

APPENDIX A



Harlow Council Housing Services Business Plan 2018 – 2048

HRA Business Plan 2018 – 2048

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Foreword by Portfolio Holder – Housing

It has been another year of challenges however, the Housing Service continues to report strong performance overall.

The major milestone this year was the establishment of the new Housing and Regeneration Company under HTS Group Ltd to deliver a new programme of Council house building. This is to commence in 2018/19 with the first properties expected early next year.

This is a significant year of change for the HRA Business Plan. The previous five year Housing Investment Programme (HIP) totalling £100m is to finish in 2018/19. Its main purpose was to deliver an internal and external work programme to bring Council properties up to modern homes standard and meet the Government's Decent Homes Standard.

There is a requirement to establish a new five year HIP focusing on local priorities with reduced resources, together with the undertaking of new borrowing to deliver the Council house building programme marks a major change and sets out the ambition the Council wishes to undertake.

Housing remains a top priority for me and the Administration. The Council continues to perform to meet the challenges and opportunities facing housing in Harlow with reduced budgets. The Council will continue to have fewer resources to meet its priorities, but will continue to plan ahead.

Having less resources to meet priorities, it is important that I address what is important locally. This is making more housing available in Harlow, with a wider choice of housing types which are genuinely affordable. Tackling the growing need for Supported Housing, helping to improve choices for those in housing need, improving residents' health and wellbeing by improving housing conditions, improving housing standards with energy efficient, modern home facilities and tackling local priorities and statutory requirements."

The goals for the next three years' continue to be:

- Invest in the Housing stock.
- More housing available in Harlow, with a wider choice of housing types of all tenures which are affordable, social rented, and council housing.
- Work towards improving choices for those in housing need.
- Encourage and facilitate effective tenant and leaseholder engagement.
- Tackle homelessness by implementing the Homelessness Strategy.
- Increase the range and type of supported housing.

It is necessary to both reflect the lower overall investment that can be afforded, and ensure that appropriate resource levels are directed towards the Council's priorities. The plan identifies the Council's continued commitment to working for, and with, all the tenants and leaseholders of Harlow to achieve its priorities.

Mark Wilkinson
Portfolio Holder - Housing

Executive Summary

Introduction

Local Authority housing is contained within the Housing Revenue Account (HRA), a ring-fenced budget which effectively operates as a “business” of its own, separate to Council’s other operations. The HRA takes its income from rents and service charges and spends its money exclusively on building and maintaining housing.

The business plan is a formal statement of business goals, reasons they are attainable, and plans for reaching them. It may also contain background information about the organisation or team attempting to reach those goals.

This broad definition of a business plan is equally applicable to this HRA Business Plan which is an annual statement of intent to all stakeholders. It is a discipline which requires Councils to develop a robust forecast ensuring that its landlord aspirations are affordable, and national and local priorities delivered.

National priorities have been changed by successive Governments since the first Business Plan was presented to Full Council back in February 2012. Back then, under self-financing, Harlow Council took on a debt of £208.837m. in settlement of a former centrally distributed subsidy system.

In 2015 changes to the self-financing regime were announced by Government, of which only the central setting of rent levels was implemented requiring Councils to mandatorily reduce dwelling rents by 1% annually from 2016/17 to 2019/20.

In 2018, ‘A new deal for social housing’¹ was published. This Green Paper by definition is a preliminary report of government proposals that is published in order to provoke discussion. It includes the aim to expand supply and support home ownership. The Government has announced:

- The provisions contained in the ‘Housing and Planning Act 2016’ regarding the compulsory sale of high value voids would not come into effect but would be repealed when parliamentary time allowed²; so for this Business Plan the Council can safely assume that the Government has abandoned this policy;
- Through consultation, requiring rents to be increased by no more than CPI+1% annually from 2020 to 2025³;
- The lifting of the debt cap, referred to as the ‘Limit of Indebtedness’, in order to encourage council house building⁴; and,
- A consultation on changes to the rules on the use of retained capital receipts⁵.

¹ MHCLG. Green Paper. ‘A New Deal for Housing’. August 2018.

² MHCLG. Green Paper. A New Deal for Housing. August 2018. Paragraph 153. The consultation period ended on 6 November 2018.

³ MHCLG. Rents for social housing from 2020/21. Consultation. September 2018. The consultation period ended on 8 November 2018.

⁴ Speech to Conservative Party Conference by the Prime Minister, The Rt. Hon. Theresa May MP, 3 October 2018.

Readers of these annual business plans will readily see the need to formally reflect changes brought about by political, social and economic factors.

This new Business Plan reflects and positions a number of themes which have developed over the past twelve months. These include:

- The Council's ambition to build new housing of all tenures, both as social rent and affordable rent in its widest sense;
- Increased Fire Safety and associated Regulation following the tragic fire at Grenfell Tower in London in June 2017.
- Implementation of the 'Homelessness Reduction Act 2017' which imposed new statutory processes.
- Implementation of Universal Credit and benefit rules, the roll-out of which has been greatly delayed by Government, and its implications on tenants.
- Inflationary Pressures, including that of the Council's contractual arrangement with HTS (Property and Environment) Ltd which undertake much work for tenants and leaseholders.

Locally the Council has:

- Commenced work to develop a plan for the building of new council homes.
- Continued strong performance collecting rent and service charges, turning round empty properties, and repairing tenants' homes. Achieving the national accreditation award for Supported Housing services and continuing to provide extra care housing at a time when funding has ceased, providing support to elderly and vulnerable tenants.
- Continued to make the best use of stock, tackling local priorities, prioritising energy efficiency schemes that can make a difference in tackling fuel poverty, and implementing the five year Modern Homes Programme (HIP), investing in the priorities for maintaining its housing stock. The Council achieved the Decent Homes Standard in 2015.
- Been on target to complete the redevelopment of The Briars, Copshall Close and Aylets Field estates.
- Continued to raise awareness and offer support in response to the Welfare Reform (Universal Credit) changes, working with local agencies providing support and budget advice to residents to carefully understand their choices.

The following principles remain within the HRA Business Plan:

- a. Reduce dwelling rents annually by 1% in each of the four years commencing 2016/17.
- b. Renew the Public Works Loan Board (PWLb) debt of £209m upon maturity of each loan and the repayment be kept under review.

⁵ MHCLG. Use of receipts from Right to Buy sales. Consultation. August 2018. The consultation period ended on 9 October 2018.

- c. Set the minimum HRA working balance at 31 March 2019 at £4m, being £2.5m for extraordinary events and £1.5m for fire safety work following the Grenfell Tower Public Inquiry.
- d. Retain the housing asset management plans as outlined below:
 - i. Maintain compliance of the Council's housing stock to the housing regulatory requirements. Continuing with the replacement regime (based on stock condition survey) for internal and external property components (e.g. kitchens, bathrooms, central heating systems, roofs and external structure of homes).
 - ii. Prioritise resources to safeguard the well-being and safety of the Council's tenants in their homes in regard to increased statutory and legislative landlord requirements for fire safety, electrical (communal) safety, asbestos management and lift maintenance.
 - iii. Prioritise energy efficiency initiatives that alleviate fuel poverty.
 - iv. Prioritise resources for disabled adaptations to meet statutory requirements and keep under review annually.
 - v. Reduce resources to garage-related works and re-prioritise the approved Garage and Hardstand Strategy.
 - vi. Realise further efficiencies from responsive repairs programmes and scope of works.
 - vii. Develop a three year housing programme to outline the aspirations for the delivery of housing, affordable housing, social rented, and the building of new council housing. In accordance with local plan priorities, regeneration priorities, and affordability/viability.
- e. Assume annual increases of at least 5% per year for garages and increases / decreases in service charges related to changes in expenditure, subject now though to a proposal to incentivise take-up in some areas of the town.

This HRA Business Plan sets out Harlow Council's priorities in responding to the changes in Government policy. **Chapter 1** provides an '**Introduction**' to this year's plan, and its main themes.

The plan continues to link the management and ownership of the Council's housing stock clearly to the Council's Corporate Plan, and Housing / Regeneration Strategies as well as preparing financial plans to support decision making. **Chapter 2** provides the '**Strategic Context**' to the business plan.

Summary of Main Issues

Harlow Council's HRA Business Plan identifies the principal objectives and priorities for the management and maintenance of the stock in the short, medium, and long term. These include:

- Robust income and expenditure projections.
- The setting of rent levels.
- Building council houses, as well as the development of a long term asset management plan to keep the current stock in good order.
- Ongoing delivery of the Council's Modern Homes Programmes.
- Improving housing standards with energy efficient, modern home facilities, tackling local priorities and statutory requirements.
- Releasing more efficiencies from the housing repairs and environment maintenance activities.

Chapter 3 describes '**The Housing Service**' and the way the services are delivered.

Financial Position

The HRA Business Plan includes a financial projection of expenditure and income over the next thirty years. **Chapter 6** covers '**Financial Forecasts**'.

The Council's Housing Stock

Harlow was one of the 'new towns' designated in the late 1940s to provide public sector housing for those who needed homes. Harlow Council's housing stock is therefore large compared to many other authorities in the region. Twenty-first century Harlow is evolving to meet the challenges of this new age with the most recent Census results revealing changes in population, ethnicity, and patterns of work. See **Chapter 2**.

In 2012 a major Stock Condition Survey was completed to identify work required to every home. This has resulted in the creation of a £100m Modern Homes Programme and the achievement of decent homes for all tenants by 31 March 2015. The Council remains committed to maintain its properties at decent homes standard within the severely constrained cash income available. The Council will be looking to update the Stock Condition Survey to ensure limited resources are properly targeted. **Chapter 4** is devoted to the Council's '**Asset Management**'.

While the Council retains many decision-making powers regarding its stock, tenants, in particular, have a scrutiny role through their membership of the Housing Standards Board. This Business Plan has been produced in consultation with tenants and leaseholders. **Chapter 5** explains the '**Governance**' arrangements.

Building Council Housing

The Council's Corporate Plan 2017-2020 places emphasis on 'More and Better Housing'. This means tackling the housing need of Harlow residents, both in quantity, affordability, range and quality.

In addition to projects included in the 'HRA Business Plan 2018-2048', a cross-departmental Officer Task Group has identified a further programme of house building which was approved by Cabinet on 6 December 2018. This includes The Readings, Bushey Croft and Lister House for which planning permission has already been granted.

Further information on the programme of council house building can be found in Chapter 6.1.3. and in 'Appendix B' of the 'Capital & Treasury Report' being considered by Councillors at the same time as this HRA Business Plan.

Customer Perceptions

Housing Services conduct a Landlord Survey once every two years and a Leaseholder Survey once a year.

The statutory requirement to produce a customer satisfaction survey (known as the 'Status Survey') ended in 2010/11, however the completion of an alternative survey is important to both the Housing Service and future Tenant and Leaseholder Engagement as the results can be used to measure and assist in shaping and developing future services.

The surveys cover questions around the overall tenant and leaseholder satisfaction with Housing Services as a whole but also ask how satisfied tenants and leaseholder are when receiving housing and communal repairs, cleaning and ground maintenance, modern homes or major works, service charges, leaseholder management fee and tenant and leaseholder engagement and empowerment. The Surveys also gauge tenants' and leaseholders' perception on different aspects of the Housing Service which includes moving home, reporting anti-social behaviour, garages, contact and communication with Housing Services, complaints and value for money.

Housing Services have reviewed and made changes to the way it will engage productively in the future and be proactive with the channels of communications it uses. This is included as a priority of the action plan for the Tenant and Leaseholder Engagement Strategy, the surveys are also used as a tool to assist with this.

An updated Tenant Survey was published in 2017 and the Leaseholder Survey in 2018 as part of the Annual Report to tenants and leaseholders. The surveys assist the Council in the planning and resource allocation of its landlord services by measuring tenants' and leaseholders' satisfaction with the services they receive from their landlord. An action plan will be updated with the key priorities identified.

Demand, Homelessness and Housing Need

The introduction of the 'Homeless Reduction Act' 2017 from April 2018 fundamentally changed the way in which homelessness is managed. The profile of homelessness

is changing, which means that both homelessness duty and homelessness prevention are now a 100% statutory demand-led service.

Demand for homelessness and Harlow's housing shortage is well-known and remains high. The number of local residents on the Council's Housing Needs Register continues to grow and is a key measure of the local housing need.

The Act fundamentally changed the homelessness legislation, by placing increased duties on Local Authorities to intervene at earlier stages to prevent homelessness, irrespective of whether or not an applicant has "Priority Need" or may be "intentionally homeless" and to prevent families and single people becoming homeless.

Preventing homelessness remains a key focus of activity for the Council, with the Council employing extra resources in order to tackle homelessness prevention. In 2017/18 positive action was taken to prevent homelessness in 194 cases, either by enabling households to remain in their home or assisting them to obtain alternative accommodation to include, but not exhaustive to:

- Negotiation with landlords and/or family and friends;
- Accessing the Council's Rent Deposit Guarantee Scheme;
- Seeking Money Advice;
- Maximising Income / Benefits.

The Council have been allocated further grant funding under the Flexible Support Grant and the New Burdens Allocation for 2019/20 due to the continued implementation of the Act, however this funding will cease with effect from 2020/21. The Homelessness Grant is allocated to support the cost of homelessness is no longer ring fenced to homelessness, nor is it guaranteed. It is expected to be significantly reduced over time and could ultimately be withdrawn as the government attempts to reduce the reliance on government funding.

It is recognised locally that there is an increasing number of London Boroughs placing their homelessness in Harlow. This puts added pressure on local support services and planning regulations making best use of limited buildings. In addition, London Boroughs are preventing homelessness by discharging their duty in the private sector by using converted office blocks in Harlow. This again reduces the availability of suitable accommodation in Harlow.

The number of homeless households being placed in temporary accommodation has steadily risen in Harlow. In 2014 there were 131 and by March 2018 this number doubled to 266. This is a result of the lack of housing available and the increase of loss of private rented accommodation and impact of Universal Credit, e.g. benefit caps and changes from the Welfare Reform. The Council annually reviews its procurement arrangements for temporary accommodation to ensure best value and suitability.

With the numbers in Temporary Accommodation (TA) rising and alternative TA supplies continuing to reduce and become restrictive, the Council continues to explore alternative options. Based on current volumes, there is an expectation both locally and nationally that TA numbers will continue to rise. The following table shows the expected demand for TA over the next three years:

Projected demand for homeless placements in Temporary Accommodation Units	
Financial Year	Number of TA Units
2019/20	304
2020/21	330
2021/22	356

On 20 March 2018, the Secretary of State for Housing, Communities and Local Government announced the “Rough Sleeping Initiative” to work intensely with local areas to immediately tackle rough sleeping.

The Government established a fund of £30m for Local Authorities with high numbers of people sleeping rough to enable more action to be taken before next winter. The Council was targeted to bid and was successful in its bid to gain grant funding, one of 83 in the country. Harlow obtained grant funding of £260,500 for 2018/19.

Harlow Council has seen a 50% reduction in the number of people sleeping rough in the town since the annual autumn count in 2017 which was 24. Due to the ongoing work with our partners Streets2Homes, additional funding received from the Government to enhance the initiatives available to this group has reduced the numbers currently (December 2018) to 11.

The following initiatives within the government funding commenced in August 2018, which were:

- Recruitment of a Rough Sleeper Co-Ordinator to manage and monitor the progress of the initiative and to lead and coordinate the enhanced Severe Weather Provision.
- To grant fund Streets2Homes to recruit additional Outreach / Tenancy Support Workers.
- To renovate two Council-owned properties to lease to Streets2Homes to provide supported housing.
- To extend the Emergency / Severe Weather Provision for a four month period from November 2018 to February 2019, including security.
- Providing personalised housing budgets to individuals to assist them in securing accommodation.

Harlow Council is one of the few local authorities in Essex that provide a Severe Weather Provision to support rough sleepers in the town. It provides an enhanced provision to support and encourage in the prevention of further rough sleeping locally, when there is a dramatic reduction in temperature.

In line with the Council's statutory requirements, Harlow's Homeless Strategy which defines the Council's strategic approach is currently under review in-conjunction with both our internal and external partners, which will identify current challenges and key priorities in trying to reduce homelessness across Harlow. This strategy will also include a Rough Sleepers Strategy in line with the Government's Rough Sleeper Initiative.

Harlow's Homelessness Partnership Group, which was established in 2010, as part of the five year publication of the Council's Homeless Strategy is also in the process of being reviewed with a new approach to partnership working with the Probation

Service, Streets2homes, Registered Providers, The Department for Work and Pensions (DWP) and the Citizens Advice Bureau (CAB).

The aim of the Homelessness Partnership Group is to work both strategically and operationally in partnership to tackle homelessness and target scarce resources to meet local priorities.

In terms of Harlow's strategic housing need, the total housing requirement for Harlow is 8,000 dwellings of which 3,600 should be Social Rented / Affordable Rented Sector. It is estimated there is a need for mixed sized dwellings for all areas. In Harlow there is a lower need for three or more bedrooms. The need for intermediate dwellings is more heavily concentrated on smaller dwellings. Smaller properties may also encourage those in larger and family sized dwellings who are under occupying to downsize to a smaller property. With an increasingly ageing population and those who find themselves in poverty there will always be an increasing need for housing support services.

The Housing Needs Register shows that 1,193 of all households registered are categorised having an urgent or high need to be allocated a social housing property. The main reasons households want to move is due to both overcrowding and affordability. The Housing Needs Register currently has approximately 4,260 applicants.

Harlow Council prioritises housing and tackling homelessness as its top priority within its Corporate Plan. It is also developing a house building programme, as well as looking at innovative ways which may assist to support pressures on local residents and those on the Council's housing need register, which currently has 4,260 applicants and likely to increase.

Welfare Reform

Major changes to the benefits system have come into force in the last few years, including the Benefit cap, the Bedroom Tax and the roll out of Universal Credit.

The Government reduced the cap to £23,000 per year in London and £20,000 per year in the rest of the country. This reduced benefit cap was introduced in stages from 7 November 2016.

Universal Credit has been the biggest change in the welfare system. Universal Credit aims to simplify the benefits system by replacing six existing benefits into a single monthly payment and to increase work incentives for those who are unemployed or working part-time.

The implementation of Universal Credit in Harlow commenced in 2016, which was restricted to new claims and single jobseekers. In July 2017 Universal Credit Full Service was launched in parts of Harlow, with the remainder of the town completing in September 2017. The DWP is planning to transfer all remaining legacy benefit claims including Housing Benefit, Jobseeker's Allowance (JSA) and Income Support onto Universal Credit, commencing in the summer of 2019, with Natural Migration continuing through change of circumstances. The Department of Work and Pensions aim to complete a full migration to Universal Credit by 2023.

