housing Revenue Account over the period of the business plan.

3.4 A new 10-year Housing Investment Plan has been adopted to enable the Climate Emergency and Fire Safety Works to be completed and enables the HRA BP to remain financially viable as a result of phasing the expenditure across a longer period. The new HIP is noted in Appendix 5 and contains the following costs over a 10-year period:

- £23.6m Climate Emergency Works associated with the Council declaring a Climate Emergency
- £30m required for Fire Safety works in line with Fire Risk Assessments resulting from the Grenfell Tragedy.
- £36.8m Stock Condition Survey works

In conjunction with the utilisation of borrowing the development projects in the HIP are generally funded from the HRA Capital Investment Reserve, right to Buy (RTB) receipts from the sale of council houses and Grant, whereas the Major Repairs and Capital Works are funded via the Major Repairs Reserve (MRR), a ring-fenced account for the purpose of maintaining and improving existing housing stock.

3.4.1 Separate stock condition surveys were completed with a specialist housing consultancy, Michael Dyson Associates Ltd. To provide information of the main elements, known as stock attributes, of every HRA home. This survey information, complementing information from our in-house team of surveyors, has enabled us to build up a comprehensive picture of the current state of, and consequently the future investment needs, of a range of stock attributes such as kitchens, bathrooms, roof coverings, windows, doors, rainwater goods.

3.4.2 The surveys undertaken to date allow us to fix a baseline position for the entire HRA stock which, in turn, allows for the maintenance needs to be costed for the lifetime of the revised HRA BP. This baseline will continue to be refined in future years through a combination of in-house surveying and data analysis and has been updated to factor in the Climate Change and Fire Safety Works. The exiting 2020/21 HIP budget allocation will be directed to meet the most pressing needs, with a full revision of the profile of the future Housing Investment Programme (HIP) to take place going forward, to ensure that all the poor condition attributes are remedied as quickly as possible and a tailored investment programme is put in place to replace items on a timely basis.

3.4.3 This long term maintenance programme is funded by the Major Repairs Reserve (MRR), which is forecast to have a closing balance of £2.3m at the end of the current financial year. The balance of the MRR is increased annually by the amount of the annual depreciation charge to the HRA stock, which for 2020/21 is an estimated £6.2m. Based on current projections and the large financial strain on the HRA BP to deliver stock condition works, climate change works and fire safety works. As Noted in Appendix 2 the MRR the balance is expected to drop as low as £1.023m by 2021/22 however will remain sufficient to fund the required level of improvements necessary with the balance beginning to increase after this point and by 2029/30 when the HRA should have completed the Climate Change and Fire Safety works the balance returns to prior year levels of £11.3m.

3.4.4 The stock itself is re-valued annually and further confidence in the viability of the HRA BP can be derived from the current valuation (£402.2m based on the Existing Use Valuation methodology for social housing or £996.1m based on an unrestricted use valuation as at 31 March 2020) being significantly higher than the outstanding self-financing debt.

3.5 A number of housing acquisitions, development schemes and land acquisitions have been approved as noted in the HIP on Appendix 5, a number of which will be funded using borrowing from the Public Loans Works Board (PWLB) to ensure that sufficient balances remain in the MRR and CIR. There are two material Land Purchases contained within the HIP which are yet to have the development plan approved. It is expected that these sites will warrant separate Executive Approval with the Housing Strategy and Development Team working on the optimum development plan to ensure that these schemes are financially beneficial to the HRA. The cost of carrying these land acquisitions is one of the negative contributing factors the HRA BP's reducing CIR and MRR balances up to 2025/26. It is expected that once the sites have been developed the rental income will improve the long term projections for the HRA BP and is likely to improve the capability to repay more of the Self Financing Debts. Nevertheless, the short term negative financial impact on the HRA is material and must be noted where large parcels of Land are purchased especially when there is a significant time lag between purchase and sales or occupation of homes taking place to generate rental income. Alternative delivery models are also being explored that may enable the land to be developed outside the limited capacity of the HRA BP.

3.5.1 The ongoing construction and acquisition projects for new homes would still be insufficient to offset the projected reduction in the HRA stock resulting from continuation of Right to Buy sales at current levels, as shown in the table below:

New Build potential			
	New Build Homes	Right to Buy Sales	Net HRA stock reduction
2020/21 to 2069/70	298*	1,715	1417

* Assumes all ongoing and previously approved plans are maintained.