Housing Related Support (HRS)

A review of the Supported Housing Service reported to Scrutiny Committee in November 2017.

The review, however, was undertaken in phases with **Phase 1** (2015/17) responding and identifying with the short term budget implications, making recommendations in dealing with the reductions in funding for the Telecare and Support Services by Essex County Council (ECC). **Phase 2** of the review included a longer term service appraisal.

The Committee reiterated the importance of appropriate HRS as part of older people's health and wellbeing remaining a key imperative in promoting independence, avoiding hospital admission. They also recommended to Cabinet the five year plan as the effective framework for going forward, dealing with reducing resources both within the Council's General Fund and Housing Revenue Account as well as being able to balance priorities against the wider priorities of the local Council landlord service.

Equalities and Diversity

Consideration is given to how different, and sometimes vulnerable, groups of people may be affected by the change to self-financing. **Chapter 7** sets out the Council's statement on '**Equality and Diversity**'.

Taking the Plan Forward

The Plan includes some sensitivity analysis and indicates that small changes to the key base assumptions can make a significant impact on the overall finances of the service. Each year, as part of developing the Business Plan, work will be undertaken to both confirm assumptions, but to also understand the key factors influencing these assumptions.

Within the Council's Corporate Plan, housing has a high profile: recognising the importance of more and better housing to the quality of life of residents of Harlow.

The review of the Business Plan will form part of the work plan of the Housing Standards Board and Panels linking to the Council's formal governance structures.

Andrew Murray	Head of Housing	01279 446676
Simon Freeman	Head of Finance	01279 446228
Andrew Smith	Finance Manager	01279 446212

1. Introduction

1.1 Background

1.1.1. Introduction

The HRA Business Plan process began in 2012 when self-financing was introduced.

The Council took on a one off debt as part of self-financing regime in 2012. Harlow Council minimised this debt through its planned Asset Management Strategy/disposals whilst maintaining a prudent borrowing cap. However each Council borrows not just against its income and expenditure streams but also against the value of its assets matched against its short, medium and long term corporate priorities operating as a business in order to address and helping to solve the acute housing crisis.

Changes to the self-financing regime were made in 2015 when the then Government announced the central setting of rent levels, with mandatory reductions between 2016-2019, and powers given to the Secretary of State to require Councils to sell high value voids to finance a programme of 'Right To Buy' in housing associations. In 2018 the policy of 'high value voids' was effectively abandoned by this Government.

This new HRA Business Plan covering the thirty years, 2018-2048, reflects this as well as a number of themes which have occurred over the past twelve months which will be explained in more detail below.

These include:

- Reduction in resources,
- The Council's ambition to build new housing,
- Fire Safety and Regulation,
- Inflationary Pressures,
- Implementation of Universal Credit and benefit rules,
- Cessation of funding for Housing Related Support,
- Implementation of the 'Homelessness Reduction Act 2017'.

1.1.2 Reduction in resources

The Government rent constraints policy introduced in July 2015 has meant there is fewer resources to support the HRA. The policy has been reviewed such that rent increases will, after 2019/20, be capped at CPI+1% annually from 2020/21 to 2024/25. The Council has made prudent assumptions in its HRA Business Planning forecast.

1.1.3 The Council's ambition to build new homes

The Council has plans to build new social and affordable housing. Further detail is given below (*Chapter 6.1.3*).

1.1.4 Fire Safety and Regulation

The safety of residents will remain the top priority of the Council and, as such, the Council is committed to ensuring homes are safe from the risk of fire. Fire Safety

continues to be the subject of national attention, with the ongoing Public Inquiry following the tragedy at Grenfell Tower.

In June 2017, the Committee received a report on Fire Safety management by the Council in response to the tragic fire at Grenfell Tower, London. The report identified that the Council's tower blocks were deemed to be inherently safe, with a wide range of fire safety measures.

Since that time, officers have continued to review Fire Risk Assessments (FRA's), advice published by Ministry of Housing, Communities and Local Government (MHCLG) and procedures in response to feedback / outcomes from the ongoing Public Inquiry.

As part of the review process updated Fire Risk Assessments for all flat blocks are due to commence in early January 2019, beginning with high-rise tower blocks and working through the remaining flat blocks in order of the highest number of storeys first. In addition to updated Fire Risk Assessments, the Council has commissioned comprehensive structural surveys of all high-rise tower blocks, with detailed reports listing the findings due in early 2019.

The Business Plan has been prepared acknowledging a sum of money will be required for further fire safety works but, at present, the cost is difficult to quantify whilst the Council awaits the result of updated FRAs, further advice from central Government and the outcomes of the Grenfell Tower Public Inquiry.

Works have already been identified which will require additional capital funding which include works to communal areas within flat blocks and, following advice published by MHCLG in June 2018, the potential replacement of previously installed Glass Reinforced Plastic (GRP) composite fire doors for individual flats, following further testing as part of the Grenfell Tower investigation.

Officers have explored possible scenarios in an attempt to quantify additional expenditure for fire safety works and have taken a cautious approach to budget provision for any further works, with £5.5m allocated to Fire Safety works over the financial years 2019/20 and 2020/21. In addition to this sum, £3m has been allocated to the replacement of 'Warm Air' heating systems including the decommissioning of 'SE Ducts' within the remaining four high-rise tower blocks following the pilot scheme at Willowfield Tower.

Officers are prepared for scenarios where the capital programme may need revision, require additional expenditure, and / or require the Council to externally borrow against the HRA to finance emergency schemes. The Council would need to ensure that it has the resources within the HRA Business Plan to repay principal and interest sums (see Appendix 6.3).

1.1.5 Inflationary Pressures

For the fourth and final successive year local authorities are required to reduce rents to tenants by 1%. The Consumer Price Index (CPI) in September 2018 was 2.4%. Compliance with legislation means that Harlow Council's average weekly rent for 2019/20 will fall from £90.75 to £89.84.

The inflationary pressure on the HRA through employee costs (estimated increase, 2% for 2019/20 and thereafter) and HTS (Property and Environment) Ltd contractual

increases (estimated, 5% for 2019/20, and 3% thereafter) erodes the working balance.

1.1.6 Universal Credit

Universal Credit was a new benefit introduced in 2013 and initially regulated by the 'Welfare Reform Act 2012' and the 'Universal Credit Regulations 2013'. The intention of the new benefit was to replace six means-tested benefits and tax credits.

The implementation of Universal Credit in Harlow commenced in 2016 and was finally rolled out to all eligible claimants in September 2017. The introduction of Universal Credit has impacted on the functions of Housing Services in different ways.

The conversion to monthly payments of housing costs, paid directly to claimants, fundamentally changed the previous Housing Benefit system, where housing costs were paid directly to tenants rent accounts on a weekly basis. This has impacted significantly on the Council's income stream of rental payments, and on the day-to-day management of claimants' rent accounts.

The implementation of Universal Credit has also seen a significant change in information sharing arrangements between agencies. Officers were previously able to liaise with Revenue and Benefits regarding the status of tenants' Housing Benefit claim, and therefore be able to assist tenants with actions required. Under Universal Credit the responsibility for sharing information rests with the claimant.

The Council has had to adapt its approaches to recovery of rent, with a focus on early intervention and communication with claimants, assisting with budgeting support and looking to identify any potential vulnerabilities / difficulties. Additionally claimants are also advised of the availability of independent personal budgeting support and additional digital support, and other support agencies. As one of the key difficulties experienced by landlords is encouraging tenants in arrears to engage with them regarding their situation, this in itself presents significant challenges.

Universal Credit does make provision, in certain specified circumstances, for landlords to request payment of claimants housing costs to be paid directly, for example where the claimant may have a vulnerability or specific difficulty in managing finances, or where there is a history of rent arrears. While this does enable Rent Officers to take steps to seek to ensure payment of housing costs, and/or arrears, such payments are made in bulk on a schedule system and this has led, in some cases, to delays of up to seven weeks from the date payment is deducted from a claimant's Universal Credit payment, to the time it is applied to their rent account, resulting in increases in arrears of over £600.00 per case.

In March 2018 the Council signed up to the Universal Credit Full Service Landlord Portal as a Trusted Partner, enabling Officers to verify claims for housing costs, and request managed payments more easily. While this does not address the fundamental issues with delays, which is due to payments being made once a month, it does streamline the initial application process.

In line with Schedule 4 of the 'Universal Credit Regulations 2013', which sets out the calculations of the Housing cost element for claimants, housing costs are paid to claimants on a calendar month basis, with the regulations providing that this is calculated by multiplying the weekly rent by 52 weeks and then dividing by 12 equal months.

A consequence of this calculation is that a 53 week financial year arises roughly every 5 to 6 years and therefore claimants who have weekly rent liability will not receive enough rent to cover the whole year's charges.

2019/20 is a 53 week rent year, counting the number of Mondays rent becomes due between 1 April and the following 31 March.

As social landlords generally charge rent on a weekly basis, this potentially means that every Council tenant that claims Universal Credit will accrue an extra 1 week of arrear, even if their housing costs are paid fully to the Council.

The Council will continue to implement its "can't pay, won't pay" approach, offering support for those in need and enforcing those who refuse to pay.

1.1.7 Cessation of funding for Housing Related Support.

The Government ceased funding for Housing Related Support in 2017/18. The Council has arranged Housing Related Services at Harlow which include Sheltered housing, Sumners Farm Close, and emergency alarm services. A scrutiny review concluded and recommended a new five year financial plan taking regard of reduced resources and meeting local priorities.

1.1.8 Implementation of the Homelessness Reduction Act 2017.

In 2017/18, the Government introduced a new Homelessness Reduction Act which made all Council homeless activities a statutory function. The growing incidence of homelessness at Harlow is well detailed in this Plan together with a forecast of resources required to tackle homelessness in the medium term.

1.2 Business Plan principles

The HRA Business Plan 2018-2048 is built upon these foundations or principles:

- To reduce dwelling rents annually by 1% in accordance with Government legislation between 2016/17 and 2019/20: 2019/20 will be the final year of four;
- Renew the Public Works Loan Board (PWLB) debt of £208.837m upon maturity of each loan, keeping repayment under review – the first loan would ordinarily become repayable in March 2026;
- Set a minimum HRA working balance at 31 March 2019 at £4m., being £2.5m for ordinary unforeseen events plus £1.5m for any unbudgeted outcome from the Grenfell Tower Inquiry. Following completion of work relating to fire safety, from say 31 March 2020, to revert the minimum HRA working balance to £2.5m;
- Revise the housing asset management plans and its priorities;
- Revise the garage management strategy, investment, and its priorities, and assume annual increases of at least 5% per year for garages and increases / decreases in service charges related to changes in expenditure. For 2019/20, however, it is proposed to incentivise take-up of some garages by lowering charges.

1.3 HRA Business Plan 2018-2048

The HRA Business Plan 2018-2048 is a formal update of the Plan presented last year. It takes into account:

- the decisions which Councillors have made over the past twelve months;
- any external factors which have affected the funding of the service, including new Government legislation and directives; and,
- changes in forecast income and expenditure over the next 30 years.

It is said that “to fail to plan is to plan to fail”. It is therefore very important to revisit the Plan to ensure that the HRA is managed so that there are sufficient funds to deliver the service. **Chapter 6** will explain that decisions made today can have a large impact in the future.

2. Strategic Context

2.1 Introduction to Harlow

Harlow is a former new town, designated under the 'New Towns Act 1946'. The Act created a number of new satellite towns around London, which had suffered bomb damage during the Second World War and housed many in sub-standard dwellings. The town had the good fortune to be designed through the vision of Sir Frederick Gibberd (1908-1984), who was not only an architect and planner but also a landscape architect. Working with pretty much a blank canvas of small sparsely populated villages with houses, church and farms Gibberd was able to design new communities among green wedges. Harlow is a relatively small town but one of the most densely populated areas in the East of England. In Harlow there is a larger proportion of terrace houses than is the norm, and 14 high rise flats – The Lawns being the first to be built in England in 1951. Most of the immediate post-war housing was built by the public sector: a Development Corporation passed to the newly designated Harlow District Council its stock when it was wound up. The Council takes its housing landlord role very seriously. The financial challenges that it and all other Councils face mean that difficult choices have to be made about the roles it undertakes.

The town is made up of suburban communities as well as shopping hatches and industrial and distribution centres. Harlow is at the centre of the London Stansted Cambridge Corridor. Harlow has many things going for it: an internationally important public sculpture collection including works by Auguste Rodin (1840-1917), Henry Moore (1898-1986), Barbara Hepworth (1903-1975), Gerda Rubenstein (b.1931); artistic communities such as Parndon Mill and Gatehouse Arts; green spaces including Parndon Wood - winner of a Green Flag Award - the Town Park, and the Gibberd Garden; as well as the fact that nowhere in Harlow is far from some wonderful and tranquil wood, pond or stream.

Harlow is an urban and green new town mixing high-quality varied housing types for all incomes, owners and tenants. The Council is strongly committed to maintaining its "landlord role". The financial challenges that it and all other Councils face mean that priorities and difficult choices have to be made about the roles it undertakes.

2.2. Achievements over the last decade

The Harlow Gateway Scheme – Renewal of sport and leisure facilities, including Harlow Leisurezone and Football Club, delivering new homes at Fifth Avenue and First Avenue sites.

Harlow Enterprise Hub – Networking and training provision for small businesses and start-ups.

Harlow College Campus – Renewed campus and facilities, including University Centre, HAMEC (Harlow Advanced Manufacturing and Engineering Centre) and Sir Charles Kao University Technical College.

The Briars, Copshall Close and Aylets Field Estate Regeneration – 1960s housing transformed into 340 modern homes.

Harlow Enterprise Zone – 1,000 staff, refurbished offices, and a new data centre and science park.

Council Homes – Delivery of new council homes for rent on disused garage sites.

Public Health England – New science hub and headquarters: a £480m investment creating 3,245 jobs.

Lister House Medical Centre – State-of-the-art primary care medical facility built.

M11 Junction 7a – Planning approval secured for critical infrastructure, underpinning economic and housing growth.

2.3. A summary of the key characteristics for Harlow reveal:

- Harlow has excellent rail links – 20 minutes to London Stansted Airport, 35 minutes to London Liverpool Street and 40 minutes to Oxford Circus.
- Harlow's population has grown slightly over the past five years and is currently 86,000. This is projected to grow to 90,000 by 2021 and 103,000 by 2039.
- There are currently 36,070 homes and this is projected to increase by a further 16,100 by 2033.
- The rate of economic activity is 85% compared to the national level of 78%.
- Wage levels are 10% lower for residents than workers.
- The rate of NVQ Level 3+ qualification is 20% lower than the national average.

2.4. Current Opportunities:

- Located at the heart of the London Stansted Cambridge Corridor, with the space and the potential to unlock growth in key sectors across the corridor.
- Benefitting from strategic transport connections, with London, Cambridge and Stansted less than 40 minutes away.
- Housing potential growth. It is expected from the new Local Plan for 9,200 homes to be included within Harlow itself. It is also expected for a further 16,100 integrating a new coherent expanded urban area which constitutes the Harlow and Gilston Garden Town..
- Public Health England's new £480m science hub and headquarters, bringing 3,245 new jobs to the town and signalling its growing importance as a location for life sciences.
- £250m investment in Harlow Enterprise Zone, building on Harlow's ICT (Information and Communications Technology) and manufacturing legacy, and creating 1,000 new jobs.

2.5. Current Challenges:

- Low skills levels, with poor higher education engagement, low confidence levels, and a rate of NVQ 3+ qualification below the national average.

- Significant funding for infrastructure required, including new crossings of the River Stort, West Anglia Mainline upgrades and road improvements.
- Some large housing estates in poor condition, requiring significant regeneration to maintain an inclusive and cohesive community.
- A town centre in decline, with recent residential conversions limiting the potential to create a mixed-use asset at the heart of the town.
- The town's largest employer, Princess Alexandra Hospital, is on a constrained site near the town centre that is not fit for purpose.
- Harlow has a young population, with those under ten accounting for 13% of the population. Excluding London Boroughs this represents the 19th highest rate in England and Wales.
- Harlow has a more diverse population than ten years ago. Around 16% of Harlow's population are from the black and minority ethnic groups. This is slightly lower than the national average.
- Around a third of Harlow's homes are social rented from the Council built around the same time: the third highest in England and Wales. This remains a huge contextual issue for Harlow as it shapes its regeneration plans.
- 51% of Harlow's homes are terraced houses: the fourth highest rate in England and Wales; and 24% are flats.
- House prices and average incomes are lower than in many neighbouring areas, but still unaffordable for many.

2.6. Analysis of Housing Stock

As at 1 April 2018, Harlow Council managed 9,279 Council dwellings (as shown in the table below), a further 2,517 leasehold flats purchased under the 'Right To Buy' scheme plus 13 homes managed under the shared ownership scheme.

Analysis of Housing Stock	Number
Analysis by Type of Dwelling	
Houses & Bungalows	5,692
Flats and Maisonettes	3,578
Other	9
Total	9,279

Analysis by Number of Bedrooms	
Bedsitters	402
1 bedroom	2,049
2 bedrooms	3,570
3 bedrooms	2,900
4 bedrooms	324
5 bedrooms	25
Hostels	9
Total	9,279

2.7. The Council's Vision and Objectives

2.7.1. Council Values

The Council strives to be an organisation where people make things happen and promote excellence, good customer service and continuous improvement. We want to ensure that all staff are consistently aware of how their role contributes to the achievement of corporate priorities, are clear about what is expected, and share the Council's values. The Council is committed to promoting equality, challenging discrimination and developing community cohesion.

The Council's values are:

Integrity	Clear, meaningful and honest two way communication with staff, customers and partners.
Value People	Treating everyone fairly, equally and with mutual respect, investing in staff, recognising individual and team contributions to achieve success.
Inspirational	Support and encourage accountability, creativity and innovation amongst our staff, key stakeholders and partners.

2.7.2 Corporate Plan

The Corporate Plan sets out these priorities in more detail and describes what the

Council will do to achieve them. The Council has three main roles to play:

- **Community leader**; representing the interests of Harlow and its community, working with the community to agree and achieve shared objectives and ambitions and to ensure that Harlow keeps evolving.
- **Service provider**, meeting the statutory duties placed upon it by Parliament to protect people, to exercise regulatory functions and to provide discretionary services where it is best placed to do so.
- **Commissioner** of services where such services can best be provided by others.

The Council takes these roles very seriously. The financial challenges that it, and all other Councils, will face mean that difficult choices have to be made about the three roles that it undertakes. To achieve these values we have identified five priorities for the next five years:

1. More and better housing.
2. Regeneration and a thriving economy.
3. Wellbeing and social inclusion.
4. A clean and green environment.
5. Successful children and young people.

This HRA Business Plan links closely with the Corporate Plan and seeks to illustrate how the Council will respond to the challenges it faces to improve Harlow for residents, businesses and visitors.

3. The Housing Service

3.1 Responsibilities

The statutory basis outlining responsibilities required of a housing landlord are contained within the 'Housing Act 1996', and subsequent legislation.

The housing service delivers Council landlord and associated housing related services formally regulated by the Homes and Communities Agency (HCA) including:

- Tenancy and Property management.
- Income management and tenancy support.
- Housing estates management.
- Empty Property Management.
- Right to Buy applications.
- Tenants and leaseholder engagement.
- Leasehold Management.
- Garage and Hardstand Management.
- Rent and service charge collection.
- Tenancy Enforcement.
- Tackling Anti-social Behaviour.
- Tackling Poor Health and Wellbeing.
- Housing Related Support (HRS) services.

The service re-alignment groups our current activities under "Property" and "People" themes / responsibilities. Attached is a presentation of this new alignment (Housing Hub) together with an updated management structure, and suggested revised governance arrangements. The realignments reflect the need to give a clearer focus on delivery of our strategic/operational activities, service priorities, personal development and, resource allocation.

As landlord for 9,279 homes the Council has a responsibility to ensure that it:

- meets statutory regulatory requirements;
- performs well in its landlord duties (e.g. rent collection, empty property management, and repairs);
- has housing that is well maintained and managed;
- listens to the tenants and leaseholders.

The changes to the Housing Benefit rules and other welfare reforms have placed many Harlow residents, including many Council tenants, under increased financial pressure.

Many young adults find it hard to move into their own home, and there are over 4,200 households on the Housing Needs Register. Average house prices are around seven times' average earnings. This context increases the acute housing shortage in Harlow and too many successful Harlow residents end up leaving the town, in part

because they cannot find suitable housing. The Housing Needs Register is made up as follows:

- | | |
|---------------------------------------|-----|
| • Homeseeker applicants | 70% |
| • Transfer applicants | 27% |
| • Homeless applicants (accepted duty) | 3% |

There continues to be less resource to meet local priorities. The Council will continue to work towards making more housing available in Harlow, with a wider choice of housing types which are genuinely affordable, by helping to improve the choices for those in housing need as well as improving health and wellbeing by improving housing conditions.

3.2 Our goals for the next three years

- Invest in Housing stock.
- More housing available in Harlow, with a wider choice of housing types of all tenures which are affordable, social rented, and council housing.
- Work towards improving choices for those in housing need.
- Encourage and facilitate effective tenant and leaseholder engagement.
- Tackle homelessness by implementing the Homelessness and Rough Sleeper Strategy.
- Increase the range and type of supported housing.

This is achieved by:

- Providing and maintaining high quality housing stock, with all Council homes in the town meeting Modern Homes standards. Publish an annual Housing Investment Programme (HIP) and invest in improvements to housing conditions.
- The commencement of £1.9m modernisation programme to replace District Heating schemes over a planned period addressing the energy efficiency of the Council's housing stock.
- Fire safety: Awaiting the outcome of the Grenfell Tower Public Inquiry. A review of Harlow Council's tower block fire risk assessments confirmed that all are inherently safe from fire, although the outcome of the Inquiry may require additional work necessary after the commencement of the 2019/20 financial year.
- Finalising the estate regeneration programme of The Briars, Copshall Close and Aylets Field (BCA).
- Consulting on our preferred options for housing growth in the Local Plan.
- Commencing a long term programme of house building of all types that are genuinely affordable.
- Updating the Homelessness Strategy Action Plan, and Harlow Homelessness Partnership.
- Implementing the Tenant and Leaseholder Engagement Strategy.

- Implementing a five year plan of Housing Related Support (HRS) as an attempt to provide an effective framework for reducing resources both within the Council's General Fund (GF), and HRA, balancing priorities against reduced resources with the wider priorities of the local Council landlord service.

The Council aims to further develop the way it consults and communicates with tenants and leaseholders. By doing this the Council expects to see an improvement in the proportion of Council tenants who are satisfied with Harlow Council as a landlord.⁶

A performance management framework is in place. The framework seeks an "outcome" based approach focusing on targets that make a real difference to people's lives focusing on improving customer satisfaction, efficiency, and delivering value for money.

3.3 Supported Housing

Harlow Council's Supported Housing Service consists of sixteen sheltered housing schemes, one extra care scheme for the frail elderly, and a community support function for 1,000 private clients living across the town.

Essex County Council (ECC) formally acts as the responsible organisation, and commission Housing Related Support (HRS) services from the Council on a contractual basis. HRS commissioning services funded by ECC form part of the Government's Health and Social Care agenda that promotes Older Persons wellbeing and independence. The Act does not stipulate specific services to fulfil this requirement. The Council's role, as a landlord, is to maintain the fabric of the building, deliver the contractual HRS services, and manage its tenancies.

Reductions in housing support places increasing pressure on supported housing services. However, the Council wants Harlow to be a great place to grow older with people living happy, healthy and independent lives with the Council playing a leading role in tackling the underlying root causes of poor health and the issues that affect wellbeing.

The Sheltered Housing Service plays an important role in this "Wellbeing" Strategy.

Older People can expect to live longer, maintaining their independence for longer, seeking care and support services later in life. In Harlow this age profile is projected to increase dramatically.

Therefore, it is appropriate to continuously review and reshape services to meet the changing needs with an emphasis on housing support services.

HRS was originally Supporting People funding which was the care element of Housing Benefit. The care element of Housing Benefit was removed because it was identified by the government as not being part of bricks and mortar housing support and was given to ECC to administer. Harlow Council has continued to provide housing related support with reducing resources, and year on year reductions in funding.

⁶ BV74a Satisfaction - with Council tenants overall (per cent)

A review of the Supported Housing Service was completed in November 2017 and the Scrutiny Committee have made recommendations on how the Council's objectives for HRS housing should be pursued within the reducing resources available to the Council from ECC.

3.4 Tenure policy

The Council is required to have a Tenancy Strategy setting out its approach to tenure.

This was published in 2013 together with a new Allocations Policy determining the priorities used for allocating Council housing. The policy has given greater freedom to establish local approaches of those who can join the Housing Needs Register and what priority the Council can award. The Council no longer manages an open waiting list to which any person can apply. The Tenancy Strategy is in the process of being reviewed, and once approved will be implemented with effect from 1 April 2019.

3.5 Managing Performance

Harlow continues to be recognised externally as a top housing performer operationally.

Real achievements have been made over the last year leading to:

- Strong landlord performance in key landlord areas of rent collection, service charge collection, turning round empty properties, and repairing our homes.
- Completion of Phase 1 of a major estate regeneration programme at The Briars, Copshall Close, and Ayletts Field.
- Addressing the Housing Register which continues to grow, increasing in incidence of homelessness: continuing to work to let homes in a fair and transparent manner.
- Achieved accreditation for the Careline Scheme which offers security to the most vulnerable residents in the town.
- More resources put into "Tenancy Support" Service, recognising this is a growing area but enforcing tenancy conditions fairly where required.
- Celebrating for the third year running the partnership working with Essex County Council and Manorcourt Homecare in providing extra care housing at Sumners Farm Close for the most elderly and vulnerable.

A tenant satisfaction survey is carried out biennially by Housing Services. In the last survey in 2017 satisfaction with the overall service was at 76% (increased by 2% since 2014). 74% of respondents were satisfied with the quality of their home. The next Landlord Survey is due to take place at the end of 2019.

Tackle homelessness – The Housing Register continues to grow, with increasing incidences of homelessness. The Council continues to work to let its homes in a fair and transparent manner, meeting local priorities.

- Implementing the new 'Homelessness Reduction Act 2017' in conjunction with the Harlow Homelessness Partnership developing shared objectives as well as targeting the limited resources to priorities.

- Continuing to implement the government's social mobility scheme to encourage national mobility within social housing providers, increasing choice.
- Continue the implementation of the Modern Homes Programme investing in the Council's housing assets and directing resources in improving energy efficiency, reducing the energy bills to tenants and tackling fuel poverty.
- Update the Homelessness and Rough Sleeper Strategy and Action Plan, to include the requirements of the 'Homelessness Reduction Act 2017' and Rough Sleeper Initiative.
- Working towards increased communication by providing more opportunities for tenants and leaseholders to be involved in their service.
- Consult on our preferred options for housing growth in the new Local Development Plan.
- Continue to replace the Council owned district heating schemes to increase energy efficiency and tackle fuel poverty.
- Commencing a programme of new building Council homes.

3.6 Modern Homes Programmes

The Modern Homes Programme has to date reached over 8,000 homes with 42,000 improvements illustrating the ambition and scale of delivery, and transforming Council housing in Harlow. (See 4.1 below)

3.7 District Heating

There are a number of flat blocks owned by the Council where all residents (both tenants and leaseholders) benefit from a District Heating system. A District Heating system (or Heat Network) supplies heating and hot water to residents via a central boiler system that works for the whole block, rather than each property having its own individual boiler. These systems are considered to be both cost-effective and more efficient than individual domestic boilers. The Council supplies the gas used to run the communal boilers and re-charges residents for the energy they use within their homes.

The Council continues to monitor the cost at which it procures energy and is committed to demonstrating value for money for both its tenants and leaseholders. Gas is purchased by the Council through a consortium arrangement via the use of an energy framework that allows the Council to purchase gas and electricity directly from the wholesale market. The framework used by the Council aligns similar contracts of multiple customers in order to achieve savings when purchasing energy in large quantities. The use of a framework also allows the supplier to take advantage of favourable market conditions to ensure energy is purchased at the best possible price for the Council.

In July 2017 Cabinet approved the introduction of a new framework agreement which commenced in September 2018. As part of the implementation of the new framework the Council has entered an initial 'bridging' contract with the energy

supplier. Residents will see an increase in the price of energy under the bridging contract initially for the first 12 months but, although the cost of energy under the 'bridging' contract has increased, detailed market analysis shows that the wholesale price of gas across the UK has increased over the last year, mainly due to unprecedented demand and a weaker exchange rate. While under the bridging contract, the framework provider will be procuring energy at a lower rate for the years following the initial term which will produce savings for the Council and therefore residents in the medium term, providing residents with value for money.

The Council remains committed to tackling fuel poverty for residents. The cost of energy that is passed on to both tenants and leaseholders of the Council is assessed each financial year to ensure the Council is not putting its residents at risk of fuel poverty. Although the cost of energy procured under the 'bridging' contract has increased, these rates have been benchmarked against the 2015 energy rates charged to residents within District Heating schemes and found to be equal. In 2015 the Council commissioned the Home Energy Study by Rickaby Thompson Associates which identified a small number of properties to be at risk of fuel poverty. The study used what was the current energy pricing at the time as part of the assessment of fuel poverty and therefore allows the Council to benchmark against energy rates for that year.

Alongside the programme of district heating modernisation, work has also been undertaken to ensure the Council's compliance with new legal requirements under the 'Heat Network (Metering and Billing) Regulations 2014' through the installation of individual property Heat Meters at all schemes that benefit from district heating (in order to facilitate billing for energy use on a property-by-property basis based upon individual energy use / consumption). Heat meters measure individual heat and hot water usage and ensure that residents are charged fairly for the heating and hot water they use. Residents receive a quarterly statement showing their energy consumption and their tariff information, ensuring that the Council is providing transparency over the way in which it charges residents for heating and hot water within District Heating schemes.

3.8 Tackling Fuel Poverty

Tackling fuel poverty is a main policy priority for the Council. Fuel poverty affects the most vulnerable residents within our communities and can have adverse effects on their wellbeing.

Fuel poverty in England is measured statistically using the Low Income High Costs definition, under which a household is considered to be in fuel poverty if:

- They have required fuel costs that are above average (the national median spend on fuel)
- Were they to spend that amount they would be left with a residual income below the official poverty line

Whether or not a household is affected by fuel poverty is largely determined by the following four factors:

- The energy efficiency of the property
- The cost of energy
- The household income
- The usage of heating and hot water by the individual resident

A proactive, targeted use has been made of the 2015 Harlow Home Energy Study by Rickaby Thompson Associates which identified the Council's lowest performing properties in relation to energy efficiency. A number of these properties were identified as putting residents at risk of being in fuel poverty due to their low energy performance rating. The Energy Performance Certificate was used to identify the required measures to increase the energy performance of each of these properties and alleviate the risk of fuel poverty within the Council's housing stock. These works included:

- Replacement of individual domestic boilers and heating systems within properties.
- Replacement of doors and windows to individual properties and flat blocks.
- Replacement of District Heating Boilers and associated heating systems, including the installation of controllable heating at all schemes.
- Installation of cavity wall, loft and external wall insulation to targeted properties.

Work continues to be focussed on improving the energy efficiency of the properties with the lowest energy efficiency rating. Works are prioritised in order to improve the Energy Performance Certificate (EPC) rating to ensure that none of the Council's properties are putting residents at risk of fuel poverty due to their low energy performance rating.

3.9 Tenant Moves Incentive scheme and mutual exchanges

The main priorities remain:

- Make efficient and effective use of existing Council housing stock.
- Increased priority given to Council tenants wishing to move to smaller properties.
- Demonstrating value for money.
- Increasing housing options to meet housing need.

3.10 Collecting Rent and Service Charges

Welfare Reform changes have meant a difficult time for many residents.

The Council's "can't pay / won't pay" approach actively helping residents with dedicated money advice, early intervention, and targeted income management, along with the promotion and take up of direct debit payments. The Council has increased rent and service charge collection rates with performance still in the "top quartile" of high performing landlords, which is one of the highest collection rates in the region.

- 99.15% of rent collected in 2017/18,
- 99.63% of leasehold service charges were collected in 2017/18.

3.11 Repairs and Maintenance

The transition to HTS was a smooth transfer ensuring the customer saw no change to their service level from 1 February 2017. The Council also continues to work effectively with its contractors supporting the Council in the delivery of the repairs service and improving the customer experience.

Performance is being reported on Contractors' response to tenants' requests. This needs to be even better, dealing consistently well with the 33,000 repair requests on an annual basis. Prioritising vulnerable tenants, and responding effectively to feedback regarding experiences.

3.12 Welfare Reform

Following the introduction of the Government's Welfare Reform legislation, work continues to assist residents with embedding the amended Housing Benefit Regulations. The Council continue to have clear and transparent processes and procedures for dealing with arrears recovery, and will continue to work in line with its "Can't pay / Won't pay" ethos when managing debt in relation to support and enforcement (*see 6.4.2. below*).

3.13 Anti-Social Behaviour

Tackling anti-social behaviour continues to be a high priority for the Council. Early intervention is key and by ensuring resources are targeted appropriately enables the Council to deal efficiently and effectively with complaints. Taking a multi-agency approach (involving the Police, Social Care, schools and other support agencies) is attributed to the continued success in reducing the number of complaints and need for enforcement action.

3.14 Tenant and Leaseholder Engagement

The Council continues to work in "co-regulation" with tenants and leaseholders using different methods in order to scrutinise, challenge, putting them at the "heart of the housing service".

The Council is in the process of reviewing its wider community engagement strategy which is expected to conclude in 2019/20. Any revisions will need to be aligned to the Housing Services' Tenant and Leaseholder Engagement Strategy and Action Plan.

3.15 Right to Buy

Applications for Right to Buy have stayed at a level of three a week.

A summary of the Service Plan and key performance indicators is shown in Appendix 3.1.

4. Asset Management

4.1 Stock Condition and Key Investment Principles

In 2018/19, the Council continued to use data gathered through the 2012 Stock Condition Survey to establish a clear Programme of Works to its housing stock in order to maintain compliance with the Government's Decent Homes Standard and fulfil its wider regulatory and statutory duties as a responsible landlord.

Savills UK Ltd administers the main elements of the Council's Housing Investment Programme (HIP) which has established an ambitious five year £100m Modern Homes Programme, centred upon a set of internal / external works packages to Council homes. These work packages target resources to ensure homes meet the Government's Decent Homes Standard, and that local priorities are tackled. High standards of workmanship in all the programmes are expected to ensure that they are delivered on time, within the budget envelope allocated, and to a consistently high customer experience – as reflected within contractual Key Performance Indicators (KPIs) for all Service Providers.

The Modern Homes Programme has reached to date approaching 8,000 homes and 48,200 individual improvements illustrating the ambition and scale of delivery, transforming Council housing in Harlow. There is a robust inspection and performance management framework established which ensures that predetermined standards are met, contractors meet performance standards, and value for money can be demonstrated.

In addition to maintaining decency, additional asset management priorities shape investment within the housing stock over the next five year period, as follows:

- A review of the External Works Programme has been undertaken in order to refocus on key priorities, this is as a direct result of the ongoing impact of a reduced budget due to the enforced reduction in rent levels to 2020. These works will include an extensive re-roofing programme and associated works on both houses and flat blocks.
- Continued focus and planning on the Council's compliance (health and safety) obligations and fire risk assessment priorities across all the assets. Attention continues to be concentrated on fire safety in the 14 High Rise Tower Blocks: new Fire Regulation Assessments are currently being undertaken.
- Prioritising the Energy Efficiency of the Council's housing stock in regard to replacement and renewal of the Council's Communal and District Heating Systems and the poorest performing properties which pose a risk of fuel poverty to our tenants;
- Works identified in the Garage Strategy approved in December 2015;
- Enhancing the portfolio of the Council's own Temporary Accommodation with a view to increasing its quantity and quality and reducing the reliance upon Bed and Breakfast and other more expensive external options;
- Maintaining the Council's significant investment in adaptations to the homes of some of our most vulnerable customers (disabled, long term illness etc.) to ensure that tenancies remain sustainable;

- Continuing the Council's aspiration to develop new Council housing and developing a longer term programme which includes housing of all tenures, social rented as well as Council housing, reviewing this on an annual basis and as individual opportunities arise.

A full list of short, medium and long-term priorities is identified in Appendix 4.1.