3.5.2 The RTB 1-4-1 capital receipts are time-limited to 3 years from collection and need to be spent or have to be returned to Central Government. The Councils Policy is for the General Fund to retain and spend the Any Purpose Element of the Capital Receipts with the HRA retaining the 1-4-1 replacement receipts. The HRA gathers a balance of approximately £3.5m every 3 years so it has been assumed in Appendix 5 that the balance of any remaining receipts in the 3-year cycle will be used to support housing construction/acquisitions within the plan.

3.5.3 A number of options will continue to be considered in order to mitigate the reduction in HRA stock. These include:

- Acquisition of existing homes
- Acquisition of s106 affordable homes
- Redevelopment of existing HRA homes
- New build on Council owned land, including garage sites
- New build on acquired land
- Joint venture options
- Buy Back of Social Housing

3.6 The Council has now officially been awarded "Affordable Housing Investment Partner" status from Homes England which enables the Council to apply for grant funding. Where available, Grant will be sought to support currently approved and potential new housing schemes to lessen the impact on the HRA Business Plan. Due to this new agreement with Homes England and to ensure that all future acquisitions remain viable, all future Affordable Housing Acquisitions linked with Homes England will need to have rents set at the national standard of Affordable rents which are 80% of local market rents. Existing Affordable Housing tenants housed in the HRA's current affordable schemes will continue to pay "Warwick Affordable" rents for the remainder of their tenancy which are charged at a mid-point between Local Market Rent and Social Rent to buffer the impact of this change. This policy change will be requested in the HRA Rent Setting report in February 2021 but has been assumed in the HRA BP projections.

3.7 The uncertain impact of Covid-19 on rents, bad debt, arrears and reduced RTB Sales has been factored into the HRA BP and assumptions are noted on Appendix 1. The reduction in rental inflation linked to RPI and CPI will mean the HRA will not be able to increase rents to the previous levels expected. Industry Experts Saville's have advised the negative impact of this will be felt for 3-5 years and this reduction in rental inflation will inevitably increase payback period of new housing developments appraisals. The viability of the payback is currently assessed on 30-35 years but this is likely to increase the payback period up to 40-45 years where Homes England Grant cannot be attained to support the scheme. The HRA BP will continue to be carefully monitored, the stock condition information maintained and improved and an annual review of the underpinning assumptions undertaken to allow any further revisions to be reported to Executive as part of the HRA budget setting process. However, members will note that there is still a considerable level of uncertainty in respect of the financial impact of Covid-19, prudent assumptions have been factored into this model as noted in Appendix 1 but if the economy does not return to pre-pandemic conditions in the next 3-5 years this will impact the business plan further and will impact the HRA's ability to provide the same level of Climate Change and Stock Condition works.

4 Policy Framework

4.1 Fit for the Future (FFF)

4.1.1. "The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects.

4.1.2. "The FFF Strategy has 3 strands, People, Services and Money, and each has an external and internal element to it, the details of which can be found on the Council's website. The below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy."

4.2 FFF Strands

4.2.1 **External impacts of proposal(s)**

People - Health, Homes, Communities - Ensure housing and services are suitable for occupiers, meeting their needs and contributing to their health and well-being.
Services - Green, Clean, Safe – The HRA Housing Investment Plan has been revised and now includes budgets to enable climate friendly works to contribute to the Council becoming a net-zero carbon organisation by 2025; All new Housing stock acquisitions will be acquired to strict new standards to contribute to the total carbon emissions within Warwick District being as close to zero as possible by 2030. HRA budgets contribute to communities having access to decent open space; Improved air quality; Low levels of crime and ASB.

Money- Infrastructure, Enterprise, Employment – Income from Rents is agreed, Housing stock voids are minimised and best value for money and financial performance achieved across the life of the 50 year HRA Business Plan.

3.1.2. **Internal impacts of the proposal(s)**

People - **Effective Staff** – In line with the recent Housing restructure all staff are properly trained, all staff have the appropriate tools. All staff are engaged, empowered and supported. The right people are in the right job with the right skills and right behaviors.

Services - Maintain or Improve Services – The HRA Business plan ensure the model is able to focusing on our customers' needs, continuously improve our processes Increase the digital provision of services

Money - Firm Financial Footing over the Longer Term -Better return/ use of our assets. Full Cost accounting, continued cost management. Maximized income earning opportunities. Seek best value for money.