4.2 Asset Management Programme Performance and Delivery

The Council achieved full compliance with the Decent Homes Standard in March 2015 and subsequently this position has been maintained via further investment in the Council's housing stock – as reflected within the component delivery set out in the table below, updated regarding 2017/18:

Element	Total Completed 1 st April 2013 to 31 st March 2014	Total Completed 1 st April 2014 to 31 st March 2015	Total Completed 1 st April 2015 to 31 st March 2016	Total Completed 1 st April 2016 to 31 st March 2017	Total Completed 1 st April 2017 to 31 st March 2018	Total Completion s
Kitchens	1,144	1,516	481	475	205	3,616
Bathrooms	734	1,413	534	522	359	3,203
Additional WC	127	466	54	62	48	709
EICR Inspections	3,247	2,812	772	262	727	7,093
Smoke Alarms	1,415	965	549	589	1,104	3,518
Boilers	544	775	305	397	117	2,021
Heating Distribution	802	846	264	304	106	2,216
Doors	2,733	1,845	1,594	1,210	379	7,382
Windows	7,242	4,396	2,748	3,197	583	17,583
Externals	N/A	N/A	269	590	743	859
Totals	17,988	15,034	7,570	7,608	4,371	48,200

By continuing to hold contractors delivering this work properly to account, in addition to delivering the required volume of works, very high standards of customer experience and satisfaction have been maintained throughout 2017/18 and into 2018/19. This is reflected within excellent customer satisfaction scores and complaint rates as per the table below:

Customer Satisfaction – 2017/18		Very Dissatisfied	Dissatisfied	Satisfied	Very Satisfied	Return Total
United Living	2017/18	1	2	75	214	292
	%	0.4%	0.6%	25.7%	73.3%	100%
Mulalley and Co.*	2017/18	N/A**	12	102	N/A**	114
	%	N/A**	11%	89%	N/A**	100%
Lorne Stewart	2017/18	2	3	23	32	60
	%	3%	5%	39%	53%	100%

4.3 Maintaining compliance of the Council's Housing Stock to the Government's Decent Homes Standard

As a result of government legislation in regard to the requirement to reduce rents by (-)1% each year from 2016-2020, the Council has planned its housing stock investment and programme delivery (HIP) to meet, rather than as had originally been the intention to exceed, the Decent Homes Standard due to reduced resources being available.

Nonetheless, component / element delivery volumes remain high with, for example, some £3.8m still invested in Internal Works to properties, which in 2017/18 included 228 properties which would otherwise not have achieved compliance with the Government's Decent Homes Standard.

In the context of meeting the Decent Homes Standard, particularly pleasing in 2017/18 was the increase in those properties brought to compliance via actual Internal Works completion as opposed to being recorded as works refused or non-access cases.

Effective contractor management continues to be vital to ensuring optimum value for money is obtained for the Council's capital investment, with tight cost, quality and payment control secured through a continuous rolling monthly process of works handover, sign-off and valuation, holding Service Providers to account.

4.4 Continued focus and planning upon the Council's compliance with health and safety obligations

As a responsible social landlord, Harlow Council has no greater asset management priority than ensuring the health, safety and welfare of its tenants via full compliance with its statutory, regulatory and legal obligations across the full range of issues related to fire, gas, electrical and water safety as well as asbestos management.

The Council continues to focus on validating and seeking comprehensive assurance that its approach to fire safety is robust. This has been the case in regard to positive feedback after joint inspections carried out of the Council's 14 High Rise and other multi-storey Flat Blocks by Essex Fire and Rescue Service.

The Council, though, has continued to further prioritise and increase its asset management focus upon both further fire safety-related activities and other compliance (health and safety) areas, including:

- A pilot on Willowfield Tower is being undertaken to decommission the SE Ducts and warm air central heating systems which are being replaced with modern wet gas central heating systems.
- The commissioning of a full specialist structural safety and condition survey for the Council's 14 Tower Blocks in order to provide assurance of their continued longevity / suitability as sustainable accommodation and develop a plan for any future required investment.

- Following a detailed condition assessment, the compilation of a 4 year, £1.5m prioritised refurbishment (11) and replacement (4) programme for the Council's portfolio of housing scheme lifts to ensure their continued safe operation and compliance with legislative and regulatory standards.
- Continued operation of a comprehensive programme of electrical safety inspections and upgrading of communal electrical installations via ring-fenced, dedicated compliance capital funding.

4.5 Addressing the Energy Efficiency of the Council's housing stock in regard to replacement and renewal of the Council's Communal and District Heating Systems (and the poorest performing properties which pose a risk of fuel poverty to our tenants)

The Council is committed to this programme of work with schemes identified for replacement in the 2019/20 Capital Programme.

Alongside this work, the Council has also continued to ensure its progress towards full compliance with its obligations under the 'Heat Network (Metering and Billing) Regulations 2014' – with the levying of heating charges to individual households.

The Council fully recognises the scale and significance of this change for its residents, and has closely monitored the impacts of this upon households and has provided additional advice and support when necessary in regard to issues of vulnerability and/or affordability – and this approach will continue into 2019 as the next phase of transition to individual heating charging takes place.

In addition, continued asset management value continues to be derived from the 2015/16 Harlow Home Energy Study by Rickaby Thompson Associates, with a programme of targeted improvement works derived from this insight ensuring that the Council will have – as required from April 2018 via the Energy Act 2011 and Fuel Poverty Regulations 2014 – no properties subject to re-letting restrictions via an Energy Performance Certificate (EPC) rating below Band E.

4.6 Works identified in the Garage Strategy approved in December 2015

The Council's Housing Garage and Hardstanding Strategy was first updated in 2007.

The strategy recognised the large portfolio and prioritised it according to retention, disposal, and redevelopment of further affordable housing. An investment appraisal was completed in 2014 which identified and strengthened sites for retention and / or disposal.

The budgetary resources available to this area of work were significantly reduced in 2016/17 in preference to works within domestic tenanted properties, and this position continued into 2018/9 with an annual budget of £500,000.

This budget has been deployed upon a programme of works – both refurbishment of existing garages as well as demolition and their replacement with hardstanding areas – derived from the original Garage Strategy at estate locations including Potter Street, Pynest Road, The Downs, Pittmans Field, The Dashes, Tany's Dell, and Chippingfield..

Derelict garage sites also form part of the Council's wider regeneration approach which seeks to maximise scarce council land resources, taking advantage of appropriate funding opportunities, where available.

4.7 Enhancing the portfolio of the Council's own Temporary Accommodation with a view to increasing its quantity and quality and reducing the reliance upon Bed and Breakfast and other more expensive external options

The Council continues to face very considerable challenges and pressures in relation to its statutory obligations for meeting local housing need, including homelessness, and the 'Homelessness Reduction Act' will inevitably add further to these demands.

This has resulted in progressively increased pressure upon the Council's provision of temporary accommodation, and the budget related to this.

In order to assist with these pressures, during 2017/18 a programme of works to deliver additional (6 units), high standard temporary accommodation – via property conversion works at Collins Meadow, Hare Street Springs and Partridge Court – has been tendered. Work to Collins Meadow and Partridge Court will commence in January 2019. Hare Street Springs is currently still in planning with a view to commence works in Spring 2019.

4.8 Maintaining the Council's significant investment in adaptations to the homes of some of our most vulnerable customers (disabled, long term illness etc.) to ensure that tenancies remain sustainable

In common with the above duties of the Council in regard to housing need and homelessness, work to disabled adaptations continues to be marked by levels of demand which substantially exceed the budgetary resources available.

As a result, a continued substantial capital works budget of £900,000 was allocated to these works for 2018/19 – and this level of resource is to be maintained within the Council's medium term financial planning for its Housing Investment Programme for each year through to (and including) 2022/23.

A continuous process of Service Review, covering all aspects of service and delivery structure and process, has continued in 2018/19 in order to seek to ensure that the Council – and the vulnerable tenants and their families for whom adaptations work is so vital - is obtaining maximum Value for Money and efficiency for the monies it continues to allocate to this investment priority, making best use of the stock. This will in particular focus moving forward upon an expanded role for and involvement from, the Council's Housing Management function within decision-making and customer communication in individual disabled adaptations cases.

4.9 Continuing the Council's aspiration to develop housing of all tenures including social rented

The Council has an ambition to build new homes and has a programme to do so. Further information is given below (see 6.1.3.).

4.10 Supporting the development of HTS (Property and Environment) Ltd.

The strong spirit of partnership and positive approach to the transition of the Council to HTS (Property and Environment) Ltd ensured a smooth, successful transition to the new internal Service Provider from 1 February 2017. This followed the active monitoring of Work In Progress (WIP) up to the transition date, close co-operation in regard to Information Technology systems and in regard to customer communication.

HTS will be allocated work packages on an annual basis to the value of £5.8m encompassing areas including Windows and Doors, internal works to ensure homes remain decent and compliant, Disabled Adaptations, Energy Efficiency and Garage Refurbishment / Demolitions. The allocation of these works has used a new Business Case process.

This Business Case process has been further refined and enhanced for 2018/19 in order to ensure that the Council can evidence a continuous improvement in the quality of service delivery and Value for Money provided by HTS (Property and Environment) Ltd. in accordance with the Council's original objectives in implementing the Local Authority Trading Company structure.

5. Governance

5.1 Development and Review

The Council introduced a “Cabinet” style of political management from May 2011.

The Cabinet carries out all the Council's functions which are not reserved to Full Council or the responsibility of any other part of the Council, whether by law or under the Council's Constitution and takes Key Decisions, including the development, monitoring and review of services, resources and policies.

5.2 Involvement and consultation

The Council recognises the genuine shared commitment to embrace tenant and leaseholder participation, working together, placing them at the “heart” of what the Council does and shaping and improving services to ensure the Council's housing regulatory role is delivered effectively.

The Tenant and Leaseholder Engagement Strategy takes into account the regulatory arrangements and its implications for the Council, tenants and leaseholders. The strategy forms part of the Council's approach to the social housing regulation built around the concept of “co-regulation”.

Co-regulation requires the Council to demonstrate robust self-regulation incorporating effective tenant and leaseholder involvement through its governance structures.

It is recognised, that there is a requirement to “widen representation”, to focus on the issues most important, and importantly to embrace modern engagement / information sharing techniques to further encourage participation.

The tenant and leaseholder engagement strategies key objectives are to:

- Continuously review tenant and leaseholder involvement, service delivery and customer involvement routes.
- Improve strategic partnership working through the development of an integrated approach to the strategic direction with clearer priorities for the service.
- Establish more effective and robust performance management across tenant and leaseholder participation activity.

The updated Business Plan has been produced in partnership with tenant and leaseholder representatives. The Council is committed to tenant and leaseholder participation and believes that this is a way in which tenants and leaseholders can be involved in the management of their homes.

The HRA Business Plan will be reviewed by tenants and leaseholders together with the other landlord's housing related policies and priorities. This will ensure tenant and leaseholder involvement in the:

- Making of decisions about how housing-related services are delivered, including the setting of service standards.

- Scrutiny of their landlord's performance and the making of recommendations to their landlord about how performance might be improved.
- Management of their homes, where applicable.
- Management of repair and maintenance services.

The Council's Housing Standards Board and Tenant and Leaseholder Standards Panels will jointly monitor service delivery against the consumer standards applicable to the Council and regulated by the Homes and Community Agency (HCA).

5.3 Landlord Survey

Housing Services conducts its Tenant Landlord Survey once every two years and a Leaseholder Survey once a year. The statutory requirement to produce a customer satisfaction survey (known as the Status Survey) ended in 2010/11, however the completion of an alternative surveys is important to both the Housing Service and Tenant and Leaseholder Engagement as the results can be used to measure and assist in shaping and developing future services.

The surveys cover questions around the overall tenant and leaseholder satisfaction with Housing Services as a whole. These also ask how satisfied tenants and leaseholder are when receiving housing and communal repairs, cleaning and ground maintenance, modern homes or major works, service charges, leaseholder management fee and tenant and leaseholder engagement and empowerment. The Surveys also gauge tenants' and leaseholders' perception on different aspects of the Housing Service which includes moving home, reporting anti-social behaviour, garages, contact and communication with Housing Services, complaints and value for money.

The Housing Service continue to review and make changes to the way it engages with its Tenants and Leaseholders. Surveys of this nature allows for the Council to develop a set of priorities based on consultation evidence which helps assist in future planning.

The biennial survey showed that the overall tenant satisfaction was 74% in 2014, increasing to 88% in 2017 (BMG Independent Survey).

6. Financial Forecasts

6.1 Introduction

The HRA Business Plan is a key tool in the management of the Council's Housing Service. It sets out the key priorities for the service and provides a financial forecast over 30 years. This document is referred to by Officers, and is subject to regular review.

HRA self-financing gave Councils greater control over service delivery, but also brought greater responsibility. Taking on borrowing of £208.837m on 28 March 2012 was one of the biggest decisions Harlow Council has ever had to manage. Government legislation to reduce rents annually by 1% over four years (to 31 March 2020) means that debt cannot now be repaid within the timescale originally envisaged.

This year the HRA faces three major challenges:

- Inflationary pressure
- Fire Safety and Regulation
- Building Council homes.

The Council's HRA Business Plan 2018–2048 is summarised below, *and detailed in Appendix 6.1.*

6.1.1. The Challenge of Inflationary Pressure

A major challenge to the HRA is the upward pressure of inflation on expenditure at a time when dwelling rents are required to reduce by 1% annually to 2020. The Consumer Price Index (CPI) for September 2018 was 2.4%. The baseline Plan assumes increases in excess of CPI annually in its contractual obligation to HTS (Property and Environment) Ltd.: 3.7% in 2018/19, 5% in 2019/20 and 3% thereafter, Staff salaries will increase by 2% for a second year in 2019/20. General increases in other expenditure are assumed to be 2% annually which err on the optimistic rather than pessimistic side because the Bank of England central forecast is for CPI to be above 2% until at least September 2021.

The Council welcomes the Government announcement that rents will be allowed to increase by “no more than” CPI+1% annually from 2020/21 to 2024/25.

Inflation is no friend of this HRA Business Plan, and changes from the assumptions above have greater significance in terms of the Plan's sustainability. Perhaps as never before the sensitivity analysis, *in Appendix 6.3*, has added dimension.

6.1.2 Grenfell Tower Public Inquiry

The Grenfell Tower Public Inquiry is a through review of the events and lessons learned surrounding the devastating fire and loss of life in the high-rise tower block in London. The first phase, which heard eye-witness accounts of the tragic night, completed in December 2018. It is now anticipated that the second phase may not start until autumn 2019 at the earliest in order to allow lawyers to digest the vast amount of evidence submitted. This second phase will examine the wider causes of the fire, including whether the use of cladding was a contributory factor to the spread of fire.

The Council will need to respond appropriately to these findings. This HRA Business Plan has identified £5.5m to be allocated to fire safety work in 2019/20 – 2020/21. In addition to this budget, £3m has been allocated to complete 'Warm Air' heating replacements in the remaining 4 high-rise tower blocks, followed by the decommissioning of the 'SE Ducts' within each of the blocks.

£1.5m has been allowed within the HRA Minimum Working Balance for any other emergency work required in 2018/19 and 2019/20. This would be used as a temporary measure. The MHCLG Green Paper 'A New Deal for Housing' (published in August 2018) recommends that the policy on high value voids is abandoned following consultation with local authorities. The Council awaits the outcomes of this consultation exercise.

The risk which Councils face is not only inflationary pressure but also the law of supply and demand. If, for example, landlords were required to fit sprinklers or new fire doors in all high rise properties it would immediately follow that the demand to supply sprinklers would increase and therefore the cost and lead-in time for works would increase. Taking a proactive view may though be counterintuitive until firm guidance is received from central Government.

6.1.3. Building Council Homes

The following information has been taken from the Council's 'Capital Programme Strategy' (Appendix B of the 'Capital and Treasury Report').

The Council's Corporate Plan 2017-2020 places emphasis on 'More and Better Housing'. This means tackling the housing need of Harlow residents, both in quantity, affordability, range and quality.

In addition to projects included in the 'HRA Business Plan 2017-2047', a cross-departmental Officer Task Group has identified a further programme of house building which was approved by Cabinet on 6 December 2018. This includes The Readings, Bushey Croft and Lister House for which planning permission has already been granted.

The programme will be financed from retained pooling receipts, revenue balances and external borrowing, both within the Council's Housing Revenue Account. The Government allows Councils to keep receipts from a proportion of 'Right To Buy' sales on condition that these are spent within three years on building replacement council homes. Failure to deliver would result in retained receipts being repaid to Government at a penalty of base rate plus 4%. It is therefore essential that the programme is delivered in a timely manner, and that further retained receipts are drawn down prior to need.

The outline intention is to build homes and let at either social rent or an affordable level of rent.

A programme for house building is set out below.

Council House Building Programme

	Number of Units	2018/19 forecast (£m)	2019/20 budget (£m)	2020/21 budget (£m)	2021/22 budget (£m)	2022/23 budget (£m)	2023/24 budget (£m)
Programme							
Temporary Accommodation	7	0.250	0.054	-	-	-	-
Sumners Farm Close	4	0.050	0.450	-	-	-	-
The Readings	3	0.075	0.560	0.261	0.010	-	-
Bushey Croft	16	0.078	2.621	0.463	0.040	-	-
Lister House, Perry Road	46	-	0.031	5.734	5.961	0.156	-
Elm Hatch	17	0.012	-	3.355	0.768	0.058	-
TOTAL (see Table 1)	93	0.465	3.716	9.813	6.779	0.214	-
Financed by							
Pooling Receipts (see Table 3)		0.140	1.115	2.944	2.034	0.064	-
HRA balances, including External Borrowing		0.325	2.601	6.869	4.745	0.150	-
TOTAL		0.465	3.716	9.813	6.779	0.214	-

This programme has been included in the 'HRA Business Plan 2018-2048', included for approval at this same meeting.

It is the intention that external borrowing will finance the balance of the house building programme. The HRA Business Plan has set out an indicative draw down of finance to support this goal: £2.7m in 2019/20, £6.8m in 2020/21, and a further £4.4m in 2020/21 with repayment after 15 years.

6.2 Key principles

The HRA Business Plan 2018-2048 is built upon these foundations or principles:

- To reduce dwelling rents annually by 1% in accordance with Government legislation between 2016/17 and 2019/20: 2019/20 will be the fourth and final year;

- Renew the Public Works Loan Board (PWLB) debt of £208.837m upon maturity of each loan, keeping repayment under review – the first loan would ordinarily become repayable in March 2026;
- Set a minimum HRA working balance at 31 March 2019 at £4m., being £2.5m for ordinary unforeseen events plus £1.5m for any unbudgeted outcome from the Grenfell Tower Inquiry;
- Revise the housing asset management plans and its priorities (*see Chapter 4*);
- Revise the garage management strategy, investment, and its priorities, and assume annual increases of at least 5% per year for garages and increases / decreases in service charges related to changes in expenditure. For 2019/20, however, it is proposed to incentivise take-up of some garages by lowering charges.

6.2.1 Debt financing and repayment

On 28 March 2012 the Council was required to make a one-off payment of £208.837m to the Government to exit the old HRA Subsidy system. The amount was raised in borrowing from the Public Works Loan Board (PWLB). Officers, in consultation with their Treasury Management advisors and lead Councillors, decided an optimum portfolio of five equal loans repayable over 4-yearly intervals from 28 March 2026 to 28 March 2042. These are maturity loans, which means that interest only is payable during the lifetime of the loan with repayment of the principal sum in full (the original amount borrowed) on the maturity date. The average interest rate on these loans is 3.29%, which at the time was reasonable.

Changing circumstances meant that, with effect from the HRA Business Plan 2015-2045, the reduction in income means that debt cannot initially be repaid but will have to be renewed on maturity.

Separately, there is now the intention to borrow to finance a house building programme (*see 6.1.3. above*).

6.2.2 HRA Operating Account: minimum revenue balance

The Council is obliged by law to set rents and other charges at a level to avoid a deficit on the Housing Revenue Account (i.e. the legal minimum balance at any time during the financial year must exceed zero). This must be done “during the months of January and February of the year immediately preceding the relevant year”. The HRA budget for 2019/20 will be presented to Cabinet on 24 January 2019.

In addition, it is the Section 151 Officer’s responsibility to review annually the minimum working balance the HRA should hold. The working balance is proposed to be £4m as at 31 March 2020, falling to £2.5m with effect from 1 April 2020 as the potential effect of the Grenfell Tower Public Inquiry subsidies.

A detailed assessment of the HRA Minimum Working Balance is given in the HRA Budget 2019/20 report.

6.2.3 Major Repairs Reserve

Councils are required to debit to the HRA the full cost of depreciation, as determined by a professional valuer, and transfer the amount to a Major Repairs Reserve which can only be used to finance capital expenditure and / or repay debt.

The intention is that depreciation – being a reduction in the value of an asset over time, due in particular to wear and tear – is arrested by capital expenditure. Where capital expenditure in any year is less than depreciation the Major Repairs Reserve will hold the excess balance. Where, as is the case with Harlow Council, capital expenditure exceeds depreciation, then the Major Repairs Reserve will be entirely utilised with any balance funded by Direct Revenue Financing (otherwise termed Revenue Contribution to Capital Expenditure) from the HRA.

Harlow Council has no plan to repay debt but will use any balance transferred to the Major Repairs Reserve to contribute towards the cost of the housing capital programme.

The HRA Business Plan 2018-2048 does not make additional transfers from the HRA to MRR towards the future repayment of debt.

Should the Council borrow for the purpose of house building, the intention would be to repay this debt but not set aside money in the MRR for future repayment.

6.2.4 Investment Planning

The Council has in place a robust methodology to assess the performance of its existing assets. This is based on a financial evaluation of cashflows relating to the assets in order to understand how assets perform within the Business Plan. The assessment covers housing and garage stock and has been overlaid with non-financial sustainability analysis which has provided a framework for investment decisions.

Initial results indicated that the majority of the stock performs well, with positive cashflows. There is a small percentage with cashflows which have a negative worth to the Business Plan. These properties have been categorised within the assumptions for the business plan and ranked, rated and managed according to their category. This led to the identification of garage sites for demolition and redevelopment.

In addition to garage sites, properties are identified through the void property process for disposal. On becoming void the Council undertakes an exercise to review both the condition and financial performance of the dwelling aligned with the Asset Performance Evaluation model. Where it is identified that a property is poor performing it will be considered for disposal.

The Council's priorities moving forward continue to focus on high rise (in particular involving investment decisions in regard to heating systems and thermal efficiency), non-traditional and sheltered housing stock where the nature of the stock means that cashflows are weaker than across other more traditionally built stock due to the higher maintenance costs. In addition, the Council has been actively assessing its portfolio of Temporary Accommodation, in terms of whether this remains fit-for-purpose, financially sustainable and able to meet ongoing demand.

6.2.5 Rent policy

The Government's approach to "rent restructuring" has, in effect, been abandoned.

Under the 'Welfare Reform and Work Act 2016', the Government required Councils to reduce individual dwelling rents by 1% annually from 2016/17 to 2019/20. 2018/19 will be the third year of four. From 2020/21 to 2024/25 the Government has announced that rents should not increase by more than CPI+1% annually. This Business Plan assumes that rents will increase by CPI+1% annually throughout the remainder of the 30 year forecast through to 2047/48. The implications of different rent increases after 2024/25 are considered in Appendix 6.4.

6.2.6 Garage Strategy

The Council continues to retain a large portfolio of garages and hardstandings. Following the comprehensive review of the entire Garage and Hardstanding stock in 2015 the Garage Strategy was updated. Although reviewed on an annual basis there have not been any changes made since 2015 as the key principles of the strategy remain unchanged.

The principles focus on having a robust performance management framework in place aligned with regular reviews of the stock. This enables the Council to develop an annual programme of Capital works schemes. Annual investment through the Capital Programmes assist with stock rationalising and overall improves car parking across the town. The Garage Strategy determines sites for retention or disposal. A greater emphasis upon lower level remedial repairs and maintenance continues rather than substantial refurbishment and/or remodelling, although selective demolition to free development land and/or garage rebuild will continue to a smaller scale.

6.3 General assumptions.

The table below sets out the assumptions applied in the HRA Business Plan. A full commentary is given in Appendix 6.3.

Business Plan Assumptions				
<u>Inflation indices</u>				
	CPI	Pay	Repairs uplift	HTS Annual Uplift
Year 2 (2019/20)	2%	2%	2%	5%
Year 3 (2020/21)	2%	2%	2%	3%
Year 4 (2021/22)	2%	2%	2%	3%
Thereafter	2%	2%	2%	3%
	Dwelling Rents	Garage Rents	Interest Rate paid on Borrowing	Interest Rate received on Working Balances
Year 2 (2019/20)	(-)1%	5%	3.42%	1.44%
Year 3 (2020/21)	3% (CPI+1%)	5%	3.44%	1.62%
Year 4 (2021/22)	3% (CPI+1%)	5%	3.48%	1.65%
Year 5 (2022/23)	3% (CPI+1%)	5%	3.48%	1.65%
Thereafter	3% (CPI+1%)	5%		1.63%
<u>Rents</u>				
	Average weekly rent per tenant (£)	Average weekly service charge per tenant (£)		
2018/19	90.75	2.17		
2019/20	89.84	2.45		
2020/21	92.52	2.52		
2021/2	95.30	2.60		
2022/23	98.16	2.68		
<u>Stock</u>				
Number of tenanted properties as at 1 April 2018				9279
Number of leasehold properties as at 1 April 2018				2517
Annual changes	Right To Buy sales	New leasehold properties	"New Build"	Demolitions & transfers
2018/19	(-)46	28	0	(-)55
2019/20	(-)40	22	5	0
2020/21	(-)30	16	9	0
2021/22	(-)30	16	79	0
2022/23	(-)30	16	0	0
Thereafter	(-)30	16	0	0
<u>Other assumptions (figures at 31 March 2019)</u>				
Settlement payment (on 28 March 2012)				£208,837,000
Limit of Indebtedness / Borrowing cap				Removed 30 October 2018
Housing Capital Financing Requirement				£187,370,000
Minimum working balance on Housing Revenue Account				£4,000,000

6.4 Risks and opportunities

6.4.1 Universal Credit

The Council continues to monitor the full impact of Universal Credit (UC), due to the lengthy timescales that claimants are waiting to receive their first monthly payment, although it is anticipated that this will have a negative impact on arrears recovery. The Council will monitor the impact of UC in terms of numbers to identify any specific trends or measures that could impact or improve arrears recovery.

The Council will however continue to implement its “can’t pay, won’t pay” approach, offering support for those in need and adopting a robust approach to those who refuse to pay.

The HRA Business Plan 2018-2048 includes a provision for bad and doubtful debts, which it is hoped, is more than ample for any negative impact of UC.

6.4.2 Borrowing Strategy

The HRA Business Plan 2011-2041 was designed to indicate the minimum period over which loans could be repaid, thus avoiding perhaps needless interest charges to the HRA. Under self-financing the Council’s plan was always to repay debt but, as demonstrated elsewhere, enforced lower rent levels and consequential efficiencies to the service make this impractical. This HRA Business Plan 2018-2048 proposes the renewal of debt on maturity at an estimated annual interest rate of 3.5% per annum.

The Council plans to borrow in order to fund a programme of house building (see 6.1.3).

6.5 Sensitivity analysis

Sensitivity analysis tests how much the Business Plan might fluctuate from its set of standard assumptions (see 6.3 above). This is distinctive from the key principles (see 6.2 above), which have been approved and are unchanging, save for inflationary fluctuations.

7. Equalities and Diversity

Harlow Council is committed to the principles of equality of opportunity, fairness and equality for all as detailed within the Equality Act 2010. The Council strives to ensure that the services it provides to the community are readily accessible for all those who make up Harlow's diverse communities and fully complies with Section 149 – Public sector equality duty. The Council believes that its role as an employer can be better achieved by a workforce that values and reflects diversity and the Council is committed to regular evaluation procedures, and policies promoting diversity in all areas of recruitment, employment, training and promotion.

The Council will work towards an environment that is based on meritocracy and inclusiveness, where all employees can develop their full potential, irrespective of their race, gender, marital status, age, disability, religious belief, political opinion or sexual orientation.

The Council recognises that equality of opportunity leads to:

- Services that respond to the needs of all its communities.
- A workforce empowered to deliver services to the whole community more effectively through improved training and development.
- A more positive working environment which enables hearts and minds to embrace change.
- A workforce that is representative of the wider community.
- Good partnership between the Council and the community.

APPENDIX 3.1
HOUSING SERVICE PLAN 2018-19

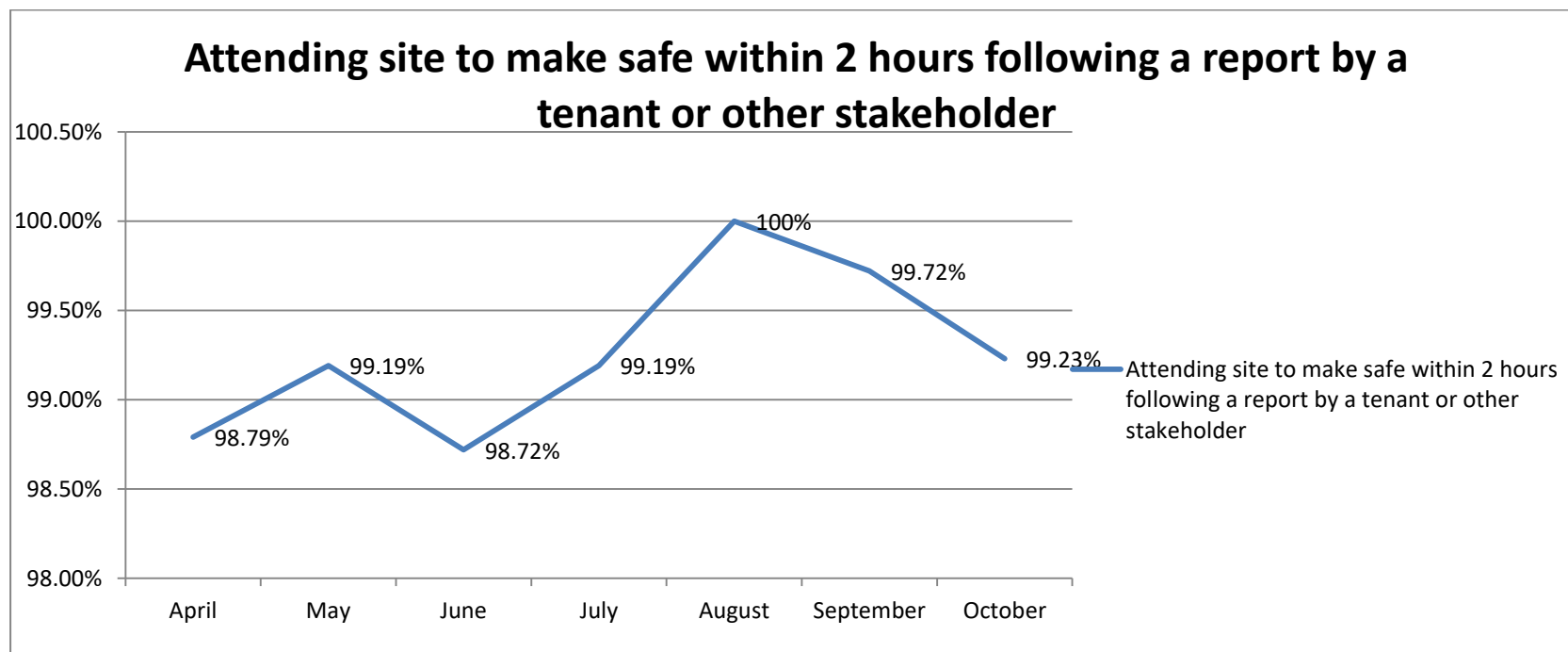
Objectives	Actions	Milestones	Date Due	By Whom
HSG 1 Invest in Housing Stock	HA1.1 Provide and maintain high quality housing stock, with all council homes meeting the Modern Homes Standards Programme	HM1.1.1 Produce an Annual Housing Investment Programme (HIP) for improvements to housing stock	Complete	Head Of Housing Services
		HM1.1.2 Internal Contracts awarded for the Housing Capital Programme	Complete	
		HM1.1.3 External Contracts awarded for the Housing Capital Programme	March 2019	
		HM1.1.4 Programme and Project Management Processes established and reviewed at monthly PPMG meetings	March 2019	
		HM1.1.5 Annual Work Plans published to Tenants and Leaseholders	Complete	

Objectives	Actions	Milestones	Date Due	By Whom
		HM1.1.6 The Housing Revenue Account Business Plan is updated and approved by Cabinet	January 2019	
		HM1.1.7 Performance Management Framework Established	March 2019	
	HA1.2 Commence a £1.9m Energy Efficiency Programme to replace District Heating Schemes over a planned period addressing the energy efficiency of the Council's housing stock	HM1.2.1 District Heating award of contracts and delivery of works	November 2018	
		HM1.2.2 Energy Efficiency Programme Reported to Housing Standards Board	March 2019	
	HA1.3 Undertake any additional 'Fire Safety' works that may result from Fire Risk Assessments, Housing Management inspection regime and any legislative, regulatory changes to Fire Safety or Building Compliance	HM1.3.1 Fire Safety works identified and reported to the Housing Standards Board and Safety Committee	March 2019	

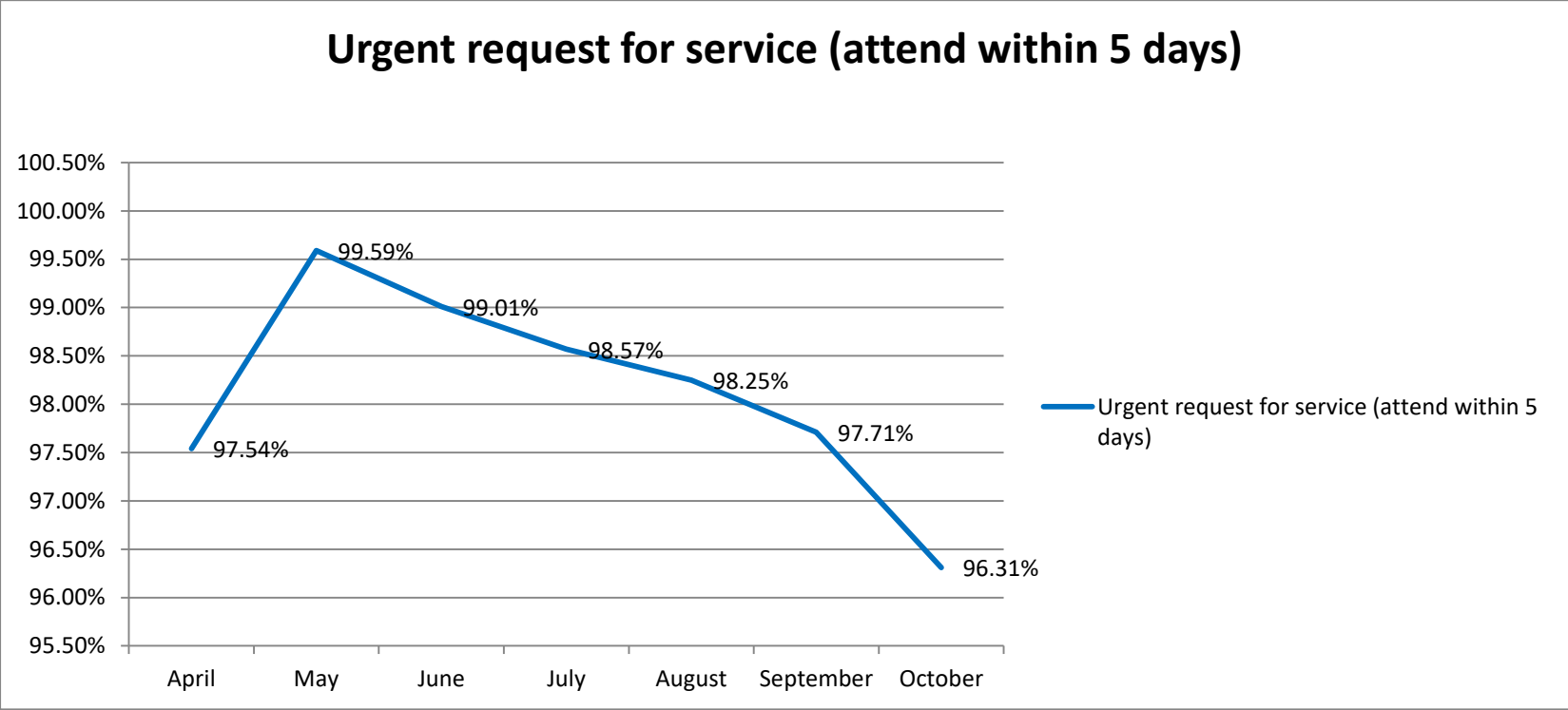
Objectives	Actions	Milestones	Date Due	By Whom
HSG 2 More housing available in Harlow, with a wider choice of housing types of all tenures which are affordable, social rented and Council housing.	HA2.1 Commence a long term programme of 'house building' for all housing types that are genuinely affordable	HM2.1.1 Implement LATC governance arrangements regarding building Council housing and the associated business planning arrangements.	November 2018	Head Of Housing Services
		HM2.1.2 Land mapping complete (2019/20)	March 2019	
		HM2.1.3 Feasibility study complete	March 2019	
		HM2.1.4 Governance arrangements approved	March 2019	
		HM2.1.5 Publish timeline and work plan	March 2019	
HSG 3 Work towards improving choices for those in housing need, including tackling homelessness.	HA3.1 Implement revised Action Plan from Homelessness strategy.	HM3.1.1 Action Plan complete.	January 2019	Head Of Housing Services.
		HM3.1.2 Homelessness Housing Strategy implemented.	March 2019	