4.3 Supporting Strategies*:*

4.3.1. "Each strand of the FFF Strategy has several supporting strategies and the relevant ones for this proposal are:

4.3.2. That the HRA budgets provide the necessary resources to achieve these outcomes which Enable tenants' needs to be met and support improvement of services relating to Council Housing Stock. Setting sufficient budgets and planning for the future ensures the business plan remains viable to meet service provision

4.3.3. A key element of Fit for the Future is ensuring that the Council achieves the required savings to enable it to set a balanced budget whilst maintaining service provision. The Housing Revenue Account is subject to the same regime to ensure efficiency within the service.

5 Budgetary Framework

5.1 Effective monitoring and forecasting of expenditure and income is a fundamental part of the proper financial management of the Council, enshrined within the Code of Financial Practice and the monthly Budget Review process.

5.2 Under the 'Self Financing' regime the Council took on £136.2m of debt in return for the ability to locally determine decisions on future investment in the housing stock, management services and building the financial capacity to provide new homes. It is essential to project income and expenditure over the full 50-year plan rather than the 5-year period used for the Medium Term Financial Strategy, although actual investment programmes will continue to be managed and monitored on shorter 5 year periods.

5.3 A series of informed assumptions underpin the income and expenditure projections and changes to these provide the basis for revisions to the HRA BP. For example, the Council currently owns approximately 5,402 socially rented homes, 98 Affordable Rent Homes and 25 shared ownership properties. Sale of properties impacts on both income and expenditure – there is a marginal reduction in maintenance and improvement costs, which fluctuate through the plan period, and a more significant one in terms of lost rental income which is fixed throughout the plan period and projected to increase annually. It has been assumed that the number of Right to Buy (RTB) sales will be impacted by Covid-19 and will reduce to 28 units for the next 3-5 years but will then continue as per current levels at approximately 35 units per year. Sale levels are influenced by the discounts available to tenants, the availability of mortgage finance and the prevailing market prices of homes in the district. The maximum RTB discount that can be offered is currently increased by the CPI level from the previous September. In September 2020 this was 0.7%, therefore the maximum discount that can be given from 6th April 2020/21 is £84,790. The level of discount is typically in line with expected increases in market prices of homes in the District. If any of these factors change the assumption will require further review, hence the need for careful and continual monitoring of the HRA BP's underpinning assumptions.

5.4 The revised HRA BP set out at Appendix Two shows that over the 50-year business plan the Council will suffer a net loss of properties through RTB even if the potential new build numbers, referred to in paragraphs 3.17 and themselves dependent on a range of financial viability considerations and the availability of suitable development sites, are achieved. However, the viability of the HRA BP is not compromised by this potential net reduction in stock levels and, as options to replace the RTB losses are worked up, there will be a further revision to the BP.

5.5 The Major Repairs Reserve (MRR) is used to fund capital repairs of the HRA stock. The contributions to the reserve are based on depreciation calculations.

5.6 The HRA Business Plan presents the financial position as at the date reported to Executive. The Business Plan includes all pre-approved housing acquisitions and development schemes to date. Reports being presented to February Executive in relation to new development schemes and the climate change emergency action plan have been excluded as awaiting approval at the time of writing this report.

6 Risks

6.1 The HRA BP will continue to be regularly monitored and an annual update provided to Executive to ensure the financial model remains robust.

6.3 The external fact that presents a potential significant risk to the HRA BP is around the continuing changes to the supported housing framework. From 2019, a new funding model has been proposed, with core rent and service charges to be funded by Universal Credit which continues to have a gradual impact as full implementation has not been achieved to date due to central Government delays. The initial deadline for implementation was Autumn 2018. Current feedback from the introduction of Universal Credit nationwide has indicted that the number of council tenants in arrears has increased, as well as the average level of arrears, in comparison to tenants who do not receive Universal Credit. The Governments previous intention to further limit the Housing Benefit payable to those aged 35 or under, whether in work or not, by linking their LHA threshold to a rate equivalent to the cost of a shared room in a single household rather than the actual cost of their tenancy, has been dropped.

6.4 The bad debt provision within the HR BP had been increased to 2% from 2018/19, as set out in Appendix One but then this was planned to be revised to 1.6% from April 2020/21 however after considering the impact of Covid-19 and local conditions this will remain at 2%. This will be assessed regularity and monitored as more of the Councils tenant's transition from Housing Benefit to Universal Credit and we progress through the pandemic.