Objectives	Actions	Milestones	Date Due	By Whom
		HM3.1.3 Government grant allocated.	March 2019	
	HA3.2 Increase promotion of wider housing options and use of private sector	HM3.2.1 Business process reviewed.	March 2019	
	HA3.3 Continue to develop Harlow Homelessness Partnership targeting resources and joint working	HM3.3.1 Partnership framework reported quarterly in line with the Homelessness Strategy.	March 2019	
	HA3.4 Ensure residents are provided with a range of housing options, choices and opportunities.	HM3.4.1 Review current market options and availability.	March 2019	
	HA3.5 Implement a five year Plan for Housing Related Support (HRS) to provide an effective framework for reducing resources both within the Council's General Fund(GF) and Housing Revenue Account (HRA) to balance priorities against reduced resources and the wider priorities of the Local Council Landlord Service	HM3.5.1 Action plan reviewed quarterly	March 2019	
HSG 4 Encourage and facilitate effective Tenant and Leaseholder Engagement.	HA4.1 Review the Tenant and Leaseholder Engagement Strategy	HM4.1.1 Tenant and Leaseholder Strategy reviewed	October 2018	Head of Housing Services
	HA4.2 Housing works programmes communicated in advance of commencement and monitored.	HM4.2.1 HIP programmes 18/19 published and reviewed quarterly at Property Services Panel.	March 2019	
	HA4.3 Ensure Tenants and Leaseholders have opportunities to choose, be consulted, and receive feedback	HM4.3.1 Plan reported to Housing Standards Board quarterly	March 2019	

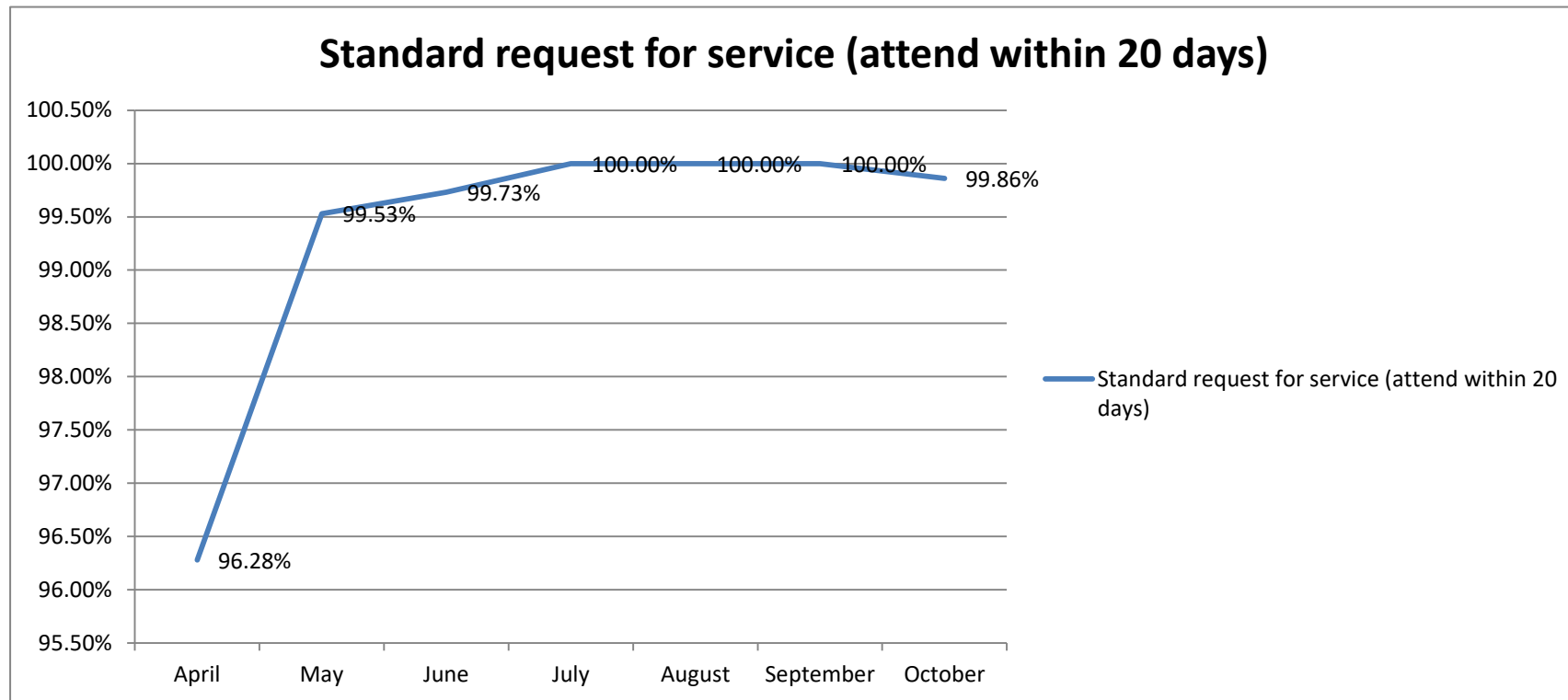
2018	4.7	Attending site to make safe within 2 hours following a report by a tenant or other stakeholder	April	May	June	July	August	September	October
			98.79%	99.19%	98.72%	99.19%	100%	99.72%	99.23%



2018	4.8	Urgent request for service (attend within 5 days)	April	May	June	July	August	September	October
			97.54%	99.59%	99.01%	98.57%	98.25%	97.71%	96.31%



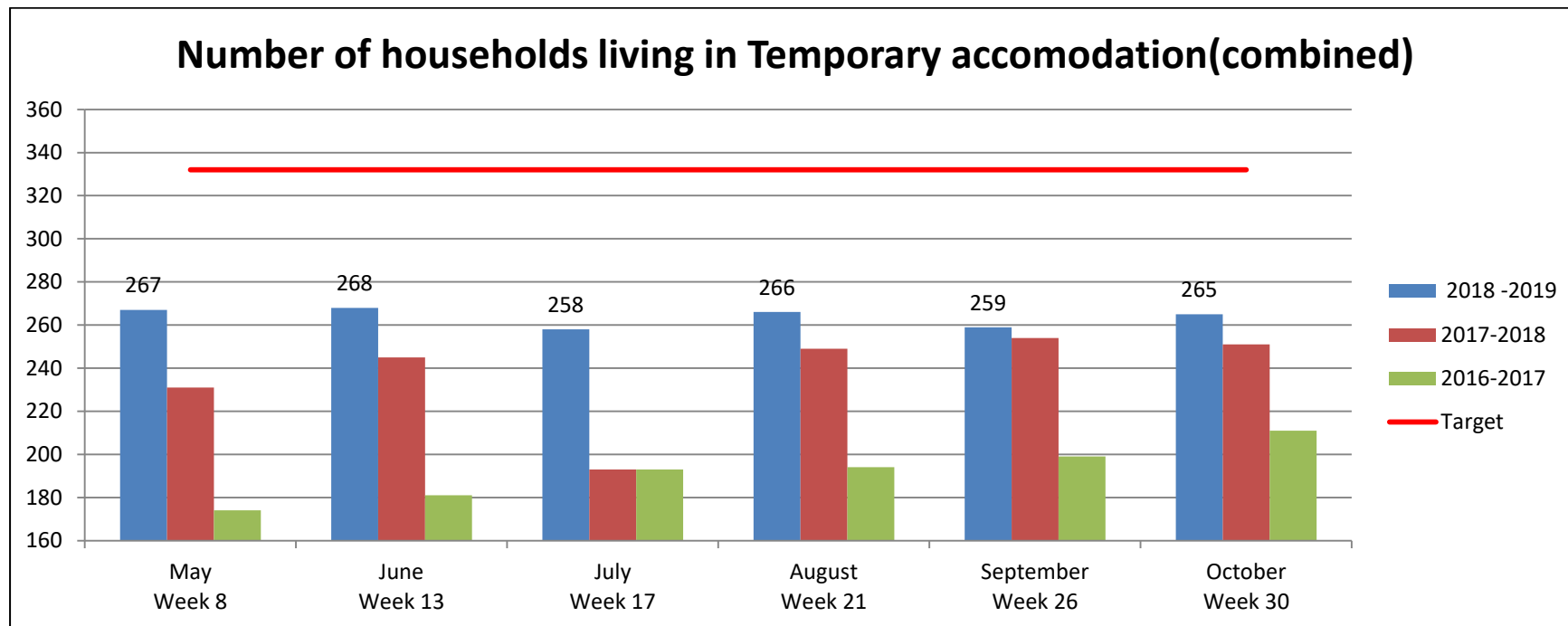
2018	4.9	Standard request for service (attend within 20 days)	April	May	June	July	August	September	October
			96.28%	99.53%	99.73%	100.00%	100.00%	100.00%	99.86%



Housing Options and Advice

NI 156 – Number of Households Living in Temporary accommodation (Combined)

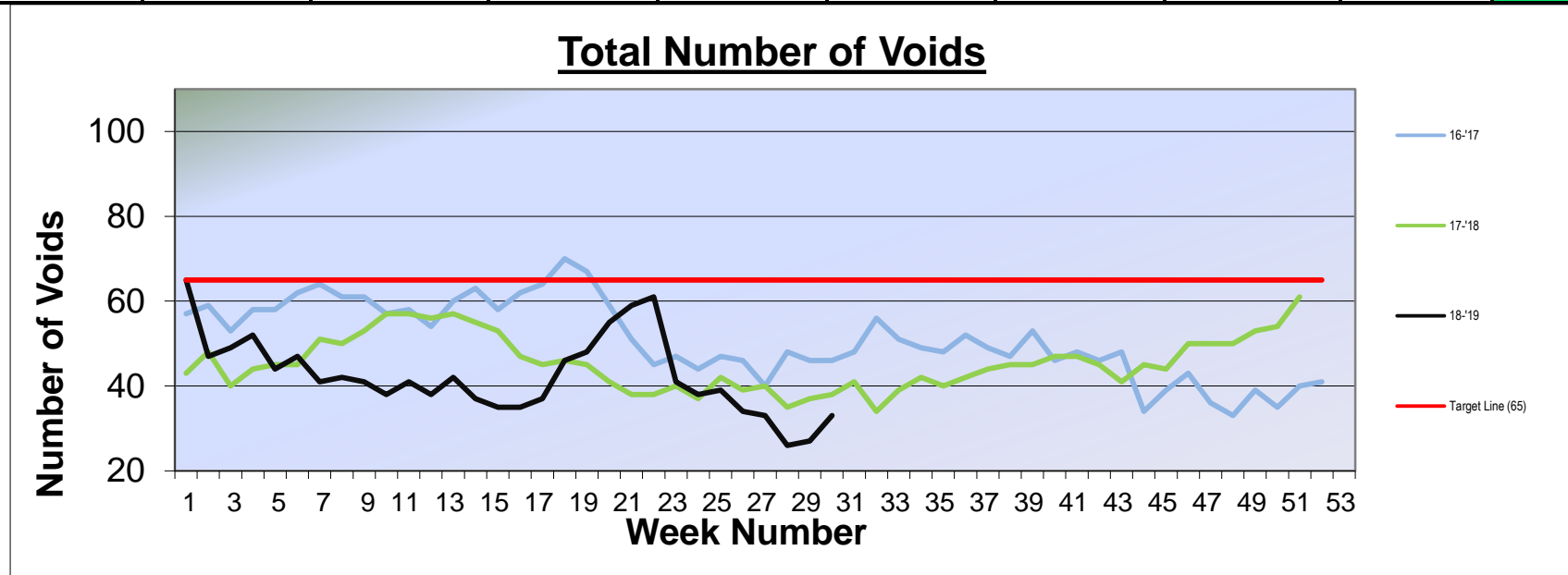
PI Code	Outturn	Target	Week 8	Week 13	Week 17	Week 21	Week 26	Week 30		Trend Arrow
NI 156	266	332	267	268	258	266	259	265	GREEN	↓



Empty Homes Team

HMS8 - Number of empty Council homes

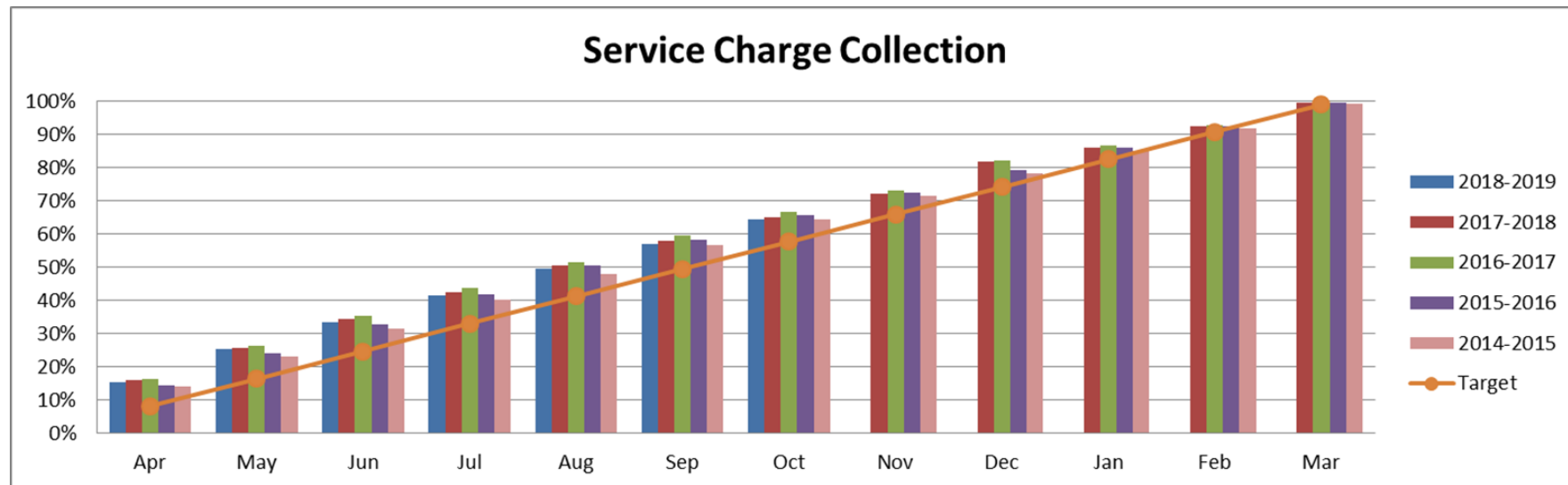
PI CODE	2017/18 Outturn	2018/19 Target	May Week 8	June Week 13	July Week 17	August Week 21	September Week 26	October Week 30	Status	Trend Arrow
HMS 8	63	60	42	42	37	59	34	33	GREEN	↑



Home Ownership Annual Service Charges

LHI-HO 26 – Service Charges Collected as a Percentage of the Annual Target - Month by Month

Outturn 2017-18	Target 2018-19	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	Status	Trend Arrow
TARGET INDICATOR %	99%	8.25%	16.50%	24.75%	33.00%	41.25%	49.50%	57.75%	66.00%		
99.63 %		15.56%	25.44%	33.51%	41.58%	49.58%	56.89%	64.53%		GREEN	↑



APPENDIX 4.1: ASSET MANAGEMENT PLAN

		Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL	Year 6 to 10	Year 11 to 15	Year 16 to 20	Year 21 to 25	Year 26 to 30
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2018/23	2023/28	2028 /33	2033/38	2038/43	2043/48
	£,000s	£,000s	£,000s	£,000s	£,000s	£,000s	£,000s	£,000s	£,000s	£,000s	£,000s	£,000s
ASC Voids - internals (gas/electric/kitchens)	931	931	931	931	931	931	4,657	4,657	4,657	4,657	4,657	4,657
Internals	3,354	3,380	4,200	4,150	4,250	4,250	20,230	22630	27951	29976	29320	30314
Window s and Doors	1,300	100	300	225	500	500	1,625	3298	3636	3,090	4,446	7618
Fire Doors		100	100	100	100	100	500	250	250	250	250	250
Property Conversions (Summers Farm 18-19)	315	500	0	0	0	0	500	0	0	0	0	0
Pooled RTB Receipts		-150	0	0	0	0	-150	0	0	0	0	0
External Major Works Package	7,350	3,482	4,053	3,767	3,989	4,000	19,291	19,290	19,290	19,290	19,290	19,290
Leaseholders costs - w within Externals	0	0	0	0	0	0	0	0	0	-	0	0
Asbestos removal - other	54	100	100	100	100	100	500	500	500	500	500	500
Related Assets - Garages	500	500	500	500	500	500	2,500	2,500	2,500	2,500	2,500	2500
Garage trf to GF	-215	-225	-225	-225	-225	-225	-1,125	-1,125	-1,125	-1,125	-1,125	-1,125
Garage GF Fees Contribution		-14	-17	-17	-17	-17	-82	-85	-85	-85	-85	-85
Lift Programme	430	620	404	164	0	0	1,188	0	1,000	250	0	0
Disabled Aids and Adaptations	900	900	900	900	900	900	4,500	4,500	4,500	4,500	4,500	4,500
Energy Efficiency and Fuel Poverty	188	200	200	200	200	200	1,000	500	500	500	500	500
Energy Efficiency Communal boilers	1,912	1,700	1,700	1,619	200	200	5,419	500	500	6,435	7,060	0
2017/18 Communal Boiler Renew al		1,412	0	0	0	0	1,412	0	0	-	0	0
Fire Safety		790	900	950	950	250	3,840	0	1,000	-	1,000	0
SE Duct Decommissioning		541	0	0	0	0	541	0	0	-	0	0
Compliance / Electrical Upgrade	700	400	400	400	300	400	1,900	2,000	2,000	2,000	2,000	2,000
Fees/HTS from 17/18	436	436	436	436	436	436	2,180	2,180	2,180	2,180	2,180	2,180
CDM	40	40	40	40	40	40	200	200	200	200	200	200
Contingency	300	350	350	350	350	350	1,750	1,750	1,750	1,750	1,750	1,750
Damp	25	100	100	100	100	100	500	500	500	500	500	500
Structural	25	100	100	100	100	100	500	500	500	500	500	500
Work to Property inc carryovers £2.1m	18,545	16,293	15,472	14,790	13,704	13,115	73,376	64,545	72,204	77,868	79,943	76,049
2017/18 IT		363										
Housing IT (incs LATC support costs)	200	100	200	200	200	200	900	750	750	750	750	750
TOTAL HOUSING CAPITAL PROJECTS	18,745	16,756	15,672	14,990	13,904	13,315	74,276	65,295	72,954	78,618	80,693	76,799

The following priorities form the basis of the Housing Asset Management Plan:

Short Term: up to 5 years

- **Maintaining compliance of the Council's Housing Stock to the Government's Decent Homes Standard.**
- **Continuation of the Council's External Works Programme against a revised specification and standards resulting from the impact of Government legislation**, to include:
 - Full completion of the large-scale works schemes at Sherwood House, Northbrooks, Longbanks and Moorfield by the end of August 2018, to be followed by an Asset Management Review of the scope, operation and impact of the External Works Programme to date since 2015 prior to the instruction of any further schemes.
- **Ensure the Council, as a responsible landlord, continues to meet its duties in complying with all statutory, legislative and regulatory requirements in regard to Health and Safety.** This will include:
 - Completion of all recommended and required works resulting from the renewed Fire Risk Assessments carried out in late 2015;
 - Enhancing the provision of information and advice to tenant customers in regard to the risks associated with, and best practice approach to the management of, asbestos containing materials within their home;
 - Commencing the operation of an annual programme of installing and servicing/testing of Smoke Detector and Carbon Monoxide installations in relevant properties across the Council's Housing Stock;
 - Targeting Modern Homes Works Programme to secure removal (subject to tenant consent) of all remaining Gas Back Boiler and Solid Fuel Heating Systems;
 - Full upgrading of all communal and domestic electricity supply installations to modern, required standards backed by an up to date Electrical Installation Condition Report;
 - The completion in 2018-19 of a full, specialist Structural Safety of all 14 of the Council's High Rise Tower Blocks in order to provide assurance as to their longevity, continued fit-for-purpose status as accommodation and to provide (if required) a bespoke programme of remedial works.

- **Contribute to tackling fuel poverty within the Council's tenant base through improvements in the Energy Efficiency of the housing stock**, to include:
 - Targeted Improvement Works to the worst performing, most energy inefficient housing units (Energy Performance Certificate rated E, F and G) in order to bring these to rating D/C or above ensuring the Council is compliant with the requirements of the Energy Act 2011 (which states that no properties can be re-let which have an energy rating below Band E after April 2018);
 - Continuing the programme of replacement and improvement works for the Council's portfolio of ageing (+30 years) District (10) and Communal (15) Heating Systems;
 - Continuing to explore – whilst acknowledging the significantly reduced opportunities available since May 2015 – potential sources of external funding and support for Energy Efficiency;
 - Ensure full removal of the remaining inefficient, obsolete Warm Air Unit (WAU) Heating Systems from the Council's estate of High Rise Tower Blocks (Moor, Stort, Willowfield, Edmunds and Nicholls) and their replacement with modern, efficient and controllable gas 'wet' systems – and associated decommissioning of the related SE Ducts (targeted for completion by end of June 2018).
- **Continue to meet the Council's statutory obligations to provide Disabled Adaptations to tenant customers in need**, whilst also seeking to improve our practice and approach, through:
 - Continuing to explore opportunities for the enhanced involvement of the Council's Housing (Management) Service within the process and decision-making associated with disabled adaptations;
 - Regular updating of the Council's Disabled Adaptations Policy in order to ensure continued compliance with the latest legislative requirements, clarity for tenant customers and effective integration/linkage with the Council's Allocations and Lettings Process (in regard to optimum use of the housing stock which has already been adapted).
- **Improve both the quality of the Council's existing portfolio of Temporary Accommodation and the quantity available** via implementation of the works recommended within the Temporary Accommodation Survey and Review 2015, to include:
 - Full completion in 2018-19 of conversion works at Collins Meadow, Hare Street Springs and Partridge Court to provide 6 additional units.

- Continue to **invest within the Council's stock of Garages and Hard Standings within Harlow**, though with a revised approach and increased premium upon repairs and maintenance – as opposed to large-scale refurbishment/replacement – due to the impact of the funding constraints in the period 2016-2020 as set out within the revised Garage Strategy (2015) and annual HRA Business Plan.
- **Retain the Council's clear aspiration to develop its own New Build properties to provide affordable homes for rent in Harlow and meet housing need**, accepting the funding constraints from 2016-2020.
- Ensure **HTS (Property and Environment) Ltd., and associated Companies deliver effectively the priorities set by the Council within the budget envelopes. These priorities included cashable and non-cashable efficiencies and the following::**
 - Introduce enhanced processes (time allocation, right first time, customer satisfaction) for the completion of responsive repairs through constant review of Scope of Works;
 - Ensure that the Council meets all its statutory, legislative (including via the Right To Repair) and regulatory (in accordance with the Homes and Communities Agency's Homes Standard) obligations;
 - Realise efficiency savings and gains through the new Scope of Works for the services provided by HTS (Property and Environment) Ltd, optimum use of ICT systems and reformed delivery structures;
 - Operation of enhanced, robust new Business Case methodologies for the allocation of Capital Works Projects to HTS (Property and Environment) Ltd in accordance with Schedule 2 of the Service Agreement with the Council.
- Enhance the Councils methodology to assess the performance of its existing assets. Based on a financial evaluation of cashflows relating to the assets in order to understand how assets perform within the Business Plan. The assessment covers housing and garage stock and has been overlaid with non-financial sustainability analysis which will provide a framework for investment decisions.
- Enhance and refine a programme of cyclical painting which addresses immediate priorities of worst condition.

Medium Term: 5-15 years

- The Council's Medium Term Asset Management Plan aim is to make best use of its assets by carrying out a review of the property stock and housing land, comparing investment appraisal, likely demand, and unit expenditure. Specifically the following:
 - Evaluate the use and need for bin storage including a replacement and refurbishment programme to stores, shed areas and drying areas;
 - Tackle unsatisfactory levels of dampness (condensation);
 - Improve the layout of amenities not meeting modern requirements and requiring replacement.
- Address Estate Management issues, including:
 - Vandalism and graffiti of public realm;
 - Limited street furniture and lighting;
 - Limited maintenance and management of public realm;
 - Paving;
 - Environmental Improvements;
 - Garage and Parking Strategy – to deal with Medium and Long Term priorities for replacement parking.
- Sustainability and Energy Saving Schemes – supporting Government initiatives and ensuring the Council benefits from resources available.
- Temporary Accommodation – continue to ensure a supply of good quality accommodation to meet identified demand.
- Identifying opportunities for New Build and exploring options for its funding, delivery and long term ownership.

Long Term: 15 to 30 years

- In the Long Term, the Asset Management Plan will seek to increase and/or replace the housing stock and related assets. Specifically to:
 - Improve the quality of the public realm and overall neighbourhood management;

- Enhance overall building stock and overcome weaknesses in any typology;
- Overcome any early failure of building components;
- Enhance local property market conditions by meeting the demands of existing and new residents and thereby increasing the value of the properties;
- Fulfil the wider housing quality and choice agenda; and continue a programme of new build with annual review.

APPENDIX 6.1: ESTIMATES 2018-2048. BASELINE PLAN

HRA Operating Account

	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2027.28	2032.33	2037.38	2042.43	2047.48
	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Expenditure</u>											
General Management	11,817	11,544	11,760	11,916	12,076	12,240	12,932	13,887	14,951	16,135	17,448
Special Management	7,469	7,695	7,822	8,026	8,235	8,450	9,369	10,666	12,149	13,845	15,785
Repairs	10,262	10,873	11,199	11,535	11,881	12,237	13,773	15,967	18,510	21,458	24,876
Rents, Rates, Taxes & Other Charges	48	52	53	54	54	55	59	63	68	73	79
Supporting People Transitional Relief	5	5	5	4	4	4	3	1	0	0	0
Provision for Bad & Doubtful Debts	200	280	240	240	240	240	240	240	240	240	240
Major Repairs Reserve Contribution	9,940	10,085	10,249	10,430	10,695	10,874	11,619	12,620	13,704	14,876	16,144
Revenue Contrib. to Capital Programme	6,451	9,191	3,629	2,664	1,590	3,395	2,059	4,210	6,175	7,319	2,408
Debt Management Expenses	16	16	16	17	17	17	17	17	16	16	16
Capital Charges: Interest	6,686	6,624	6,736	6,926	6,999	7,001	7,254	7,375	6,947	6,959	6,959
	52,894	56,365	51,709	51,811	51,792	54,513	57,325	65,046	72,759	80,922	83,957
Dwelling Rents	42,856	43,004	43,288	44,646	46,024	47,234	52,395	59,633	67,853	77,187	87,779
Garage Rents	969	1,019	1,049	1,102	1,157	1,215	1,476	1,884	2,405	3,069	3,917
Other Rents	66	66	66	66	66	66	66	66	66	66	66
Service Charges: Tenants	1,114	1,189	1,224	1,261	1,299	1,338	1,506	1,746	2,024	2,346	2,719
Service Charges: Leaseholders	2,109	2,228	2,295	2,364	2,434	2,508	2,822	3,272	3,793	4,397	5,097
Other Charges for Services	1,850	1,467	1,594	1,657	1,516	1,628	1,762	2,066	2,381	2,668	957
Transfers from General Fund	551	602	614	627	639	652	706	779	860	950	1,049
Interest on Revenue Balances	109	103	55	43	55	68	253	609	897	1,705	3,075
	49,625	49,678	50,186	51,766	53,191	54,708	60,986	70,055	80,279	92,389	104,660
Balance at 1 April	14,104	10,834	4,147	2,625	2,579	3,978	13,366	34,000	50,035	96,517	174,085
Surplus / (Deficit) for year	-3,270	-6,687	-1,522	-46	1,399	195	3,661	5,009	7,520	11,466	20,703
Balance in hand at 31 March	10,834	4,147	2,625	2,579	3,978	4,172	17,026	39,008	57,555	107,983	194,788
<i>Minimum Working Balance</i>	<i>4,000</i>	<i>4,000</i>	<i>2,500</i>	<i>2,500</i>	<i>2,500</i>	<i>2,500</i>	<i>2,500</i>	<i>2,500</i>	<i>2,500</i>	<i>2,500</i>	<i>2,500</i>

Major Repairs Reserve: 30 Year Business Plan

	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2027.28	2032.33	2037.38	2042.43	2047.48
	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Expenditure</u>											
Capital Programme Financing	9,940	10,085	10,249	10,430	10,695	10,874	11,619	12,620	13,704	14,876	16,144
Repayment of Debt	0	0	0	0	0	0	0	0	0	0	0
	9,940	10,085	10,249	10,430	10,695	10,874	11,619	12,620	13,704	14,876	16,144
<u>Income</u>											
Transfer from HRA	9,940	10,085	10,249	10,430	10,695	10,874	11,619	12,620	13,704	14,876	16,144
	9,940	10,085	10,249	10,430	10,695	10,874	11,619	12,620	13,704	14,876	16,144
Balance at 1 April	0	0	0	0	0	0	0	0	0	0	0
Surplus / (Deficit) for year	0	0	0	0	0	0	0	0	0	0	0
Balance in hand at 31 March	0	0	0	0	0	0	0	0	0	0	0

Housing Capital Programme

	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2027.28	2032.33	2037.38	2042.43	2047.48
	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates	Estimates
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Expenditure</u>											
Core Programme	19,048	20,328	14,486	13,441	12,843	14,992	14,467	17,708	20,857	23,285	19,764
New Build	465	3,716	9,813	6,779	214	0	0	0	0	0	0
	19,513	24,044	24,299	20,220	13,057	14,992	14,467	17,708	20,857	23,285	19,764
<u>Financed by:</u>											
Major Repairs Reserve	9,940	10,085	10,249	10,430	10,695	10,874	11,619	12,620	13,704	14,876	16,144
Revenue Contribution to Capital Programme	6,451	9,191	3,629	2,664	1,590	3,395	2,059	4,210	6,175	7,319	2,408
Borrowing	0	2,700	6,800	4,400	0	0					
Right To Buy Receipts	2,752	953	678	693	708	723	789	878	978	1,089	1,212
Grants etc	370	1,115	2,944	2,034	64	0	0	0	0	0	0
	19,513	24,044	24,299	20,220	13,057	14,992	14,467	17,708	20,857	23,285	19,764

APPENDIX 6.2

HRA BUSINESS PLAN 2018-2048: ASSUMPTIONS

1. Overarching Assumptions

Harlow Council has used Capita's HRA Business Planning excel workbook to compile the HRA Business Plan 2018-2048. This is an independent, expertly devised workbook which allows sophisticated modelling to be performed. Officers can also liaise with the authors over any point of query.

Data input for 2018/19 (year 1) and 2019/20 (year 2) replicates the HRA Revised Estimates 2018/19 and Estimates 2019/20, which will be submitted to Cabinet on 24 January 2019. The report shows growth and savings for 2019/20 (in paragraph 46).

The HRA Business Plan is based on the following key principles:

- To reduce dwelling rents annually by 1% in accordance with Government legislation between 2016/17 and 2019/20: 2019/20 will be the fourth and final year;
- Renew the Public Works Loan Board (PWLB) debt of £208.837m upon maturity of each loan, keeping repayment under review – the first loan would ordinarily become repayable in March 2026;
- Set a minimum HRA working balance at 31 March 2019 at £4m., being £2.5m for ordinary unforeseen events plus £1.5m for any unbudgeted outcome from the Grenfell Tower Inquiry.;
- Revise the housing asset management plans and its priorities;
- Revise the garage management strategy, investment, and its priorities, and assume annual increases of at least 5% per year for garages and increases / decreases in service charges related to changes in expenditure. For 2019/20, however, it is proposed to incentivise take-up of some garages by lowering charges.

2. Stock Categories

The model has been completed on the basis of all stock in a single category. The workbook has capacity to analyse up to six categories, and would be useful if considering different plans for different estates, or groups of properties. The objective of this model is to ensure that in overall terms the Council's entire HRA is sustainable over the lifetime of the Plan.

3. Inflation

The general level of inflation (to which is added any real increase or decrease in specific items of income or expenditure) has been assumed at 2% throughout the lifetime of this Plan.

4. Interest Rates / Capital Financing Charges

In 2018 the Government abolished the maximum amount of HRA borrowing Councils could have.

Prior to self-financing in 2012, the Council's HRA had a negative "Capital Financing Requirement" (CFR) of (-)£10.53m, meaning that the General Fund was deemed to have borrowed from the HRA, and must pay interest upon the sum borrowed. The General Fund continued to borrow from the HRA, but the HRA needed to fund the higher cost of new borrowing itself. The interest rate assumed for 2018/19 is 0.88%, and is based on the Council's investment interest achieved on surplus funds it holds.

In April 2016 a number of garages were transferred to the General Fund, valued at £10.937m, reducing further the HRA CFR to £187.370m. Additional borrowing is permitted subject to be able to service the debt.

The movement on the HRA CFR over recent years, against a now abolished 'debt cap' of £208.837m, has been as follows:

27 March 2012: (-)£10.53m
 28 March 2012: £198.307m, following borrowing of £208.837m;
 1 April 2016: £187.370m, following the transfer of garages to the GF.

The table below summarises the potential HRA borrowing position for 2018/19, 2019/20 and 2020/21.

Harlow Council: HRA Borrowing 2018/19					
Lender	Amount borrowed / (lent) (£'000)	Maturity Date	Rate of Interest: Fixed or Variable	Rate of Interest (%)	Interest payable / (receivable) (£)
PWLB	41,767.4	28.3.2026	Fixed	2.92%	1,219,608
PWLB	41,767.4	28.3.2030	Fixed	3.21%	1,340,734
PWLB	41,767.4	28.3.2034	Fixed	3.37%	1,407,561
PWLB	41,767.4	28.3.2038	Fixed	3.46%	1,445,152
PWLB	41,767.4	28.3.2042	Fixed	3.50%	1,461,859
External borrowing	208,837.0			3.29%	6,874,914
Internal	(-)21,467.0	Ongoing	Variable	0.82%	(-)178,388
Total				3.56%	6,686,526
HRA CFR	187,370.0				

Continued over

Harlow Council: HRA Borrowing 2019/20					
Lender	Amount borrowed / (lent) (£'000)	Maturity Date	Rate of Interest: Fixed or Variable	Rate of Interest (%)	Interest payable / (receivable) (£)
PWLB	41,767.4	28.3.2026	Fixed	2.92%	1,219,608
PWLB	41,767.4	28.3.2030	Fixed	3.21%	1,340,734
PWLB	41,767.4	28.3.2034	Fixed	3.37%	1,407,561
PWLB	41,767.4	28.3.2038	Fixed	3.46%	1,445,152
PWLB	41,767.4	28.3.2042	Fixed	3.50%	1,461,859
External borrowing	208,837.0			3.29%	6,874,914
Internal	(-)21,467.0	Ongoing	Variable	1.39%	(-)297,481
Total	187,370.0				6,577,433
New external borrowing – say 15 years from 1.10.19	2,700.0	1.10.2034	Fixed	3.50%	47,250
HRA CFR	190,070.0			3.49%	6,624,683

Harlow Council: HRA Borrowing 2020/21					
Lender	Amount borrowed / (lent) (£'000)	Maturity Date	Rate of Interest: Fixed or Variable	Rate of Interest (%)	Interest payable / (receivable) (£)
PWLB	41,767.4	28.3.2026	Fixed	2.92%	1,219,608
PWLB	41,767.4	28.3.2030	Fixed	3.21%	1,340,734
PWLB	41,767.4	28.3.2034	Fixed	3.37%	1,407,561
PWLB	41,767.4	28.3.2038	Fixed	3.46%	1,445,152
PWLB	41,767.4	28.3.2042	Fixed	3.50%	1,461,859
External borrowing	208,837.0			3.29%	6,874,914
Internal	(-)21,467.0	Ongoing	Variable	1.64%	(-)351,819
Total	187,370.0				6,523,095
Borrowing – from 1.10.19	2,700.0	1.10.2034	Fixed	3.50%	94,500
New external borrowing – say 15 years from 1.10.20	6,800.0	1.10.2035	Fixed	3.50%	119,000
HRA CFR	196,870.0			3.44%	6,736,595

Interest is also earned on the HRA working balances. The rate, or yield, is based on the anticipated return from the investment of surplus cash and calculated by reference to the Bank Base Rate which is expected to increase over time. The Council usually achieves earnings slightly above the Base Rate. The model assumes earnings of 0.82% in 2018/19; 1.39% in 2019/20, 1.64% in 2020/21, 1.67% in 2021/22, 1.63% in 2022/23, and 1.68% thereafter.

The forward forecast of capital financing charges is as follows:

	Amount borrowed (£)	2021/22 (£)	2022/23 (£)	2023/24 (£)
External borrowing	£208.837m	£6,874,914	£6,874,914	£6,874,914
Potential new External Borrowing	£13.900m	£409,500	£486,500	£486,500
Internal borrowing	(-)£21.467m	(-)£358,103	(-)£371,966	(-)£370,347
Total (£)	£201.270m	£6,926,311	£6,999,448	£7,001,,067
Interest Rate (%)		3.44%	3.48%	3.48%

5. Stock and Rents

The Council had 9,279 tenanted and 2,517 leasehold properties as at 1 April 2018. The tenanted dwellings include the equivalent of 7 shared ownership dwellings.