6.5 In respect to future borrowing to facilitate house building as per the October 2018 removal of the HRA Borrowing Cap another risk arose relating to the rate at which the Council is able to borrow and the impact to the associated interest that must be paid alongside the repayment of the loan principal. Traditionally the Public Works Loan Board has been the preferred supplier of HRA loans to Councils. In October 2019 the PWLB increased its interest rate by 1% from 1.8% to 2.8% which was a very large and unexpected increase. This would have resulted in increased borrowing costs. As an example, a £12m PWLB loan taken at 1.8% over 40 years would have cost £220,800 a year in interest; the 1% increase added a further £120,000 a year. Over the 40 years of the loan that would be an additional £4.8m. As a rule, each £1m borrowed would have cost an extra £10,000 p.a. in interest. However, the PWLB backtracked on this decision and in March 2020 a -1% reduction to this rate was offered exclusively for HRA borrowing. In light of this quick change of policy there is a risk that this could be changed again in light of the current economic climate so will need to be monitored closely.
The interest rate charged by the PWLB fluctuates on a daily basis. If borrowing is assessed as the preferred method of funding each scheme will be evaluated on viability including the cost of borrowing and if PWLB rates are deemed to be too high alternative sources of borrowing from other reputable organisations will need to be considered.

6.6 The impact of the Covid-19 Pandemic and the impact on Central and Local Government finances is expected to impact the Economy for the next 3-5 years. There are several potential risks for instance in regard to the Government's ability to continue to support housing development with grants from Home England and the ability to continue to fund Homelessness initiatives. Central Government's stance on these matters will have to be monitored closely as changes to current arrangements will impact this model negatively.

6.7 The UK leave the European Union on the 31st January 2021, although Brexit is not expected to immediately impact the Housing business plan there could be impacting circumstances that could affect the UK construction industry such as delays on imported construction supplies being received and European labour losses may result in higher construction labour costs. As these outcomes are very uncertain all housing development schemes will be re-appraised and checked for viability regularly.

6.9 There are still significant, but at this stage unquantifiable risks associated with the full implementation of the provisions within the Housing and Planning Act 2016:

- The Right-to-Buy (RTB) was extended to tenants of housing associations, initially it was advising that the cost of funding the discounts given to the associations' tenants to be covered by local housing authorities, potentially requiring payments to be made from the HRA. To fund this, it was a possibility that Local authorities would have had a duty to consider (but not an obligation to proceed with) the sale of 'high value' properties as a way of helping them to find the necessary funds to make these payments. However, the Government has since advised that it will compensate Housing Associations directly in regard to tenants RTB Discounts. The Government also indicated within the Green Paper "A New Deal for Social Housing", published on 14 August 2018 that provisions within the Housing and Planning Act 2016 with regard to the enforced sale of higher-value void properties in order to finance the introduction of the right to buy in the RSL sector were to be repealed.

- The proposed introduction of short term tenancies of between two and five years does, however, remain as an unimplemented provision of the Act. Currently the Council offers unrestricted secure tenancies to support commitment and investment by residents in their homes and their community. The future introduction of short term fixed tenancies for new tenants would increase management costs within the HRA BP as a regular review of a household's income would be required, this being the proposed determinant as to whether the fixed term tenancy should be extended. There would also be costs associated with devising a suitable Tenancy Agreement and, potentially an increase in legal fees were the Council to have to evict anyone no longer meeting the Government's criteria. A prudent estimate is for an annual cost of not less than £85,000 if this provision is implemented in 2021/22 as currently envisaged. Again this will be kept under careful review and any changes to the current position reported to members.

4. Alternative Option(s) considered

7.1 The assumptions underpinning the HRA BP could be left unchanged from those that underpinned the version approved by Executive in 2017. This has been rejected as it would result in the BP not reflecting the most up to date policies, strategies and research on the conditions of the local housing and land markets. Changes to the forecast number of RTB's, and the 1% rent reduction for Designated, Sheltered and Very Sheltered dwellings are significant changes and should be reflected within the HRA BP. The plan would therefore not be able to deliver services in a way that is viable, maintain services and service the debts taken on by the Council.

7.2 Members could choose to vary the assumptions within the HRA BP or agree alternative policies, service standards and investment options. If these alternative options were financially viable and deliverable, the HRA BP could be amended. However, officers consider that, given the uncertainties around what will ultimately emerge into legislation from the Housing and Planning Act, it would be prudent to retain the current assumptions and policy positions that underpin the HRA BP at this stage.