The average weekly rent was £90.75 in 2018/19, and will decrease to £89.84 in 2019/20.

Void loss is set at 1.12% throughout the life of the Business Plan.

An annual provision for bad and doubtful debts is made, which offsets any approved write off of old debts. The annual calculation is £200,000 in 2018/19, rising to £280,000 from 2019/20 to cover the risk arising from the potential impact of Universal Credit. From 2020/21 it is thought that £240,000 would be sufficient.

6. Service Charges

The Council “unpooled” service charges in April 2007. The average weekly service charge to all tenants in 2018/19 is £2.17 per week. This will rise (or fall) in line with expenditure levels. On average service charges will increase to £2.49 in 2019/20. This includes an adjustment of 4p in respect of 2017/18 service charges.

In addition to the standard service charges to tenants, leaseholders also pay a management charge, insurance and for repairs and maintenance. Once again, these costs will rise or fall in line with relevant expenditure.

The business plan also includes income in 2019/20 from properties where there is communal heating. The cost of heating will change depending on the Council’s fuel supply contract which enables fuel to be purchased when prices are advantageous.

7. Garage Income

HRA garages income, net of voids, is estimated at £1,016,000 in 2019/20. The plan assumes annual increases thereafter of 5%.

8. “Right to Buy” sales

The number of Right To Buy completions is estimated to be 50 in 2018/19, 40 in 2019/20 and 30 thereafter. Sales values are assumed at an average £203,000, increasing in line with CPI, with an average discount of £77,186 assumed.

The proportion of usable receipts applied to the housing capital programme is 50% throughout the plan. The figure is calculated as the net amount following an amount compensated to Councils for loss of future rent income as a result of increased RTBs brought about by the Government's policy, and sums offered towards replacement housing.

Generally, three-quarters of receipts are subject to pooling by Government.

9. Management and Service Expenditure

The model is based on the existing HRA budgets. Inflationary increases applied are as follows:

- Employees: 2% per annum.
- Other costs are anticipated to increase in line with CPI.
- The Council's contract with HTS (Property and Environment) Ltd. is uplifted by a Buildings Maintenance Index. For planning purposes this was 3.7% in 2018/19, and is assumed to be 5% in 2019/20 and 3% annually thereafter.

10. Other Expenditure

The only other item of significant expenditure is the home loss payments which will be required to facilitate the re-housing of tenants: at The Briars, Aylets Field and Copshall Close. This ceased during 2018/19.

11. Maintenance and Investment Expenditure

Maintenance work is predominantly undertaken by HTS (Property and Environment) Ltd. In 2019/20 of the total budget of £10.873m, £9.397m forms part of the contract. Annual uplifts are therefore as set out, under the heading management costs.

Investment, or capital, expenditure has been calculated by reference to data contained in the latest Stock Condition Survey, and converted into an Asset Management Plan.

12. Capital Programme

The Council's Housing Capital Programme will expand from 2019/20 to include significant expenditure on building council homes. The remainder, the core programme, is financed mainly from rent income received to the Housing Revenue Account. In 2019/20 core capital expenditure will total £20.328m. Of this, £9.105m will be financed directly from the HRA and £10.085m from the Major Repairs Reserve. Throughout the Plan the programme is reliant on these income streams. Capital receipts contribute £0.953m in 2019/20.

Any income from leaseholders in respect of tendered works to flats is taken to revenue rather than capital. Income from leaseholders represents a proportion of work carried out in the Asset Management Plan.

13. Balances

Balances brought forward as at 1 April 2018 were £14.104m on the HRA Operating Account and £nil in respect of the Major Repairs Reserve. It has been agreed that the HRA Operating Account must have a minimum working balance. At 31 March 2019 this is £4m.

14. Borrowing Strategy

The five fixed term maturity loans taken out in 2012 will be not be repaid but renewed on maturity of each loan: i.e. £41,767,400 will be renewed on 28 March 2026, 28 March 2030, 28 March 2034, 28 March 2038 and 28 March 2042.

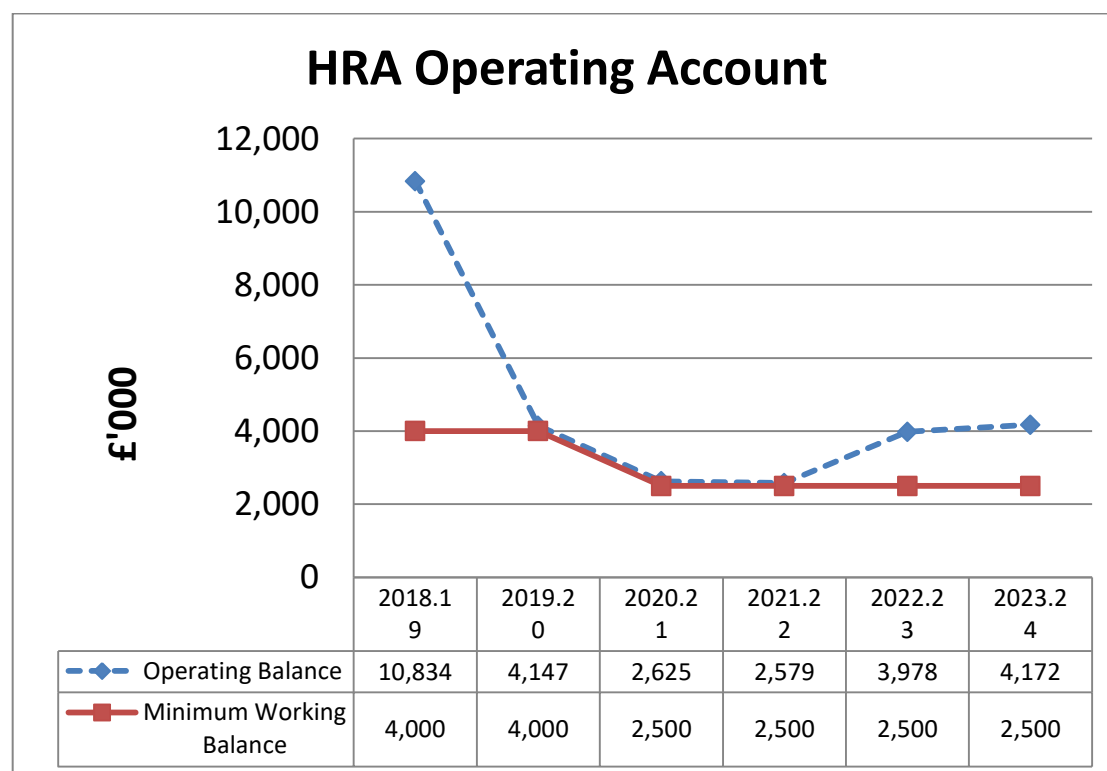
The Plan assumes additional borrowing of £2.7m is necessary in 2019/20, £6.8m in 2020/21, and a further £4.4m in 2021/22 to support building council homes.

APPENDIX 6.3

HRA BUSINESS PLAN: SENSITIVITY ANALYSIS

Baseline Plan

The baseline HRA Business Plan 2018-2048 (referred to below as the 'baseline Plan') has been described in 6.3 above and is considered to be the most likely forward forecast. The plan consists of two distinct elements. Firstly, the programme of building council homes is supported by retained receipts and borrowing but dependent on interest payments for the latter before a flow of additional income from rents starts to benefit the plan. Secondly, there are the ordinary activities of managing, maintaining and renting existing stock. The rule applied is that borrowing should not support the ordinary activities contained in the plan. It shows that throughout the life of the plan the HRA is sustainable, avoiding a capital deficit in all years albeit that the headroom between the projected balance and minimum acceptable working balance between 31 March 2020 and 31 March 2022 is minimal. *The baseline plan is illustrated in Appendix 6.1.*



This Appendix considers the robustness of the baseline Plan by carrying out sensitivity analysis. During these times of uncertainty some commentators suggest that more than one Business Plan should be prepared. The officers view is that in submitting a baseline Plan additional analysis helps inform and perhaps highlights areas of potential weakness.

At the present time inflation, and the outcome of the Grenfell Tower Public Inquiry are key risk areas, the combination of the two on the Housing Capital Programme being particularly potent.

Sensitivity A. Building Council Homes

The Baseline Plan has set out a programme for building council homes based on aspirations set out in a report to Cabinet in December 2018. Total programme expenditure of about £21m, 30% of which is funded by retained capital receipts, i.e. £6.296m. The Council already holds £3.927m in retained capital receipts and must spend these by 31 March 2021.

Under present regulations if a programme of house building is not achieved within three years on obtaining retained receipts, these must be repaid to Government with the addition of a 4% interest charge above Bank Rate.

The programme indicates the need to judiciously draw down sufficient retained receipts to maintain house building without the need for excess borrowing, but also not too ahead of schedule to risk repayment of amounts back to government.

This programme needs to be successfully managed to ensure optimum outcome.

In the event of non achievement, the effect on the Business Plan would potentially be catastrophic. The Council could repay the time-expired sums but draw down new retained receipts in lieu, bearing the interest cost. Alternatively it could purchase property on the open market, using residual retained receipts but having to find or borrow the larger proportion of the cost. The Head of Finance may consider a lowering of the Minimum Working Balance to permit any of these alternative strategies but this carries a risk of tightening the headroom on additional costs or reduced income from ordinary activities. There is little scope for additional income because the rent of dwellings is capped through government guidance.

The ambition of the Council, as set out in the report to Cabinet in December 2018, is to build a further 84 homes perhaps at a total expenditure of a further £21m. The ability to spend is heavily predicated on balances available in the HRA to afford interest costs ahead of a stream of rent income, inflationary risk, and the necessary skills being available.

On the assumption of a continuation of a house building programme beyond the medium term a further £21m programme could be undertaken in no less than five years beginning 2022/23 drawing down £6.3m in retained receipts and borrowing £5.4m (£1.6m at 1 October 2022, £2.9m at 1 October 2023, £0.5m at 1 October 2025, £0.4m at 1 October 2026, all at 3.5%). The remaining balance of funding could be met from the increasing revenue balances brought about by future rent increases at CPI+1%. This is a potential if risky undertaking.

Beyond the present programme there remains the question of the lack of land availability within the border of the Harlow Council area.

Sensitivity B: Inflationary Risk

For the fourth successive year local authorities are required to reduce rents to tenants by 1%. With the Consumer Price Index at +2.4% in September 2018, in ordinary circumstances housing rents would have increased by 3.4% from April 2019. The inflationary pressure on the HRA through employee costs (estimated increase, 2%) and HTS (Property and Environment) Ltd contractual increases (estimated, 5%) erodes the working balance.

Compliance with legislation means that Harlow Council's average weekly rent for 2019/20 will fall from £90.75 to £89.84 per week. Had CPI+1% been the measure for rent reviews for 2019/20 then rents would have risen by 3.4% with effect from April 2019. There is no merit in wistfully pondering over how much rent has been and will be lost to the Council over these years and across the 30-year horizon. We are where we are.

Income to the HRA from dwelling rents is approximately 87% of total income collectable. With this income stream fixed this makes fluctuations in inflation on net expenditure more susceptible.

HTS carries out a wide range of housing related services. The contract is uplifted annually by a Buildings Maintenance Index (BMI), which in the HRA Business Plan 2017-2047 was assumed to be 3% per annum. The actual increase in 2018/19 was 3.7%, adding a £90,000 cost to the HRA, and for 2019/20 estimated at 5%, adding a further £331,000 annual cost to the HRA. If, however, the annual increase was +/- 0.5% different this would cause the cost of repairs and special management in 2018/19 would change by +/-£70,000 with a potential +/-£1.050m cumulative across the medium term to 2023/24.

During its third year of operation, the Council plans to review the Annual Service Charge, contemplating whether BMI is the most appropriate uplift measure for this basket of work.

HTS undertake fixed price work in the Housing Capital Programme. The figures input into the baseline Plan assume that inflationary changes are absorbed. This could prove a weakness in the forward forecast. A +/-1% change on the estimate for 2019/20 alone is £101,000.

The Consumer Price Index (CPI) is assumed to be 2% throughout the baseline Plan. However CPI was 2.4% in September 2018 and anticipated to be slightly above 2% in September 2019 according to the latest Bank of England forecasts, which assumes an orderly exit from the European Union in March 2019.

Sensitivity C: Grenfell Tower Public Inquiry, and the Possibility of Borrowing

The baseline Plan identifies the following expenditure in relation to fire safety and prevention work.

In addition, for 2019/20 only, the minimum working balance has been increased by £1.5m to allow for any urgent intervention which may arise following the report of the Grenfell Tower Public Inquiry. However with a building council homes programme planned which will utilise the excess balance in 2020/21 the possibility of borrowing to support urgent work cannot be ruled out.

Sensitivity D: Erosion of Rent Income

The Government has already announced that social rents will move by (-)1% until 2019/20, and between 2020/21 and 2024/25 increase by "no more than" CPI+1%. This indicates the return to some limited local discretion over rent setting. No announcement has been made regarding rent levels from 2025/26 so the baseline Plan assumes a continuation of rent increases at CPI+1% (i.e. +3% annually from 2020/21 to 2047/48).

The key objective in this Business Plan has been to set a sustainable view over the medium term, so any departure from the annual increase of CPI+1% (i.e. 3%) after 2024/25 will need to be accommodated in the future.

By way of illustration, if rents increased by CPI (2%) rather than CPI+1% (3%) after 2024/25, by 2048/49 the average weekly rent would be £164.21 rather than £205.52. This would create an unsustainable Business Plan. Even if borrowing for building council homes was renewed rather than repaid, after 2042/43 there would be a capital shortfall i.e. insufficient income to support the business. A continuation of a house building plan, such as in Sensitivity A, would be in jeopardy.

Under the former rent restructuring mechanism a Formula Rent was calculated for each property with the aim for actual rents to eventually match the Formula Rent. This was abandoned in 2015/16 but Councils are allowed discretion to set rents at Formula Rent level whenever a property is relet. Harlow Council has not used this option to date. Assuming that the turnover of property is 5% per year, there is the opportunity to increase rents in 2019/20 by an average of 4.5p per week, or £21,500 overall. The full year effect and ongoing turnover is likely to yield around £65,000 in 2020/21.

Sensitivity E: Garages Income

The baseline Plan has assumed, for the first time in 2019/20, differential rent increases for garages. Those categorised as 'Retain and Invest' have been subject to a 5% increase but other garages will be subject to a 20% reduction. This affects 547 garages let to tenants so represents a reduction in income from 2019/20 of £70,000 to the HRA. There is an inbuilt risk that price will outrun demand and the Council be left with an increasing number of empty garages. Increasing garage rents by CPI only (+2%) across the medium term to 2023/24 would result in a reduction in balances of £477,000 by 31 March 2024.

Sensitivity F: Capital Receipts

Capital receipts in this Business Plan come from two sources: firstly, from asset sales; and, secondly, from Right To Buy sales.

Right To Buy receipts are predicated not only on the number of disposals forecast but also an assumption of increases in house prices, which in the baseline Plan is assumed to be CPI annually (+2%). If there was a downturn in the market this would inevitably affect receipts available to fund the Housing Capital Programme.

Sensitivity G: Welfare Reform

The baseline Plan has assumed that Universal Credit might have an adverse effect on payments. It has assumed £280,000 as a bad debt provision in 2019/20, reducing to £240,000 per year from 2020/21.

Universal Credit is new and brings uncertainties regarding rent income.

Sensitivity H: Investment Strategy

Cabinet in October 2015 agreed a revised principle to “renew the Public Works Loan Board (PWLB) debt of £208.837m upon maturity of each loan, keeping repayment under review”.

The baseline Plan assumes renewal of borrowing of £41,767,400 in 2026, 2030, 2034, 2038 and 2042 at a rate of 3.5% per year. Ceteris paribus, all other things being the same, it would be possible to repay the loans in 2038 and 2042 having renewed the previous three in 2026, 2030 and 2034.

The Investment Strategy proposes new borrowing to support building council homes. (see 6.1.3.). The baseline Plan assumes that these will be repaid after a term of 15 years.

Sensitivity I: Procurement of Work (Housing Capital Programme)

The Council achieved the Decent Homes Standard for all properties in March 2015. It has had to reprioritise work in light of recent announcements (see *Chapter 4 and Appendix 6.2*). The budget for the programme has been devised ahead of acceptance of tender prices. Should these prices be higher than anticipated, overall, it will mean there are insufficient funds to achieve the target which will mean reprofiling and disappointment to some tenants.

Borrowing could be an option in an emergency situation but, as noted above, it would mean reductions in expenditure elsewhere. The Council will respond in an appropriate manner to the outcome of the Grenfell Tower Inquiry undertaking borrowing where urgent work is necessary.

Sensitivity J: Empty Properties

The proportion of empty properties to the whole stock is estimated as 1.09%. Therefore a 0.1% change in the level of voids is +/- £43,340 in 2019/20, rising to +/- £43,500 in 2020/21.

GLOSSARY

BCA	The Briars, Copshall Close & Aylets Field Priority Estate
BMI	Building Maintenance Index
CAB	Citizen's Advice Bureau
DWP	Department for Work and Pensions
CPI	Consumer Price Index
ECC	Essex County Council
EPC	Energy Performance Certificate
FRA	Fire Risk Assessment
GF	General Fund
HCA	Homes and Communities Agency
HIP	Housing Investment Programme
HRA	Housing Revenue Account
HRS	Housing Related Support
HTS	HTS (Property and Environment) Ltd
JSA	Jobseeker's Allowance
KPI	Key Performance Indicator
LATC	Local Authority Trading Company
MHCLG	Ministry of Housing, Communities and Local Government
MRR	Major Repairs Reserve
PWLB	Public Works Loan Board
RTB	Right To Buy
SHMA	Strategic Housing Market Assessment
TA	Temporary Accommodation
UC	Universal Credit

FURTHER READING

Welfare Reform and Work Act 2016.

Housing and Planning Act 2016.

Homelessness Reduction Act 2017.

MHCLG. Green Paper. 'A New Deal for Housing'. August 2018.

MHCLG. Use of receipts from Right to Buy sales. Consultation. August 2018.

MHCLG. Rents for social housing from 2020/21. Consultation. September 2018.

'HRA Budget 2019/20'. Report to Cabinet, 24 January 2019.

'Capital Programmes 2018/19 – 2019./20'. Report to Cabinet, 24 January 2019.

Presentations to:

Property Standards Panel & Tenancy Standards Panel, 7 January 2019.

Housing Standards Board, 9 January 2019.

Tenants Forum, 10 January 2019.

Leaseholder Standards Panel, 17 January 2019.